CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Thursday, July 17, 2008

Hyatt Regency Sacramento
1209 L Street
Sacramento, California
(916) 443-1234

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the May 14, 2008 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action regarding final loan commitment for the following projects: (Bob Deaner/Laura Whittall-Scherfee/Kathy Weremiuk/Jim Liska/ Nanette Guevara/Tina Ilvonen)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
07-031-A/S	Villa Mirage I & II	Rancho Mirage/ Riverside	98
Resolution 08-20 127			
08-022-C/S	MHSA – Cedar Gateway	San Diego/ San Diego	65
Resolution 08-21 149			
08-025-A	MHSA – The Courtyards	Long Beach/ Los Angeles	46
Resolution 08-22 177			

Bd.binder/#170429v2
Bd.Mtg.:07-17-08

5. Update on the Mental Health Services Acts (MHSA) Housing Program. (Kathy Weremiuk)

6. Update on Bay Area Housing Plan. (Kathy Weremiuk)

7. Report on and discussion of CalHFA debt restructuring. (Bruce Gilbertson)

8. Report of the Chair of the Compensation Committee regarding (i) the term of the Executive Director and succession planning issues for the Executive Director position, and (ii) the development of policies and procedures for the compensation process; and recommendations of the Compensation Committee and discussion and possible action by the Board regarding such issues.

9. Reports.

10. Discussion of other Board matters.

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

NOTES

HOTEL PARKING: Parking is available as follows: (1) overnight self-parking for hotel guests is $18.00 per night; (2) valet parking is $24.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be September 18, 2008, at the Burbank Airport Marriott Hotel & Convention Center, Burbank, 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, May 14, 2008
9:36 a.m. to 12:38 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

CAROL GALANTE
President
BRIDGE Housing Corporation

LYNN L. JACOBS
Director
Housing and Community Development

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

JOHN MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

HEATHER PETERS
for Dale E. Bonner
Secretary
Business, Transportation and Housing Agency

JACK SHINE
Chairman
American Beauty Development Co.

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CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

ROBERT L. DEANER II
Director
Multifamily Programs

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

SALLY LEE
Interim Director
Administration

JIM LISKA
Loan Officer
Asset Management

JIM MORGAN
Loan Officer
Asset Management

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Directory

RUTH VAKILI
Housing Finance Officer
Multifamily Programs

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

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BE IT REMEMBERED that on Wednesday, May 14, 2008, commencing at the hour of 9:35 a.m., at Burbank Airport Marriott Hotel and Convention Center, Academy Room 4, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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Item 1. Roll Call

CHAIRMAN COURSON: Good morning. I'll call the meeting to order, and our first order of business is to call the roll.

MS. OJIMA: Ms. Peters for Mr. Bonner.

MS. PETERS: Present.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Here.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Here.

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

(No audible response.)

MS. OJIMA: Mr. Morris.

(No audible response.)

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Thank you.

Ms. Bryant.

(No audible response.)

MS. OJIMA: Mr. Genest.

(No audible response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN COURSON: And let the minutes reflect that Mr. Morris has arrived with his coffee.

So we have a quorum.

MS. OJIMA: We have a quorum.

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Item 2. Approval of the minutes of the March 19, 2008 Board of Directors meeting

CHAIRMAN COURSON: The first order of business is in your binder, are the minutes of our last meeting, the March 19th meeting.

Is there a motion to approve the minutes?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Moved by Ms. Jacobs.

Is there a second?

MR. MORRIS: Second.

CHAIRMAN COURSON: Mr. Morris seconds.

Are there any -- is there any discussion, any changes to the minutes?

Seeing none, let's call the roll, then.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRMAN COURSON: Okay. Thank you.

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Item 3. Chairman/Executive Director comments

CHAIRMAN COURSON: Let me -- we have obviously a lot on our agenda today that we want to cover, and I want to make sure that at the end we have some time to have Bruce Gilbertson talk to us again, following up on what we talked about last time, the financial markets. And that's in the report section, so we want to make sure that we save enough time before we lose people from the Board to get an update 60 days after Bruce's and Tim's report to us at the last meeting.

Let me just spend a couple of minutes -- and I've chatted with a couple of you informally -- and talk a little bit about I've been in Washington for two out of the last three weeks. There's a lot of things going on.

You're probably well aware there's a bill that is now out of the House of Representatives which is sort of an omnibus housing bill. It includes the FHA modernization, which would include increasing FHA loan limits in that bill up to a maximum of $550,000.

It includes the government sponsored enterprise GSE reform. And that bill includes permanent -- making permanent the temporary loan limits which would be up to 125 percent of median sales prices, median values, with a maximum of 175 percent in high cost areas.

And that bill also has an affordable housing fund in it, but it's designated that the affordable housing fund would be split between HUD specified block grants, whatever that means, and the Treasury. So -- as opposed to what we thought might happen to some of that, there is a designation inside those two bills.

That bill passed the House and has crossed back over to the Senate. The Senate today is voting on their version of a housing bill -- oh, I'm sorry. In the housing bill, also there is a rescue fund wherein lenders would pay down principal balance, they'd refinance the borrower into a permanent fixed-rate loan using FHA insurance.

Senator Dodd has introduced and there's voting in the Senate today in the banking committee on a housing bill that has also a rescue fund that is very similar to what was in the House bill. It has too the GSE and the loan limit pieces. It has an affordable piece. And -- but it does have the FHA modernizations.

So what we have is sort of we've got a lot of things moving, and the question is will all of that be able to hit one spot for conference or resolve to get these things that have been on the table for such a long time into a conference where they can resolve. The Administration has indicated that they don't like it. They've threatened to veto. And there are those that will say that that will lead to negotiations. And, again, at the end we'll see what comes out of the Washington, D.C. legislative mill, but there's a lot of things moving in Washington.

The Governor's Office has been aggressive in supporting the higher loan limits, the permanent higher loan limits. I know the California Mortgage Bankers Association has contacted all other 50 state associations to ask their support for higher loan limits and contacted all the Congressional delegations also. So there's a big move for the loan limit opportunities here in California.

Having -- the other thing I'd like to do is -- it's time, we've obviously had a shift of folks that are on the Board and so with looking at some of the expiring terms on the committees have under the charter made some shifting and new appointments to our two committees.

So the Audit Committee will be chaired by Mr. Carey, and he will be joined -- and Mr. Carey's term, he's already on the committee, and his term ends in March of '09. Ms. Jacobs has agreed to serve on the Audit Committee. Her term will end in May '10 -- 2010. And Ms. Galante is on the committee, and her term expired, but being reappointed to serve out till '11 because she has a longer term. So that will be the Audit Committee.

I want to thank Mr. Shine for his service on the committee as Chair. Obviously the role of that committee took to a much more robust and expansive task than I think we -- when we appointed that about three years ago. And, Jack, I just appreciate your stick-to-it-iveness and your work on behalf of that.

MR. SHINE: Thank you.

CHAIRMAN COURSON: But he's going to move over to the Compensation Committee and has agreed to be a member of the Compensation Committee. On the Compensation Committee will continue to be Mr. Morris, who has been on -- when we split up the terms to start, Mr. Morris' term ended -- ends in September of '08. I'll continue on the Compensation Committee as Chair, and my term ends in September of '09. Mr. Shine, whose term will end in May of 2010. And Ms. Javits has agreed to join us on the Compensation Committee to give us four folks on that committee, and her term will end in May of '11.

So obviously, the committees are fluid. We try to keep them so we have people coming on and off as we do. Obviously, for some reason people may be reappointed when their terms end, people may want to move off and so on, but in the sake of having it organized, we now have the committees filled with the waterfall of terms that I think we all envision and call for in the charter.

Having said that, I have nothing else, and I'll turn it over to our executive --

MR. MORRIS: John.

CHAIRMAN COURSON: Yeah, I'm sorry, Mr. Morris.

MR. MORRIS: I think you have my term incorrect, so you might want to double-check on that.

CHAIRMAN COURSON: Okay. The terms were at the Board meeting on September 7th of '06, we appointed those committees. And at that point Mr. Czuker was appointed a one-year term, Mr. Morris a two-year term, and I was appointed a three-year term.

MR. MORRIS: Oh, I thought you meant -- okay.

CHAIRMAN COURSON: Yeah. No, not -- this isn't Board terms, these are committee terms. New reappointments as the terms expire.

MR. MORRIS: I got it.

CHAIRMAN COURSON: Okay. Thank you.

MS. PARKER: Good morning, Members.

I have mostly some personnel changes. The Agency seems to always be changing, a dynamic organization. And with that brings well wishes to people who are moving on and welcomes to people who are joining us.

So it's with mixed reviews or feelings that I make some personnel announcements. We have one retirement. Jackie Riley has left the Agency and left state government and retired after more than 30 years of commitment to state government in totality and most of that served with the California Housing Finance Agency. And Jackie will be enjoying her next phase of her life in retirement, and she has obviously served the State of California with distinction, and we've appreciated her commitment to the staff, the citizens of California and the Agency.

Also retiring is Jerry Smart. Jerry Smart, who has worked with the Agency for 26 years, is retiring at the end of the month. We were kidding Jerry the other day that when he came in 1982, '83, that the Agency was doing $23 million worth of production of single family lending. Last year we did 1.7 billion, so a little bit of a change over Jerry's years and obviously a big legacy for him as he moves along.

And that -- with that parting, we have a new person to announce: Gary Braunstein.

Gary, if you would stand up so everybody can see you.

Gary is joining the Agency at the moment as a consultant, a special consultant, to the Executive Director on Homeownership while he goes through the process of having his name submitted to the Governor for permanent appointment to the Director of Homeownership. So you will be meeting Gary. You'll be seeing a lot of him. And, again, I think it is an example of the testimony to the staff that we have had for the Agency and their commitment and the quality and caliber of staff that we're able to attract.

John has mentioned what's going on at the federal level, which we continue to watch very closely. I think that Bruce will give you a briefing on what's been happening since we last met with respect to our financial situation, and it's, you know, very good news from where we were at in March. We're progressing along as planned. He'll also give you a little bit of news about the trip that the two of us made to New York to talk to investors and have had positive feedback from that.

So I think we have good reports, at least certainly not gloomier reports, given what is happening in the marketplace, both in New York and obviously in California.

We continue to work on the REO program that we have mentioned to you about in our several meetings. It's included in our business plan today. We have been meeting with bankers to get some final terms and conditions for that program which we'll be reporting to you as we move along. We hope between now and the next time that we meet, we will have rolled that program out and successfully started lending some of the $200 million of additional bond cap received from CDLAC.

The last thing I just want to mention is that S & P was in last week to talk with Chuck and all of us about the MI fund, and we have not gotten official rating yet, but we expect to have one by the end of the month or the middle of next month. Every indication is that we should -- that the news should be positive.

So with that, Mr. Chairman, we'll look forward to presenting the Board material to you all today.

CHAIRMAN COURSON: I would like to go back and mention one thing, and I'd mentioned this to Steve Spears, our deputy. I've asked the staff, starting at the next meeting, to make sure we include in all of our Board books some reports and statistics on our servicing portfolio and our MI portfolio. We spent a lot of time looking at losses and delinquencies and trends and foreclosures and REOs, and I think that should be a normal part of our Board book that we receive.

And I've asked Steve to provide one in the interim for us now so we can get a snapshot -- we looked at all those numbers two months ago -- give us sort of an interim snapshot that we can send to the Board and then have that as part of our regular reporting. Because clearly as a Board, that's something that should be of great concern to us. So we'll have that starting at the next meeting.

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Item 4. 07-022-A/N Mission Gardens

Santa Cruz/Santa Cruz

CHAIRMAN COURSON: All right. We're ready for the first project, which is Mission Gardens. It's on page 215 of your Board book. And Bob Deaner is going to kick us off.

MR. DEANER: Okay. Well, I'm going to turn it over to the loan officer to get into the details. We have a number of projects to get through, so we'll try to make it as quickly as we can.

MS. WHITTALL-SCHERFEE: The first project we're presenting today is Mission Gardens. Mission Gardens is a portfolio loan. It's part of the Agency's portfolio. This is a request for acquisition and permanent financing.

The buyer is Mission Gardens Affordable, LP. They are a limited partnership with -- managing general partners are Mission Gardens, AGP, LP, and the nonprofit is Las Palmas Housing and Development Corporation Foundation.

These projects are part of the Bentall Residential portfolio of loans that are currently with CalHFA. Bentall has 13 projects with us, and this would be an additional project.

The project was constructed in 1981. It is 50 units. The family and senior housing. It has 28 family units and 22 age-restricted senior units.

The request for financing is for a first mortgage acquisition rehab loan in the amount of $4,170,000. It's a fixed-rate, 5-percent, 24-month, interest-only, tax-exempt loan. In addition, because of the Section 8 that Jim is going to explain further, there is a second mortgage in the amount of $450,000, also at 5 percent. It will be 5-year fixed, fully amortized and tax exempt.

Upon completion of the rehab, the permanent loan is in the same amount. It's in the amount of $4,170,000 for five years for a 35-year fixed term, fully amortized. And they do have the option to prepay after year 15.

Jim is going to take you through the project. He's going to explain the rehab and the slides and the peculiarities of this project.

MR. MORGAN: James Morgan.

Here's a picture looking kind of west southwest of the site with Highway 1 located just south, Cabrillo Highway .11 miles south of that project.

Overhead view of -- aerial view of Mission Gardens.

Here we got a view of the subject's main entry.

The driveway.

We have a series of two town home buildings. There are eight town homes cordoned off into four town homes in each building.

This is the open space that's directly adjacent to the lot connected by a footbridge over a creek, which has the tot lots.

The one bedroom, senior one bedrooms. Two bedroom. And the two bedroom kitchen. These kitchens are typical of the ones, twos and threes.

As Laura said, this is an acquisition rehab. The rehab to structure is $1,056,000. It equates to about $21,123 per unit. Approximately 50 percent of that budget, or 533,000, is for the interior residential units. And almost half of that, or 257,000 is for new kitchen cabinets, counters, bathroom cabinets and counters. And the remaining funds are to be utilized to replace and install kitchen and bathroom sinks, faucets, lights, unit flooring and unit painting.

Approximately 36 percent, or $383,000, is for exterior building structure, exterior building repair. The majority of that rehab is for brand-new windows and sliding glass doors for all units, painting and stucco repairs and roofing.

The remaining portion, approximately 13, 14 percent, is for site work, and that's mostly grade modifications in the rear portion of the town home buildings where some of the dirt has been carved out by the tenants and they need some reinforcement. There will also be fence repair and fence replacement.

Relocation for the rehab, during the rehab, the relocation budget is approximately $50,000, a thousand dollars per unit. The average -- on this project and other projects, the average rehab or days displacement is about two days, but we've budgeted four days at $250 per day, a thousand dollars per unit, so we feel really secure with the relocation budget.

With the rents, I just wanted to point out on the rent chart, in our excitement to provide you with a hundred percent AMI, we forgot to update the 2008 rents on the rent chart, so that 700 in the one bedrooms is 763. One bedroom 50-percent rents is really 870. And the 926 is -- 60 percent rents are 979.

And on the two bedroom and three bedroom, same thing. Those rents at 912 are 979, and the 60 percent rents are $1,175. And on the three bedrooms, $1,008 is a 1,088 for the 50-percent rents, and two bedrooms is 1358.

It's on your -- it's on -- in your Board packet it's on the rent summary on page 223, but the cash flow we flexed the current income for 2008. It just didn't sink to that rent summary. Okay? I just wanted to make that clear.

Like Laura mentioned, this is a hundred-percent Section 8. The Section 8 contract expires June 2011. Bentall Residential will seek a renewal, an extension of that. The Section 8 rents are currently 30 percent below the market rents. The Section 8 for the one bedrooms is 1,065, and the market is 1503. Section 8 rents for the two bedrooms is 1262. The market rents are 1893. Then the three bedroom rents are 1386, and the market rents for three bedrooms in the Santa Cruz area are 2,239.

But even with those, with the half rents that the project is receiving, we have implemented a transition operating reserve of $156,000 just representing the subsidy piece.

The initial deposit to the replacement reserve has usually been a thousand dollars per unit. We've increased that to 1500 per unit. And replacement reserve for -- as an ongoing basis as a part of the annual operating expense is at $500 per unit per year.

In addition to the Section 8 funding, we also have the redevelopment agency of the City of Santa Cruz providing a million and a half dollars in subsidy dollars, a million coming in during acquisition and $500,000 coming in at perm. That's at 3 percent, 55 years residual receipts.

And with that, I'm ready to take any questions.

CHAIRMAN COURSON: Are there questions on the project?

Ms. Galante.

MS. GALANTE: This is not the first portfolio loan we've seen where I have trouble understanding based on the information I have, you know, what the existing loan is and what's happening with the -- this property is being sold from the current property owner to a new limited partnership?

MR. MORGAN: That is correct. So there is a sale. And we -- we are -- our regulatory agreement restricts any sale unless you have CalHFA approval, and part of the sale is that CalHFA is involved in the financing. And so we pay off our old loan. We put another 30-year regulatory agreement, another 55-year TCAC agreement on the property, and we do the -- we do the acquisition rehab based on the physical needs assessment.

MS. GALANTE: So what's the current balance of the current loan? In other words, this isn't just a refinancing of --

MR. MORGAN: No, this is not a refinancing. This is a payoff of the existing loan.

MS. GALANTE: And there's also a requirement of a change in ownership --

MR. MORGAN: That's correct.
MS. GALANTE: -- structure.
MR. DEANER: I was just going to mention that under our current scenario we don't -- the Agency doesn't have a refinance program, we just have -- the way of our old portfolio, of our old loans, 30-year loans with no prepays is -- is we have our new program, which is through a sale. It's got to go through an actual sale to an unrelated party, and then through the sale they have to then refinance with us.
And we look for, through those sales for the program either deeper affordability, extended affordability, or rehab. So we, you know -- to allow to get out of the original deal, we're getting -- you know, two of the three is what we're looking for, either deeper affordability or rehab.
MS. GALANTE: So this is a policy issue that I'm really frustrated by, and I don't know where to direct my frustration, but -- so are you telling me that the old owner is going to make money off this sale so that CalHFA can refinance, whereas if the current owner wanted to refinance and extend affordability, they could not do that?
MR. DEANER: Well, we currently don't have a refinance program because with this sale, they're going

in and getting new bonds, so they're getting new bonds and new tax credits. So with that, we can issue tax-exempt bonds and offer our standard tax-exempt pricing.

MS. GALANTE: Well, why couldn't you do that for the current owner?

MR. DEANER: If we did a sale -- if we did a refi, we'd have to -- we would have to pay off the old bonds and need new bonds or we'd have to issue taxable. That is the only way we could do that.

We are currently talking about putting together a refinance program within the Agency. We've had multiple discussions, and we are working on a potential program, but it's one that we don't have in place at this time. So for a current owner to sell, to get out of its project, if they want to is through a sale.

MS. GALANTE: Right. And I'm more concerned about current owners that want to refinance their current CalHFA mortgages. And this lack of refinancing program actually puts a person in a position of it being the only way to do that is to sell the property to a third party. And I don't think that's good --

MR. DEANER: Well, that's --

MS. GALANTE: -- policy.

MR. DEANER: That's why we are addressing it. We are addressing the fact that we are looking at a refinance program for the current owners. But, again, if we do that, we've -- you know, and if it does get established or if it doesn't get established but if it does, it's going to be on a taxable base versus a tax-exempt base because we'd have to pay off the old bonds with new taxable bonds, and so there is going to be a difference in pricing and such so the --

MS. PARKER: Carol, there's also some legal issues and I wanted to have Tom speak to that a little bit and talk a little bit about what we actually are proposing -- we've had discussions internally -- of doing to look at this issue.

MR. HUGHES: Well, again, it's -- I'm not sure this is on. It's quite complicated. Our own program combines elements of federal tax law and our own policy, but the core restriction is imposed by federal tax law, which requires with -- in connection with tax-exempt housing bonds for the property be sold to an unrelated buyer and substantial rehabilitation be done.

So that's -- so if we were to do refinancing, as Bob has said, we would have to do it on a taxable basis, which usually isn't competitive, I think is the key issue there. The other elements of the refinancing where we get greater or deeper affordability tend to be -- and the new CalHFA loan are the elements of our own policy that we've overlaid on that.

And we have put tremendous effort into trying to find a way to deal with the issue of prepayments, which we currently restrict, which involve primarily issues relating to the underlying financing that we do. We're actively involved in looking at that issue, but it's quite complex, and I can't say that there's a way around it at this point, but that's where we stand.

MS. GALANTE: Well, I'd like to not take up the time now to have that refinancing conversation obviously, but what I see in this particular project is not really new affordability, you know, some rehab. It's already a Section 8 project. And I see people making some fairly significant fees, and CalHFA providing a really great mortgage amount, and it doesn't seem like the optimal use of our financing.

MR. DEANER: Well, I think -- I think we are, but we are getting extended affordability because we are going to go out 55 years now with the new tax-exempt bonds, and we are getting $21,000 worth of new rehab in the projects, and yet the rents are still going to stay where they are.

So when we do look at these transactions, we are -- we are requiring that we get extended, deeper or rehab in the project. So there is a benefit to -- to the project, and we might be getting an owner out that no longer really wants to manage it, and we're getting a new owner in that would be more proactive.

CHAIRMAN COURSON: Other questions?

Is there a motion? There's a resolution on page 235 to authorize this final loan commitment. Is there a motion?

MS. JACOBS: Move approval.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MR. MORRIS: (Waves hand.)

CHAIRMAN COURSON: Mr. Morris seconds.

Is there any further discussion from the Board?

Any discussion from the public?

Seeing none, then let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

CHAIRMAN COURSON: Mr. Shine has had to leave the Board meeting.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-12 has been approved.

CHAIRMAN COURSON: Okay. Thank you.

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Item 4. 07-006-C/N Fourth Street

San Jose /Santa Clara

CHAIRMAN COURSON: Let's move then to the Fourth Street Apartment project, which is on page 237 of the Board book.

MS. WHITTALL-SCHERFEE: Fourth Street Apartments is a request for construction and permanent loan financing. This is a new construction project. It will be a hundred units. It will be a tenant population that's developmentally disabled or at risk of homelessness for 35 percent of the units.

This project is currently at CDLAC. We're requesting CDLAC approval.

The request is for an acquisition construction loan totaling $33,965,000. 30 million of that is tax-exempt bond money at 5-percent fixed for 24 months, interest only. The 3,965,000 of taxable money will be at 6.8 percent, fixed rate for 24 months, interest only as well.

The permanent loan is expected to be $9,590,000. Because of the 35-percent developmentally disabled population, this is considered a special needs loan, but because of the size of the loan, we agreed that we would do a stepped interest rate. So we're starting at 3-and-a-half-percent fixed interest rate for years one through ten. It then increases the 4 and a half percent during years 11 through 20. And it becomes a 5-percent fixed rate at years 21 through 35.

The borrower will have the option to prepay this loan after the first 15 years at their discretion. Otherwise the loan will continue with the terms we've just described.

Ruth is going to discuss the project and explain a little bit more about the financing and what is being built.

MS. VAKILI: Good morning.

The Fourth Street project is located in San Jose, and from this aerial you can see the back of the project -- do I have a little pointer? I have a pointer -- is Highway 101. To the side of the project is

880. And in the distance is downtown San Jose, which is about two miles away along First Street, which is two blocks down, is public transportation via a light rail system, and the developer First Community Housing's project on Gish Road and First, which is just two blocks from this project. The project is very well oriented towards public transportation.

And here's a closer view of the project. It is in an area that is a mix of light industrial hotel and residential uses and is fairly well located to public services, shopping, light rail that takes you to the downtown where all services are available.

The project currently has a commercial building, which will be demolished prior to start of construction.

And here is the back of the site. It's .75 acres on which there will be a nine-story high-rise building. There will be two stories of parking and seven stories of residential.

This is an elevation. It's a little fuzzy, but you get the picture.

Here you can see how the parking is arranged with the buildings on top. And you are not seeing things here. You are seeing two cars stacked in the parking structure. There will be 36 lifts which for the two- and three-bedroom units will stack the cars, two parking spaces per unit. And 36 lifts will have one car at the bottom and lift the second car for that unit to the top, which I believe in the city of San Jose this is something that's relatively new. This is more of an urban type of construction and an urban type of project. The parking requirements are more of a suburban nature, which increase the parking for this building necessitating the use of parking lifts.

The project will consist of 39 one bedrooms, 31 two bedrooms and 30 three-bedroom units. 35 percent of the units will be rented at 25-percent AMI to developmentally disabled population.

The project will have a lot of interesting features to it. There will be a living roof on top, which not only serves for open space and is accessible to the tenants, but it also will be a site -- the living roof will provide insulation and will treat stormwater runoff and will improve the air quality and reduce urban heat. There are -- to the site.

There are also other green features in this project similar to what First Community Housing typically builds in their properties -- energy efficient windows, low-flow water utilities and things such as that.

I think that one thing to note about the project is due to the urban nature of it and the high-rise, the costs of construction are higher than what you would normally see and what we have seen typically in the past.

When you take out the elements that are related to high-rise construction, things such as requiring a tower crane and a man lift to the project, the parking lifts, the additional parking under suburban design standards, and also consider the fact that we are building with steel frame rather than wood construction, and there are additional elements required by the fire department when you're going over seven stories of construction, all of these factors added up to a fairly substantial increase in the cost of the project.

After taking these factors out, the cost per unit would be more in the range of about 408,000 a unit, rather than what we currently have. And it is the nature of this kind of high-rise structure that we have these type of costs.

The services for the developmentally disabled population in the project will be provided by Housing Choices Coalition, an organization that we're very familiar with, who has also provided services to several of our other projects and has worked closely with First Community Housing in the past. There will be a range of services for the population consisting of things such as social activities, resident coordination, training for independent living.

As I said, the affordability for these units will be at 25-percent AMI. The other populations -- the units will be rented between 45 to 60 percent AMI.

Included with the financing that CalHFA is providing will be MHP, the City of San Jose, HCD's infrastructure grant money. San Andreas Regional Center is also providing a substantial amount of money. And this is dedicated -- this is the result of the developmentally disabled population. And there's a tax credit equity of 17 -- a little over 17 million involved in the project.

One thing to note is that the appraised value was not received until yesterday, so that's why this section is blank. After a quick read of the appraisal, the permanent value of the property on a permanent basis is $13 million. Our loan to value is 74 percent. The value during construction is 39,974, and our loan value is 85 percent.

Are there any questions?

CHAIRMAN COURSON: Questions on the project?

Ms. Javits.

MS. JAVITS: I had a couple of different questions. One is on page 239 it says the site is zoned 55 units an acre and this is a hundred on .75 acres. Has that been approved?

MS. VAKILI: I'm sorry, I couldn't hear your question very well.

MS. JAVITS: On page 239 under site, it says the site is zoned with a general plan overlay allowing for 55 units per acre, and this is a hundred units on .75 acres. I just wondered if there's been some special approval or...

MS. VAKILI: There was a density increase due to the location of the property near transit. And the general plan overlay also allowed for a little of a parking reduction due to the developmentally disabled population.

MS. JAVITS: But it has been -- it has received approval.

MS. VAKILI: Yes, it has. The only further approvals necessary are just building permits.

MS. JAVITS: And then at the bottom of page 241 there's a mention of the liquification in case of an earthquake. I'm just curious about the mitigation for that, if we've experienced that before and if we've had any problems in the past. It says -- it says there's mitigation.

MS. VAKILI: The mitigation would be the type of foundation that is designed, which is a mat foundation. And that's fairly typical for this area.

MS. JAVITS: Okay. And then I mean the cost per unit is extremely high, and you talked about that. But have we ever done a project at this level of cost per unit? Is this the highest we've ever done?

MS. VAKILI: Yes, it is. It is. And because of that, I wanted to do some research to see what elements really were causing the cost increase. It's something that -- it's a level that we haven't gone to before.

When I also considered the fact that we haven't done a high-rise building such as this before, the last project we did, which new construction was five stories, so this is a different animal for us. The costs are different. The elements are different.

This is an urban design in a suburban area with suburban requirements. The City not only required higher parking than what would normally be required in an urban setting, they also required a rescue air system in the project. They required an additional stairwell for emergency access. There are a lot of different design elements than we've previously dealt with, and it's clear when I took out these elements from the cost, we're looking at a project that is more in the range of what we're used to.

MS. JAVITS: Have we seen -- were you able to find any other projects comparable anywhere else to look at for comps?

MS. VAKILI: The appraisal was able to. San Jose is actually doing a lot of new construction, mostly for sale, and some apartments specifically downtown with these kind of elements. I believe in 2005 they required, you know, the fire protection elements that I just mentioned in all projects that are seven stories and above. It's fairly typical to have these kinds of costs associated, but still seemed high, according to our measure.

MR. DEANER: And I was going to mention, in my past I financed some mid-rise projects in Berkeley that were not for disabled, but still mid-rise apartments in and around that area, very dense, with this type of parking. And the cost per unit was, you know, in that four or five hundred thousand dollar range.

This parking -- the parking structure in itself, most folks probably haven't seen it. I've seen it. It's pretty -- it's a pretty amazing -- how they bring the cars. It brings them up. It brings them over and it's all -- I mean that in itself probably adds, you know, a good chunk to the costs overall.

But in some of the other parts like Berkeley -- San Jose, I know, is not as dense as the Berkeley area, but your costs can get in the four and five hundred thousand dollar range.

MS. JAVITS: I mean, I think the spirit of the questions is similar to what Carol raised. I just think, you know, we have limited resources. We can only do so many multifamily buildings. If we could do twice as many units for the same costs, is this the highest and best use of our resources? And I mean, that's kind of the nature of the question. And I know you have to look at what's on the -- what's in the market, what's coming to us, but --

MR. DEANER: But I think, you know, the population target that it's going after and all the other subsidies of money that's going into this project, you know, offset at the end a very small permanent loan. So there's a number of other factors that would, you know -- would also like to see the project get built. And this is deeply affordable, 25 percent, 35 percent, 45 percent, and that's a part of our mission statement.

MS. JAVITS: Thank you.

CHAIRMAN COURSON: Other questions on the project?

MS. GALANTE: I just --

CHAIRMAN COURSON: Ms. Galante, yes.

MS. GALANTE: I have two. So you talk about the in-fill grant they clearly haven't been awarded yet, so is this conditioned on them getting their --

MS. VAKILI: It is conditioned upon getting the in-fill grant. If that doesn't --

MS. WHITTALL-SCHERFEE: It is reflected in the write-up, that it is a condition.

MS. GALANTE: My other question, which is more philosophical, I guess, but maybe the appraiser looked at this, and it's something I think we all need to pay attention to. I'm not against this, but the issue of the proportion of special needs versus you do have some 60-percent rents here and, you know, is there a marketing issue with, you know, the extremely low income rents, special needs population, and the higher 60-percent rents, and has anyone looked at that?

MS. VAKILI: The appraisal -- I got it yesterday, so I was only able to take a brief review, but the appraisal does acknowledge the fact that you have mixed population and does go through some of the implications of that in terms of the absorption. And we do have to take into account that there may be absorption issues. That's one of the reasons why we have a 24-month return and have capitalized interest reserve to cover the entire term.

One of the positives in this kind of a project is that only 9 percent of the units are at 60-percent levels. 75 percent of the units are at 50 percent or below. That is an offsetting factor, but we always have to be aware of the absorption issues and retention issues, which is why we covered that in our underwriting.

MS. WHITTALL-SCHERFEE: And we also have another project in San Jose with this same developer that had the 35-percent developmentally disabled and the 50, 60 mix, and that's Gish. And we were able -- we're comfortable that they're going to be able to rent up at a level that was similar and in a time frame that is similar to what we experienced with Gish.

MS. GALANTE: Great. Thank you.

CHAIRMAN COURSON: Other questions?

There is a resolution on page 257 to authorize the approval and commitment. Is there a motion?

MS. GALANTE: I'll move.

CHAIRMAN COURSON: Ms. Galante moves.

Is there a second?

MS. JAVITS: I'll second.

CHAIRMAN COURSON: Ms. Javits seconds.

Any further discussion from the Board?

And any discussion from the public?

Seeing none, then we'll call the roll.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-14 has been approved.

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Item 4. 08-003-C/N Salinas Gateway Apartments
Salinas/Monterey

CHAIRMAN COURSON: Okay. We are on to the Salinas Gateway Apartments in Monterey County.

MS. WHITTALL-SCHERFEE: And we are trying to bring up our pictures for you.

Salinas Gateway Apartments is also a request for new construction and permanent loan financing, but it's for a project that's in Monterey County. It's in Salinas.

The project is a 52-unit apartment family complex that will be also a special needs population -- a special needs project, I'm sorry. 50 percent of the units are going to be reserved for residents with developmental disabilities, and 50 percent will be for residents with chronic illness.

The owner will be Salinas Gateway, LLC, and, again, this is a project with First Community Housing, a nonprofit corporation, as the managing general partner.

The request is for acquisition construction financing in the amount of $12,190,000 as a first mortgage at 5 percent fixed, 24 months interest only, and that is all tax-exempt money. There will also be a second, which is not -- has nothing to do with Section 8. This is a residential receipt gap loan. It starts as a 24-month interest-only loan at 3 percent, and it continues during the permanent loan phase as a 30-year term that is due and payable with the permanent loan, when the permanent loan repays.

Currently we estimate that we will be able to have a permanent loan in the amount of $400,000 at 5-percent fixed, 30 years fully amortized and prepayable within 15 -- at the end of the 15-year period if the borrower so chooses. At this point that $400,000 loan is going to be dependent upon what other sources of financing come into play, because there's a lot of other financing on this project, but that's what the project needs right at this point in time.

And Ruth is going to take you through the pictures and describe the project in a little bit more detail.

You did receive replacement pages on this project because the project summary, we were able to add in the appraisal information. We did receive that a week ago, and there were some corrections made on the cash flow that Ruth will also explain.

MS. VAKILI: The project is located near the core downtown area of Salinas. This is Market Street here. And the downtown area is along this stretch.

The location really couldn't be any better for a walkable site. Amtrak is right here. And a half block away is the bus station. The next picture will show that a little more clearly. You can see buses going by the site here. And there's our bus station. So it's really a transit oriented project.

The tenants of the property, 50 percent will be with developmental disabilities, 50 percent will have chronic illnesses. This kind of a project with its proximity to public transportation is a perfect combination and something that is very much needed.

This is a picture of the front of the property. There were existing buildings which have been demolished. The sale of the property closed about a year and a half ago with financing from the City of Salinas.

And here is a view from the front to the back of the property.

The property will consist of 25 studios, 21 one bedrooms and six two bedrooms. All of the units will be rented at 30-percent AMI. The two bedrooms are estimated to be -- here's a picture. The two-bedroom units, we project that some of the population will require a live-in, and the two bedrooms will accommodate that kind of a living situation.

Included with this project will be over 2,000 square feet of commercial space on the ground floor. And residential will be three stories above. Parking will be at ground floor.

And one of the features of this project will be that prior to our conversion, the project will be condominiumized. A condo map and CC&R will be recorded, and on a permanent basis our deed of trust and our regulatory agreement will only remain on the common area interests related to the residential and residential portion of the building. Prior to conversion, the commercial piece will close the sale.

The appraised value for that commercial piece is 990,000. And the commercial piece has already started marketing with a couple of prospective buyers interested in the property. Its location close to downtown is excellent for that kind of a use. So I wanted to note that this is the transaction that will happen prior to conversion.

This project will also have a living roof, similar to Fourth Street. The living roof serves as a calculation towards the open space requirements and also a sound insulator, and it provides the stormwater runoff offset.

The project has a conditional use permit for high-density residential, and within that use permit the City approved a reduction in parking requirements due to the population and its excellent access to public transportation.

The services for the population will be coordinated by Housing Choices Coalition, which will provide a variety of coordination and service needs.

The San Andreas Regional Center is also involved in this project, not only monetarily but also in terms of coordination. And for the developmentally disabled population, the San Andreas Regional is also providing a subsidy on an annual basis. In my write-up I had stated that the subsidy is 72,000 annually. It's actually 79,500, and that is for -- the commitment is for 30 years, and the subsidy has a commitment to increase at 5 percent per year, which is a very beneficial subsidy provided by the center.

In addition to our financing, there is an array of other financing sources. The City of Salinas is providing HOME and RDA money. San Andreas Regional is also providing a loan, and the income from commercial sales proceeds is expected to be 900,000. We're also anticipating the HCD in-fill infrastructure grant program and tax credit equity.

Are there any questions on this project?

CHAIRMAN COURSON: Questions on Salinas Gateway Apartments?

Ms. Javits.

MS. JAVITS: Well, I just -- I wanted to applaud the projects that are mixed and have developmentally disabled. I think it's an important thing for us to be doing, despite the costs. But I just wanted to raise two questions here, kind of broader questions here. One, do we ever get or can we get a list of our borrowers that shows us how many loans we have outstanding to each borrower in what amount for what purpose?

MR. DEANER: I believe we have that. I'd have to get Margaret from our asset management group, and I believe she's put that together. I'm not sure if she's here, but we can -- yeah, we can get that.

MS. JAVITS: If we could get that periodically, I think it would be useful to see who our major customers are and --

MR. DEANER: We could bring that to the next meeting.

MS. JAVITS: -- and at what pace and that kind of thing.

MR. DEANER: We could put it up as a slide for you.

MS. JAVITS: That would be great.

CHAIRMAN COURSON: Margaret, maybe you can --

MS. ALVAREZ: Actually, I just wanted to mention that that was a report I believe I gave in January.

CHAIRMAN COURSON: That was in the package when we went through the business plan.

MS. ALVAREZ: It was recently, the last few months.

MS. JAVITS: It would be great to see periodically.

MS. ALVAREZ: I can't remember off the top of my head, but it's -- what the numbers were, but it was --

MS. JAVITS: Yeah, I thought we had that.

MS. ALVAREZ: -- pretty insignificant when you took the totality of the portfolio for any one borrower's risk.

MS. JAVITS: Great. If we could see it periodically, that would be great -- that would be great.

And then second, I just thought this was sort of an instructive and something I just wanted to raise later with the business plan on the question I've raised before about management costs and replacement reserves and the differences between different projects. And here we have two projects. They're mixed use. They're for developmentally disabled. And they have slightly different structures in terms of per unit property management costs, reserves, et cetera.

And I'd like to just understand that a little better because we see all these different costs, and I know that there are many factors that influence that. One I wonder about is is there anything we've learned about the asset itself when we set these property management rates or, you know, the borrower does, or the replacement reserves in terms of the asset itself and how long before we're asked to refinance rehab? You know, is there any relationship between the two? So I want to raise it later in the context of the business plan, but I just thought this offers an instructive example.

CHAIRMAN COURSON: Okay. Are there other questions or comments?

The resolution to approve this project is on page 279. Is there any motion?

MR. CAREY: So moved.

CHAIRMAN COURSON: Mr. Carey moves.

Is there a second?

MR. MORRIS: (Waves hand.)

CHAIRMAN COURSON: Mr. Morris seconds.
Any further discussion from the Board?
Or any discussion from the public?
Please call the roll.
MS. OJIMA: Thank you.
Ms. Peters.
MS. PETERS: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Ms. Galante.
MS. GALANTE: Yes.
MS. OJIMA: Ms. Jacobs.
MS. JACOBS: Yes.
MS. OJIMA: Ms. Javits.
MS. JAVITS: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Courson.
CHAIRMAN COURSON: Yes.
MS. OJIMA: Resolution 08-15 has been approved.
CHAIRMAN COURSON: Okay. Thank you.

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Item 5. 07-014-A/S Grand Plaza
Los Angeles/Los Angeles

CHAIRMAN COURSON: Our last project to talk about is a revisit of a project that we looked at and approved in January. There have been some changing circumstances, and Jim has joined us at the table and it's all yours.

MR. DEANER: You ready, Jim, to give us the update on Grand Plaza?

MR. LISKA: Good morning, Mr. Chairman, Members of the Board. Getting up this morning, I'm always looking for a positive side, something that, you know -- to add to my -- as I look at this whole process. And I find this, you know, those that have the privilege of staying overnight at the Marriott, but there's a little note here, and it's for the housekeeping person, but it says, "Sure, life can be messy, but that's why we're here."

And with that, yes, we are here today to revisit Grand Plaza. We spent a lot of time on this project. As you know, we approved this back in January of 2008. Just to refresh your memory it's a 302-unit senior citizen project. Average age is something like 78. A lot of the residents are Mandarin, Cantonese, and they are very concerned about what's taking place at this project.

When we entered into this relationship back in January, we had two administrative partners, AIMCO and the Richmond Group, and we had a managing nonprofit general partner, Las Palmas Foundation. What we have before us, what has evolved over the last few months is that we now have a buyout in which AIMCO is leaving the project, and we have the Richmond Group, which is the primary administrative general manager, and we still have the managing nonprofit Las Palmas.

When we went into this with our financing transaction, we had a first mortgage of $16,400,000, and then we were trying to do something very creative with the B piece of $3 and a half million through a private conduit financing. And I think both internally and externally we've worked very hard on this project to try and get it to the table and get this rehabilitation, what have you.

And we, in fact, had the involvement where our executive director issued two letters outlining benchmarks, steps, that had to be taken in order for us to make this a conclusion where we could get this under rehabilitation.

Unfortunately, we did sell bonds April 24th of $16,400,000 on the first mortgage, the tax-exempt A piece. The B piece we have a deadline of June 2nd, and we had extensive conversations as late as last night with CRA, the County Redevelopment Agency, which is involved in this project. They have CC&Rs on this project. We also had local participants from the community attending the meeting, trying to go through it. We had a representative from the Richmond Group. We had the managing general nonprofit. And we had myself and Margaret Alvarez, who is the chief of our asset management division, at that meeting.

And I think in conclusion, you know, reluctantly we have come to the conclusion that the B piece will be recaptured. We will return that to CDLAC. It may not be a bad thing, since we understand that CDLAC is oversubscribed and that money can probably be better used.

And AIMCO at this point -- I mean AIMCO is out. And the Richmond Group has indicated that they will still continue in the transaction and put in the money that would have been the B piece. I admire them stepping up to the plate, still wanting to do the transaction and move forward on this.

Another final piece in this is that -- and I ask that we, the committee, the Board cut this latitude to us that we still want to see if we can close this project in late June and not have to go back to the Board, but another piece is that the tenants are concerned. The CRA is concerned here in the City about increases that we were proposing. As you may recall in our earlier Board session, we were going to limit not more than a 6-percent increase for existing tenants, even though this project will be a hundred percent low income tax credit project with 30 percent at 50 percent and 70 percent at 60 percent.

There is no Section 8 project based at this project, but there is 150 approximately Section 8 housing vouchers, which are portable, obviously with the tenants. We are willing to step back, and we're making a recommendation here to step back and work with the Richmond Group to see that -- how we can reanalyze. Instead of a 6 percent, that maybe we can look at a 4 percent, 4 percent, 4 percent for the first three years, rent increase to the existing tenants, followed by possibly another three years at 5 percent and then top capping it at the seventh year at a 6-percent increase.

This is an ambitious look to see how we can structure this and maintain the integrity of the rental structure and not cause an undue rental increase to existing tenants. CRA has advocated this. The tenants organization has advocated this. Our reply is that we will look at this with the Richmond Group and see how we can structure it.

Our piece that I'm recommending is that we step back and work with our finance department, my director, Bob, and housing asset management, Margaret, to see how we can restructure this and maybe extend the initial rehab period to construction period from 12 to 24 months.

We do have existing reserves, replacement reserves, on this project that we can possibly utilize. And then we also -- even though this is a non-Section 8 project, maybe we did have some foresight when we went and entered into this transaction, but we do have an existing transition operating reserve of approximately $570,000.

I believe that we can set up a sinking fund to create a rental subsidy to help offset the proposed rental increases that were going to take place. And we can step back and do a 4-, 5-percent increase to the existing tenants so that they have a comfort level and they still have a place where they feel that they can pay the rent and not be squeezed along with the other economic factors that are influencing their lives today and that we can offset, you know, what the Richmond Group is trying to accomplish here. So it will be a structured rental increase that will be offset by the sinking fund, and I truly believe that we will have enough money to do that.

So I'm asking not only that we're losing a co-general partner here, which is primarily what this resolution was about, but also that we take the -- that we get a -- within this collar, this parameter, that we're looking at to look at restructuring how we want to derive rent increases over the first three years so that we can create a comfort level to the tenants in the project.

With that, I'm open for questions.

CHAIRMAN COURSON: Questions?

MR. DEANER: I'm looking at this side of the table, so.

CHAIRMAN COURSON: Well, I'll -- obviously, this has been an acrimonious situation between some of the principals involved. Is that over now?

MR. DEANER: Yeah.

MR. LISKA: Yes, it is over. We believe we truly have a great solution, a good partnership, a partnership that wants to move forward on this. And based upon that belief, you know, we want to see what we can do to work with them and make this a successful project.

MR. DEANER: And we should mention too with this new structure that we are restricting all of the rents. The old structure was the old 80/20 where it was only 20 percent of the units at 80 percent of median income and the rest at market. Under the new structure, we're at 30 percent at 50 and the rest at 60. So it is deeper affordability and a better structure for the tenants, with some slight increases that we're trying to work with them that it's amenable for everybody.

CHAIRMAN COURSON: And are we satisfied that the Richmond Group, who obviously is picking all of this ball up and moving forward, have we worked with them before, we have experience with them and are confident in their capabilities?

MR. LISKA: I have not personally worked with the Richmond Group before, however, I do know their -- I do know of the Richmond Group. I do know of projects that they have done other than our financing. I feel comfortable that they are committed. They do want to become involved in this project. They want to move forward.

And, in fact, you know if they do make this investment of $3 and a half million, that is a real commitment saying, "We are going to put our money where our mouth is, and we are committed to doing what we can to work with this project."

They also wanted to go back and revisit with the tenants and maybe do a better job than what was done previously of trying to explain the rent increases, how they are going to occur, how it's going to be softened. They are willing to look at and they are analyzing right now how they can do these minimal gradual rent increases rather than maybe the 6 percent that we were discussing previously.

So I -- they are receptive, and I -- obviously I feel that they do -- are making the outreach and they do want to enter into a partnership with us.

CHAIRMAN COURSON: Other questions?

Ms. Galante.

MS. GALANTE: There's obviously a lot of back story here, and I'm not sure I am understanding really exactly where we are. I can see you're trying to make lemonades out of -- lemonade out of lemons here. So let me, just if I could, back up a minute.

I'm trying to understand the exact status that we as CalHFA are in with relationship to this project and if we just said, you know, this doesn't pass this mettle test and we don't want to do it, where are we?

MR. DEANER: We would --

MR. LISKA: We have already, you know, sold bonds for $16.4 million. You know, we -- yes, it's an ugly situation with CDLAC. You know, if we have to return those funds, I think we can have an adequate explanation on why we did what we did and what our reasoning process was when we made that decision to go forward and go for -- expend an increment of tax-exempt bonds, but we'd have to unwind that deal, and that would be -- you know, that has some ramifications to us.

On the other hand, you know, we are giving back this

B piece that, you know, that we thought that we could go forward on. It just didn't work out. So we're halfway in, and we're halfway out.

You are right. I don't want to present before this Board who shot John, how we got, you know, where we are. But I think right now it's just we do have a -- I think now that the partnership has been settled, we have somebody dedicated to this project. They do want to move forward. They do want to sink their own hard money into this deal and based upon that they're willing to revisit this whole tenancy and rent-increase issue. We're going to be their partner in this, and we'll go back and we'll also see how we can contribute and still give them a proper rate of return on their investment and, you know, have this a successful project.

MS. GALANTE: So -- so this is an existing property?

MR. LISKA: This is existing.

MS. GALANTE: It has an owner that's going to get paid off to the tune of $20 million?

MR. LISKA: $23 and a half million.

MS. GALANTE: $23 and a half million.

MR. LISKA: Yes, ma'am.

MS. GALANTE: I mean, I'm just going back to this, let me call it, churning issue that we're involved with a little bit here. So we've got a current owner. You've got someone who wants to buy it, pay $23 and a half million, and we are turning ourselves inside out and upside down to make the loans work so we can pay off what appears to be a nonprofit corporation $23 million. I mean, you know, I had some concerns about this last time around, but, you know, AIMCO is buying the B piece, et cetera, et cetera. So that's one concern.

The other concern is I have a lot of respect for the Richmond Group, but they're a tax credit equity investor, they're not developers. So -- so has Las Palmas as the nonprofit GP ever been a sole developer?

MR. LISKA: No. Las Palmas has never been a sole developer. They have always been in concert with a specialized or administrative general partner.

But this is not churning. I mean this is -- you know, the tax credit period was up back in December of 2006. I'd have to refer back to my notes. And, yes, we have gone through a period of time looking at is this an unrelated transaction? And it's been -- but you do have the partners that have moved back and forth. And we are showing that, you know, it is an unrelated transaction.

But you still have to have that, somehow, this infusion of tax-credit money to move into it and extend the affordability. What we're talking about, the existing tenants, we're trying to keep them in place.

We're trying not to what I call unduly impact them with an increase in rent. We're still not at the 50-percent, 60-percent levels when we start out. And this whole procedure of working over somehow this next five to seven year period is to gradually increase those tenants in place without penalizing them and forcing them to move out to someplace else because they can't pay a 50-percent AMI or they can't pay a 60-percent AMI, and it's been a real struggle.

And your point earlier on refinancing, I mean, we have been grappling with this now easily for the last 18 to 24 months. And this is high on Bob's radar, to try and come up with some type of program that works and makes sense to this group. And we're just not there yet. And it's not for lack of trying, either. I mean, we have spent a lot of brain damage just exploring what you're advocating.

MS. PARKER: Let me just say one other thing for the Board members. Bob, when he first came on, sort of picked this up and has been living it. But this project has involved all of the multifamily staff, including myself and Tom, a great deal of his legal time.

When we started the serious discussions about this really last year, it was almost, you know, what is the worst of all evils? What's the -- there was no necessarily great solution to this. And I think we tried to come in here and do something that at the end of the day we thought would have the most benefit for the tenants impacted. Because if we had not been involved, we -- there was no regulatory restrictions on the rent increases that the owners could have given to a substantial number of the tenants.

And, you know, so this is -- this is a -- there has been a lot of local controversy about this. And what we try to do, again, is to come in and save a project and keep as much affordability and get more affordability for tenants who otherwise -- what we had understood that the threat was they would have to find some other kind of housing. The rents would be raised, and there would be -- you know, that would be the way it would be.

So I think what we're trying to do now, we've taken a very hard line from the standpoint of we've already sold bonds for the 16.4 million, but we were adamant that we were not going to go forward with committing another $3-plus million worth of bond cap for a project and in that sense particularly as Jim said the demand before CDLAC is so great and in that sense pretty much said, "If you want to continue to go through this, you're going to have to put your own money up."

So we have tried to be as economical of use of the resources, tax-exempt financing, and also be mindful of the tenants. And I think as we sometimes say around the office, it's not so much that we've been as creative as we can. It's kind of it is what it is.

CHAIRMAN COURSON: Questions?

At what stage does the $3 and a half million -- do we see that $3 and a half million in this project from Richmond?

MR. LISKA: At closing. When does that cash come in? Is that your question?

CHAIRMAN COURSON: Yes.

MR. LISKA: At closing. And again, we're targeting closing for late June, and that's why part of this discussion is to ask the Board to give within this discussion, which is a little bit extended of the resolution presented before you, it's been evolving, but I think we're at a point now where it makes sense. We want to close the deal. We want to move forward. We want to get this project under rehab. We want to go back to the tenants one more time to explain what is transpiring in the rents, which is more important to them than what we're doing with the scope of the rehab.

CHAIRMAN COURSON: Ms. Galante.

MS. GALANTE: Yeah, I guess, a question and comment. I understand that there's a dilemma here with the regulatory period expiring.

MR. LISKA: Correct.

MS. GALANTE: I just have an instinct -- and you can correct me if I'm wrong -- that there's an empty threat, that if this property were not sold, you know, I just don't see anybody coming in here to buy this property and kick these people out and increase the rents. So I feel like we're responding to what's really an empty threat. You know, we've seen some of these controversial projects in Los Angeles where that has happened before.

MR. LISKA: Yes.

MS. GALANTE: And you know, if we weren't enabling people to pay this kind of money to buy this asset, I'm not sure the rents would really go up, but I understand that, you know --

MR. LISKA: Well, you know, you do. You have a for profit, and the dilemma is if you don't have a pure hundred percent nonprofit, you are right. I mean, you know, people want to move on in life. They want to do something else. They want to -- you know, they're trying to establish a stage. They're trying to retire. They're trying to -- whatever reason, they have now made an economic decision that they want to sell their property.

And what is lost -- what shouldn't be lost in this conversation is, yes, this project does have the possibility of going up to market. Will it? You are correct. There's a lot of political intrigue here, a lot of political machinations going on as far as how this is developing and evolving.

But I think what everybody -- we don't want to lose sight of, our ultimate consumer here is that tenant and how can we keep that tenant living in the project with minimal rent increases and yet do the sort of stuff that we want to do as far as extending that affordability. And again the tax-credit project doesn't do it just by itself. And the soft financing is very tough these days. It's drying up. It's not there.

And so stepping back, I -- your comment is appropriate, but on the other hand I think what we are doing, again, is we're gently moving towards where we're recapitalizing this project to fix it up. We're trying to curtail excessive rent increases to the existing tenants. And, yes, the bottom line is we do have an exodus of a partnership. A divorce is a divorce, and you just have to move on in life. And --

MS. PARKER: Carol, let me say one more thing, you know, because we -- we spent a great deal of time, I did personally, about this item. I don't like idle threats. We had several meetings with these parties. And the problem -- part of the problem, too, to remind everyone, is this is a project that's in our portfolio, and I think there was some delight expressed by some of the parties that to the extent that they then -- because the regulatory agreements were off portions of these units, they could raise the rents, and it -- you know, this would be our project and it would be a reflection on us that people could point to as a convenient entity to go to as a governmental entity, how you could let this happen.

We -- we tried to do the best job we could do with the circumstances that were presented to us to address exactly the kinds of concerns that you're raising, and we hope that as staff we have done the best job and you will accept our recommendations as recognizing that we took all of those issues into consideration.

MS. GALANTE: And I appreciate that, Terri, and I can see -- I can see the torture on Jim's face that, you know, you guys have worked this really hard. I partly am drilling down so much because I will vote for it.

MR. LISKA: I appreciate that.

MS. GALANTE: But I have to say I am going to look extremely hard in the future at these developments where there is essentially a sale of a portfolio loan. The sellers are getting too much money from these sales, and we are enabling it. And we are enabling it through this threat that the rents are going to go up, that they're going to be able to go sell these on the open market. I do not think that's a really -- a real reality today. I don't think they could sell this on the open market for the kind of money they're talking about, and they're not going to get away with throwing these people out on the streets in Los Angeles. I just don't -- I mean, that's in my heart of heart, you know, now we're playing a game of poker here and you guys have done the best you can, given those set of circumstances, and no one maybe wants to take that risk, but I'm going to look very hard at these in the future because I don't like what I'm seeing.

And I do think that if you had a refinancing program that was an option for existing owners, you know, you could separate a little bit where people are really just trying to make -- actually do real rehab and make a current portfolio project better versus people who are just, you know, trying to get out and make a lot of money, so.

MR. LISKA: Well, as a sidebar, maybe we should spend some time with you and explore some of your observations and maybe go through some of the mechanics with you, and can just see, you know. I mean we have worked on this, I think, on and off over the last few months, and we are still in a stuck position.

In conclusion, I did get a crib note here on Richmond so I want to share it with you because you asked the question. Richmond has developed nearly 15,000 units throughout the country and -- I know, but a lot of it was new construction, but, you know, I think they're on the right path. And, again, money speaks loudly, where they're actually putting in $3 and a half million here. And I would like this group to take that into consideration, that they are committed when you talk that type of money into this deal.

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

There is a resolution on page 281.2. That is a resolution that will authorize the modification of the final loan commitment that we approved in January. Is there a motion to approve that resolution?

MS. PARKER: Mr. Chairman, just a point of clarification.

CHAIRMAN COURSON: Yeah.

MS. PARKER: I'm not sure that we need to ask for what might be a modification to this resolution, given what Jim has asked for specifically, and I would ask Tom to give us some sense of that. Do you believe the resolution as stands is broad enough to encompass what Jim had asked the Board to give them, flexibility if they need to make some adjustments to the rent considerations over the next one to seven years?

Jim, is that correct?

MR. LISKA: That's correct, yes. I'm not asking for anything with financing terms or anything else, but I am looking at the -- revising the cash flow and increases and I just want to disclose --

CHAIRMAN COURSON: We are authorizing a change in the ownership structure.

MR. LISKA: Yes.

CHAIRMAN COURSON: So clearly that is an activity that would be approved by the Board.

MR. HUGHES: And, again, this reflects partially the dilemma that we have to provide these documents in advance, and the deals change sometimes on a daily basis. The resolutions do provide that it's subject to terms in the staff report and the conditions or terms that are imposed by the Board in the minutes of the meeting. So we can -- we can either -- that would probably suffice or we can actually write into the resolution any additional terms that --

MS. PARKER: Or ask the Board, whoever makes the motion, to take that into consideration in the motion.

MR. HUGHES: Right. And if there are -- usually if there are substantial terms that the Board imposes, which doesn't come up very often but does happen, then we usually go back and take the resolution and rewrite it to reflect what actually happened. The resolutions are only drafts in trying to anticipate in the future, really.

CHAIRMAN COURSON: I'm not -- the Chair is not clear what that all -- should we approve this resolution, or is there another motion that would be appropriate?

MR. HUGHES: I think a potential motion would be to approve the resolution subject to any additional terms that were discussed and -- with the Board and reflected in the minutes, which is pretty much in there, but we can go and -- I'm saying we can either take the existing resolution or, if you prefer, we can write in additional terms that were discussed.

CHAIRMAN COURSON: Well, unless I'm missing something, the second part of the resolution says the executive director may modify the terms and conditions of the loan as described in the staff report, which we've talked about increasing rents, we've talked about 4, 5, 6 percent, provided the major modifications as described below would come back to the Board and points those out, so I'm -- I guess I'm not sure what's not in the resolution that should be there.

MR. LISKA: Well, I think what's not in the resolution, again, is we will be recapturing this B piece. We sort of said at the bottom all other -- if I have the right resolution, all other terms and conditions, financing, loan amounts, models -- okay. So all right. Sorry. But that is a change.

MS. PARKER: Well, and I have the chance to make modifications within a certain percentage.

(Reporter interruption.)

MS. PARKER: My authority is to make some modifications within certain financial percentages. I just --

CHAIRMAN COURSON: Well, increasing the amount of the loan by 7 percent.

MS. PARKER: It can be --

CHAIRMAN COURSON: Which is what's in the resolution.

MS. PARKER: Right. It can or major modifications. We're just trying to be mindful of, you know, of making sure that the Board is clear, given where we need to go with this project.

MR. HUGHES: Right. What I would propose is that I can simply modify this resolution to reflect anything that is -- it will be approved to the extent of anything that's in the minutes.

CHAIRMAN COURSON: I'll make --

MR. HUGHES: Plus the Board's comments.

CHAIRMAN COURSON: My suggestion is we approve, if the Board desires that action would be to approve this resolution. Clearly we have a record. We have a discussion about the ownership change. We have a discussion about the B piece. We have a discussion of the rental plan over a five to seven year period. So it's all there on the record. And I think that by voting yes a director would be voting based upon the facts that they --

MR. HUGHES: Correct.

CHAIRMAN COURSON: -- were provided.

So I'll come back and ask my same question. Is there a motion to approve resolution 8-16?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Mr. Carey seconds.

Is there any further questions from the Board?

Any discussion from the public?

All right. Then let's call the roll, please.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Thank you. Resolution 08-16 has been approved.

CHAIRMAN COURSON: And thank you for all your presentation today and for your work on this project that has been difficult.

We're going to do one more report on the Bay Area Housing and then take our break. I think it will be a brief.

Kathy, thank you.

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Item 6. Update on Bay Area Housing Plan

MS. WEREMIUK: Chairman Courson, Members of the Board, it's a pleasure to be here with you again today.

I thought I would do this in color today. This is an update, not a discussion of a project. Sorry about that. Someone fixed my slides and fixed them slightly incorrectly.

The Board committed $105 million on this project. We currently on a staff basis have approved 51 of the 60 group homes that were previously -- that the Board gave us authority to approve. It's around $80 million. We estimate that when we purchase all of the loans we'll be at 101,720,000. That number, I think, will go down a little bit. Numbers have been going down as we purchase houses.

The regional centers to date have put in $10,785,000 in equity. They're committed to put in 9,455,000. They're above that amount. They have 11-3. I also anticipate the full 11-3 will go in by the time that we close the transaction.

Our original commitment expiration was set to be September 30th of this year. The project is going to have a three-year build-out and not a two-year build-out. We've currently extended our commitment to March 31st, but Bank of America, who's our partner and construction lender in this, has a commitment only to September 30th and we won't be completed by then, so we anticipate that they will extend again and that we will likewise have to extend or be requested to extend for six months.

Bank of America was only -- only had a commitment to lend up to $60 million to be able to take properties off of their line. We committed 60 million in -- from our line of credit with which we're purchasing properties. The first bond sale date we're not sure of yet. Bruce Gilbertson gave you a report on that at the last Board meeting. Bruce and Tom have been -- are still in discussions with Moody's. We anticipate that we will be getting some report back from their credit committee over the weekend, I believe. Tom might want to speak to those discussions.

MR. HUGHES: Yes. Bruce and I have been in a number of conversations with Moody's, and we are hoping that we can get some action by them this week. If not, the Moody's representatives will all be in Tucson at the NCSHA event, and Bruce and I are going down there. And if they haven't resolved the issues, we'll be meeting with them in Tucson to provide any additional work that they need.

MS. WEREMIUK: We have had a good series of discussions with them on the bankruptcy issue and with great materials presented by Tom, and they were satisfied with the presentations that we gave, so we -- we don't know what the outcome would be.

To date 33 of the homes are completed. We have an estimated purchase total of 57 million, with those houses that are currently complete. We've purchased 13 of them. Eleven are in the closing process. Closing process takes about five weeks. It's a pretty quick turnaround to close on these.

And there are another 13 homes that have either completed or are in final punch, but we haven't yet started our piece of the closing process. And ours really starts when the regional center accepts the home and the lease payments start to flow. This deal is funded with lease payments, so we don't get -- we don't start our closing process until the regional centers have started to pay on their releases.

The remaining 28 properties are in a later phase. Eight of them are already in construction. Seven the Agency has approved, and they're waiting to be transferred to Bank of America and picked up by Bank of America. And ten are currently owned by the owner. Mechanics Bank has a loan on them, but we haven't yet approved them, and they haven't been transferred to the banks, so construction doesn't start until they get into the Bank of America line.

Construction has started to go very quickly on these, but the last ten are new construction, and we don't have a time line yet on how long it's going to take to newly construct the last of the homes. Branna

Construction has been involved in that. We've been really thrilled that the level -- because of probably the difficulties in the housing industry, the level of contractors that have been able to be pulled into this has really gone up, and we have seen speed and quality as a result.

I thought I would just -- I'm going to show you one of the homes that we recently stabilized and agreed to purchase. It's in Alameda. It has a loan purchase amount of a million-two. The rehab on it was $330,000. A lot of rehab, mainly because of the accessibility. The regional center put in almost 200,000 in equity. We will be holding 200,000 in reserves. The total development cost was a million -- almost a million-five on a three-person home. It's going to serve people with behavioral difficulties. The service provider will be a nonprofit.

They purchased the property for 719. The appraisal was 725. The as-completed appraisal with the 330 of rehab went up 125,000, and we're generally seeing a small increase in appraised value, although in some instances we do a second -- a third appraisal on these and we've seen some decreases in actual value in -- especially in this market, price -- values have gone down about a hundred thousand.

Our loan to value with all of the reserves financed is 152 percent, but we're really funded by a lease, and the lease payments have started.

This is the home as completed. And I'm just going to go through these a little quickly to give you a sense of what the final finishes and the final product looks like. It's a very livable environment. The residents and the families of the residents who have moved in have been delighted. It's had very good reception.

This particular home is licensed. It will be staffed 24 hours a day so that we don't need handicapped accessible kitchens, but the home is completely outfitted for people to be able to be in wheelchairs if they needed to be.

The laundry facility is a major piece of this.

Very nice living spaces.

And this is a bedroom. People who are living here may have lived in Agnews for 40 years, never had a bedroom of their own before, have always shared.

The bathroom facilities, of course, are completely handicapped. A little bit of sense of humor in the bathrooms.

And this is a staff bathroom.

Outdoor facilities there are completely accessible to the residents.

CHAIRMAN COURSON: Thank you, Kathy.

MS. WEREMIUK: Thank you.

CHAIRMAN COURSON: Any comments?

We're going to -- I really appreciate it, and it's nice to see some of these plants that we talked about a few years ago come to fruition.

We're going to take a break. We'll come back at 11:30 and continue on with our meeting.

(Recess taken.)

CHAIRMAN COURSON: The -- I would like as the chair -- if this was -- if my grandsons had done one of this, even a grandfather would have sent them to time out. After talking about including reports and servicing reports and MI reports, it's been pointed out to me -- I found it actually on my own, I must admit. On page 421 are those reports. So I will tell you that I have been outed in the fact that I always read the book diligently up to the report section, which I save for my later enjoyment, and so I did not see those pages in there. So the reports are there.

And we have talked a little bit at the break about maybe even making them a little more extensive and so on, but they're important. They are on pages 421 to 424, and I'd call your attention to them. They follow up on the discussion we had in January.

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Item 7. Discussion and possible action regarding changes to the Compensation Committee Charter

CHAIRMAN COURSON: Okay. Having said that, the next item on our agenda is a follow-up item and approval item to our discussion at the -- at our last meeting. And we know we spent a substantial amount of time talking about at the Board level the eight recommendations -- the nine recommendations that had been encompassed as part of the outside counsel's work and some recommendations put forth by Board members regarding compensation, compensation practices, the compensation committee charter.

And on page 303 we have -- Tom has issued a memo briefly summarizing really what we talked about. And you know that -- I'll just recap that there were resolutions 1, 2, 3, 4 and 6. When we talked about that, we made a decision to retain the compensation committee, that contracts that would be entered into would be reviewed by the compensation committee, and then the committee would then take that recommendation to the full Board to enter into the contract, and the executive director would be authorized and directed to sign. That was -- I had a long discussion on that, and that was the essence of that conversation.

The second thing we've talked about the -- item No.

5 or the recommendation No. 5 and talked about that the committee would create a balanced compensation process avoiding the perception of any conflict of interest, and staff would be involved to the extent necessary to provide the information under any contract that we entered into.

And then we went on and considered items that had to do with conflict of interest. We spent a great deal of time talking with that and other, if you will, conflict of interest provisions that guide the work at the Board and made a decision not to take any action.

So what staff has done, the legal staff has done, is took those actions which we approved at the Board meeting and put them in resolution form. And those are on page 305 and 307, 309. So I hope you've looked at those. One of the questions is -- there's no action necessary unless someone on the Board believes that the content of those resolutions or the actions we took are inconsistent with what the intent of our activities were.

And having said that, our -- the other thing that we did then is we instructed staff to take the actions that we approved and amend for our consideration the existing charter of the Compensation Committee. So what you have on page 311, 312 and 313 are the changes to the compensation committee charter that result from the actions that we took in March.

And our task here today is to look at those changes, have any discussion that we want to have, and the action that will be in order will be a motion to approve the amended or the revised compensation committee charter that is in front of us.

Comments? Questions? Discussion?

Motion to approve the revised charter?

MS. PETERS: Motion to approve.

CHAIRMAN COURSON: Ms. Peters makes a motion to approve the revised compensation committee charter.

Is there is a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Discussion?

Is there any discussion from the public?

Mr. Hughes, you're sitting there looking like you may want to say something.

Okay.

MR. HUGHES: I'm amazed that I haven't had to.

CHAIRMAN COURSON: All right. If not, then if there's no further discussion, we have a motion and a second to approve the revised charter. Let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-17 has been approved.

CHAIRMAN COURSON: Thank you.

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Item 8. Discussion, recommendation and possible action regarding the adoption of a resolution approving the Five-Year Business Plan for Fiscal Years 2008/2009 to 2012/2013

CHAIRMAN COURSON: We're going to spend the rest of our -- not the rest of our time. We want to make sure we get some time for the financing report, but our next item -- two items, one is the business plan, and the second is the budget.

As you know, at our last meeting we spent a substantial amount of time, a good part of the time, talking about the business plan. And Terri is going to lead us through that, but I think it's fair to say that what we're looking at today is really sort of the finalization of the -- we had presentations by all the different staff managers last week -- or last meeting, and this really takes that -- those discussions and puts them in final form.

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

MS. PARKER: Thank you, Mr. Chairman.

With that introduction, yes, what we have proposed and obviously if you look in your book and beginning on page 323, you'll notice that very spiffy color, while it's not a tab, it does provide a -- a header for the introduction of the business plan.

We very much appreciated the very productive conversation, discussion, of the Board at the March meeting of our recommendations and perspectives of what we should be bringing back to you in the financial environment, what's happening on Wall Street, what's happening in the California real estate market.

And we -- as Bruce will go through in his later reports, I think we have positive news with the proposal that we put in place at that point in time, and this is a continuation of that. We think we are on the right track.

So this really reflects the March proposals as far as proposed production levels and lending programs. It continues to recognize in that sense that there are difficulties in Wall Street with access to liquidity and concern about the amount of variable rate debt we have and an approach to try to mitigate that going forward.

Also it continues an approach to obviously focus on rental housing production through the introduction of the MHSA program where we expect to actually make loans this year. The continuation of Bay Area Housing and an increase in the construction and acquisition loan programs that we have, not done as much volume as we have had in the past.

We are focusing our efforts in the single family area from -- away from some of the special lending programs that we did, HELP, RDLP, Habitat, to really use those resources to be available to deal with the delinquencies that we're seeing in our own portfolios, to be able to get those houses back in the market, back in the homes of first-time homebuyers, to, one, obviously make sure that there's a positive -- as much of a positive recapture to our balance sheet as we can, but also to continue to provide affordability at this point in time to first-time homebuyers in California.

I would briefly mention that we did -- when we did this business plan, tried to include a little bit more information in the executive summary. I hope you found the information that we tried to include in that a good introduction for what is to follow as far as a proposed plan.

If you will notice, we have included on page 7 what we believe will be close to our production levels for the current year. We are not expecting to meet our homeownership goal of 1.5 billion, but rather have been 85 percent of the goal. Obviously that's a reflection of what's happened with the marketplace.

The mortgage insurance program has met a greater percentage of its goal, but that's really more a reflection of the percentage of loans in our portfolio that have MI coverage as opposed to alternative MI or some FHA or VA type loans.

Multifamily, I think that's hopefully perceived by the Board as good news with us trying to do 114 percent of what our goal was. And I think a lot of that is a reflection of being able to now be a hundred percent staffed with senior managers and the talented staff in multifamily we have.

Special lending programs, the percentage of goal is down, but that's really a reflection of our suggestions of not doing the second half of some of these programs to redirect those resources into really our first mortgage lending program.

We can go through the slides. And as you can see, we have a proposal to do $6 billion in first mortgages. We are going to continue to do our down payment assistance program.

Some of what we continue to have as a challenge to us is the impact of our MI and the tightening in the credit market with respect to loan to values, credit scores, et cetera, that we are having to absorb, just like the rest of our colleagues in the HFAs and in that sense in some respects the rest of the lending market, period.

I think the one benefit about it is that we are going to try to be -- use what flexibility we have in this real estate loan program where we have got $200 million to continue to have the flexibility of providing a hundred-percent LTVs, trying to get discounts on these properties from some of the current owners of those properties to provide as much affordability to the 800 to a thousand loans that we will be able to do once we kick this program off.

We have proposed for multifamily a billion and a half. And, again, that's a combination of new acquisition loans, Bay Area, MHSA. We are just about to complete the interagency agreement with the Department of Mental Health. There has been ten counties, I believe, that have committed their MHSA funds to the tune of $105 million that as soon as the interagency agreement is signed will be transferred to the California Housing Finance Agency for us to begin to approve.

In-house we have talked to -- Kathy and her staff have talked to potentially 43 to 45 projects that may be applying for those MHSA funds, so we feel we're really ready to rock and roll finally on that.

The plan in total is 10.2 billion. It is down from the prior years, but again, that's a reflection, if nothing else, some of the constraints that we're under, some of what's -- the market constraints are. But we feel it's a -- hopefully a realistic and achievable goal.

This gives you the landscape of the five years. Again, it's a -- shows you by single family, multifamily, asset management, the GO bond programs, what we have proposed as production levels for us to come back and measure our performance against for this next fiscal year and the upcoming future to give certainty to our lending community. Clearly the current year -- well, the 2009/10 -- excuse me, 2008/9 year will be what we'll be talking about in a few minutes when we present our operating budget to you.

This really is a segue into our operating budget, so I'm going to stop here and really open this up for questions to the Board from the standpoint of the resolution for the business plan.

CHAIRMAN COURSON: Are there questions on the business plan?

There is a resolution. Somebody will have to help me.

MS. JAVITS: I do -- I have several questions.

CHAIRMAN COURSON: Oh, please, go ahead.

MS. JAVITS: Thank you for all -- all this is tremendous work. It's very informative and, you know, I think trying to do really well with given the constrained resources and the changes in the market.

With that, I did have a couple of different questions. And I asked this last time. And there's a lot of detailed background here on the numbers of people that have been affected by the mortgage meltdown, but in terms of who we're going to impact with the money that we're allocating to these different programs -- and I know that that's difficult to assess because, you know, you have to make some assumptions in order to do that, but do you know at all -- I mean, if we've looked at the allocation to, for example, on page 335 to homeownership versus multifamily, the number of people who may be put into a home as a result of what our investment at what income levels? Do we know that? Or can we make some assumptions and figure that out?

I mean, because as a Board, I mean, you've drilled down on this much more deeply than we can, but sort of at that high level are we using our resources to impact as many people as possible and, if so, at what income levels?

MS. PARKER: You know, part of it is somewhat of a crystal ball. I think what we can say on the homeownership side is we have looked at the percentages of our loans in this last year that are going to low incomes increasing from what it has been in prior years.

I think we can also say that what we have proposed to do and this chart that Bruce has here really shows where we're proposing to use the HAT funds, and that's really -- I think this is the funds that's the greatest amount for the Board to decide where it wants to set priorities and make maximum public benefit.

But as -- because of the limited amount of bond cap that we will have to do first mortgage lending programs and the demand that we have been faced with that what we have been doing over the last several months is either increasing our rates, tightening our underwriting criteria, or we will eventually get to a point in time that we will be restricting the income limits or sales prices that we will be imposing because we will have more demand than we can achieve.

What we will do then is to push down our criteria so that we will reserve our greatest amount of mortgage lending to those people who have lowest incomes and certainly in high impacted areas. But it's almost a situation where we can tell you what we can do, but what will come in the window is difficult for us to project, depending on, again, what will be in the market that, you know, will be out there.

I don't know whether Bob can do a better job of what he has been seeing coming in the pipeline of trying to give you a feel for the projects that he is seeing on the multifamily side. But I don't -- I don't know and I certainly can't say that we've tried to get in and do the depth of the kind of analysis that you're asking for, Ms. Javits, because I'm not quite sure how we'd do it.

MS. JAVITS: Okay. I have a few thoughts about that, but I think we can talk about that off line, and I think it would be useful to us to know how many people we're touching and at what income levels with the money that we've got. I mean, I think that helps us figure out --

MS. PARKER: We certainly can --

MS. JAVITS: -- what allocations make sense.

MS. PARKER: -- report to you because we have detailed reports and we'll bring these next time to you. We can show you, you know, where our loans are, what the income levels are, what the ethnicities of the markets we serve. Because, you know, the greatest proportion of our loans really go to minority borrowers, so we can show you, you know, loans, location, where they're going, some demographics, and perhaps that would at least be a good start for us. We do have those same kinds of slides for income levels on the multifamily side. I think we used to include them and maybe we just have neglected to continue to provide --

MS. JAVITS: That would be great.

MS. PARKER: -- what we have in the past.

MS. JAVITS: And numbers of people. That would be great.

Just a couple of other questions on this piece. One, the impact of any potential federal legislation, how have you thought about that?

MS. PARKER: I think what we've said in our document is that we've tried to make assumptions for this business plan on what we know today. And certainly with respect to the business plan and the operating budget, if there are changes that provide us significant opportunities, that we need to come back to the Board for either -- to propose new programs and/or impact on the operating budget, you can be assured we will be here.

But right now we are assuming this based on the current constraints that there are in the marketplace, the current constraints that there are in bond cap, which I have to tell you that's one of our major constraints on the homeownership side. We could do more lending if we were able to have more bond cap.

CHAIRMAN COURSON: Ms. Peters.

MS. PETERS: I just wanted to add on that note that the Governor recently sent a letter to Congressional leaders on a number of issues, including loan limits, and in that letter he supported additional bond cap.

CHAIRMAN COURSON: Yeah, that's the pending legislation for the $10 billion of additional bond cap for two years.

MS. PARKER: You know, in addition to the other --

CHAIRMAN COURSON: Oh, Mr. Carey.

MR. CAREY: I just want to reinforce I appreciate hearing the emphasis on the reach to the low income and the minority borrowers in homeownership. I think that it's easy in trying times to back away from that reach. And I was struck by the term stringent underwriting in here several times, and I just want to be sure that -- and I'm hearing it very effectively and I appreciate it -- that our reach is towards those that others can't lend to in the world of homeownership.

MS. PARKER: Right. We have gone to partners with Fannie Mae. We've gone to our partners Genworth to try to push our ability to do as high a loan to value as we possibly can. And, you know, in some areas we've been successful and some areas we -- we have not been, but that's not going to defray from continuing to make the arguments.

I guess I would also add that, as Mr. Courson said earlier in his comments about what's happening in Washington, if the Dodd bill is any indication of what might come out of some kind of housing stimulus, a good part of those moneys may be moneys that really are more targeted to the kinds of programs that our sister state agency the Department of Housing and Community Development has devised and working with localities to try to do some kind of foreclosure mitigation programs, which, again, since the State has so many housing problems with subprime and Alt A, the opportunity to try to have us see if we can provide a number of different kinds of programs, leverage one another, have as many arrows in the quiver, tools in the toolbox, that complement one another, that's what we're trying to achieve.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: Just, I guess, two other things. One, so I'd assume, then, that same -- pretty much the same answer. I know that Director Jacobs has been going around the state talking to folks about permanent source potentially, and so that could have implications, I would think, in terms of how we would choose to allocate our funds. So is it more or less a wait and see on that also?

MS. PARKER: Right. I mean I think right now we've tried to do this for predictability to our borrowers of what we know, and until something changes and then we would come back and see if there are things that we could add value, depending on what the final decisions are.

It will be very different about what role CalHFA could play if there is additional bond cap funds for the homeownership side than if there is funds that are more along the grant side for acquisition of properties by nonprofits. What we would then -- and I've had some conversations with a couple of people who are looking at this, what we might be able to do in that case is while the Housing Finance Agency can't loan money for that or own properties, we might be able to work with either nonprofits or localities that would be acquiring them for once they are acquired, rehabbed, whatever, and ready to go back out to market, that we could be a source of funds for the first-time homebuyers. If, again, we have -- within our housing cap resources.

And if, again, we are limited, then we would be looking at what ways do we want to use scarce limited resources of forced mortgage programs.

MS. JAVITS: And just -- a final thought is just as the markets are changing so dramatically I think, you know, we should keep challenging ourselves to make sure that we're using our money to add value to the marketplace, rather than duplicating what anybody else in the marketplace is doing, and I just think in a time of really rapid change, that may look different a year from now than it looks this year, and we need to continually test ourselves.

And I think it's important for us as a Board. I want to assert that in the sense that, you know, we look at numbers and we want you marching toward those numbers and seeing that you're hitting those goals. We should be hitting the goals by adding value, not just to hit the goals.

MS. PARKER: Well, you know, I -- certainly I appreciate, you know, the Board. This is the -- we need the Board to essentially give us, you know, the directions of what we -- and then we will memorialize that and carry that through.

One other thing I -- I don't know how much we talked about this in March, but because of the limited bond cap, we are trying to work through another possible opportunity for us to create capital at low interest rates by working with Fannie Mae and creating a loan program whereby we could make loans and sell them to Fannie on the basis with a window. Obviously that will be based on what the cost of funds Fannie will be charging us and what kinds of underwriting requirements that they will be making on them.

But we have -- we're about to sign a second phase of an affinity agreement that the National Council of State Housing Finance Agencies have negotiated with Fannie Mae for concessions on underwriting FICO scores, loan to values, that are greater than what they are providing to other lenders in the marketplace. So we are going to see, again, if we can create value through these kinds of opportunities in addition to what we're doing with our other lending programs.

CHAIRMAN COURSON: Other questions or comments on the business plan?

The resolution is on page 373 that would have the

Board approve the business plan as --

MS. JACOBS: Move approval.

CHAIRMAN COURSON: Ms. Jacobs moves approval. Is there a second?

MS. JAVITS: Second.

CHAIRMAN COURSON: Ms. Javits seconds. Is there any further discussion from the Board? Or any discussion from the public? Let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-18 has been approved.

CHAIRMAN COURSON: Okay.

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Item 9. Discussion, recommendation and possible action regarding the adoption of a resolution approving the Fiscal Year 2008/2009 CalHFA Operating Budget

CHAIRMAN COURSON: Terri, you going to roll us right into the budget then?

MS. PARKER: I am.

First I'd like to make an introduction. Sally Lee has been working with the Housing Finance Agency for several months as a retired annuitant, and with Jackie leaving, we have the, you know, no good deed goes unpunished theory of giving Sally greater responsibility, and she is serving in the capacity as our Interim Administration Director. So one of Sally's primary goals is to help us over the next several months recruit a permanent replacement for Jackie.

But meanwhile Sally has a distinguished career in state government. Sally and I worked together at the Department of Finance when we were both young, and so she has great experience, not only in budgets but administration. She worked both control agencies, the Department of Finance and the State Personnel Board. So we've been very fortunate to have Sally come and help us out in this interim time. And I can say that we have gone through this -- the three of us have gone through this budget with the senior managers with a fine-tooth comb.

I'm going to start as an introduction before we get into the operating budget itself, when Steve and I were putting the slides together the other night, we always look at what did we present to Board last year as far as slides. And Steve came in and brought me the slide that was shown last year at this meeting and what we had reported to the Board as far as major challenges.

And we looked it over, and we thought, you know what, we should put this down. And we feel pretty doggone proud of the little checkmarks. These are the bullets of the challenges and what we have accomplished in this last year.

A year ago, we did not have a director of homeownership or multifamily. I'm very pleased, not only do we have those people, but the quality and caliber of those individuals and their excitement and what they have been bringing to the agency and this business plan.

We obviously started talking about the impact of the subprime crisis, concern about flight to quality, that we knew that we would have more people turning to CalHFA with the elimination of some of these Alt A and subprime products.

We certainly didn't know that what we were going to be faced with at that same time was the impact on capital, the impact to our financial structures that we've talked with you. We need to step back and take care of some of our financial instruments such as option rate bonds, the need for us to try to search out and get liquidity partnerships. And we have been successful in putting those kinds of programs together.

Fannie Mae has informed us that they are taking to their committee $300 million of liquidity that we can use both on our REO program and our multifamily programs to allow us -- that will be the only kind of variable rate debt we will sell to allow us to have the best rates for those programs.

Multifamily products, obviously we've talked about a number, but I think a point of pride is what's happened with our architectural guidelines and how that is now on barely a crib sheet.

And then again the strategic projects that we talked about in our new business environment and where we are in the success of completing some of those -- a number of those projects, advancing further along. And we'll be talking about that in the slide that we have. But we have in place today security projects, emergency response, operational recovery, business resumption plans that we did not have a year ago.

So I think we feel that it's a point with pride of staff showing the kinds of challenges and then this is our report card to you of what we have been successful.

We gave you a letter that provided an introduction to the business plan that's in your binder on page 375, and I just want to point out a couple of things.

First of all, we were asked by the budget committees last year to try to use the January Governor's budget as more of an opportunity to put in some price increases that other state agencies do instead of just submitting last year's business plan adopted, to at least give the Legislature some better feel for what our budget was relative to other budgets they look at, even though our budget is not approved or adopted by them.

So in January, and I reported this to you, the budget that was submitted and put in the Governor's budget did reflect such things as price increases, rent increases, salary increases that had been made and operating expenses that other state agencies put in, just as a baseline.

We have then come back and are presenting to you is a budget that we have thoroughly gone through by every division, every position for personnel services over time, the operating expense and equipment by every line item. And with that, we are projecting a budget that has a little over a percent increase from the prior year, and basically less than half a percent from what was submitted in the Governor's budget.

It -- it also is very much an attempt on our part to -- recognizing what our sister state agencies are going through with very austere budgets, budgets that, in fact, are requiring them to reduce their operating budgets by as much as 10 percent. So we have gone through our budget with that in mind, and we have pegged our budget to the business plan that we have presented and the production levels that we have planned and presented.

I'm going to let Sally speak to the positions.

I will make one other note that I also have put in here as far as information. We have given you information on what changes in positions. We've given you information on where the contract dollars are. And I've included a one-page proposal to allow when the compensation committee meets, that there would be funds in this budget for compensation considerations.

The legislation that gave the Board the authority to set salaries essentially states that the salary increases should be part of our annual budget process. Obviously, we're going to be working, the compensation committee is going to be working through that, but I wanted to ask the Board to put aside this pot of money.

It can't be utilized unless the compensation committee and the full Board takes any action, but it does reflect at this point in time a fully proposed budget, as opposed to if the Board took action that we would have to come back and make an amendment for that at that point in time.

So we are happy to answer any questions, but I'm going to have Sally walk you through some of the detail.

MS. LEE: Good afternoon, I should say now.

MS. PARKER: Sally, you're going to have to really -- your voice is really soft.

MS. LEE: Good afternoon, Mr. Chairman and Members of the Board. I thank Terri for the very generous introduction. I think that's a little exaggerated, but I appreciate it.

I wanted to walk you through the chart that you see displayed up on the screen. And this chart is basically a summary of the position changes that have been approved and requested by the various managers of each division. We laid it out by each division so you could see exactly where the pluses and minuses are -- I'm sorry? -- where the pluses and minuses are. And it's a net change of 6.4 positions.

You can see that there's movements between divisions, that we showed a net change. And we also increased temporary help which is used to deal with overtime, unusual absences, people being on -- out on state compensation, to allow us to continue the work of the various programs.

And I didn't -- I didn't know, would you -- would it be your pleasure that I go through each position, the justification? We did lay it out, the basis for the position change, in your packet. And we'd be glad to answer any questions with respect to any specific changes.

The one area that I would like to point out is that the net position increases are significantly offset by corresponding reductions in the costs associated with the consulting professional services contracts that the Agency has had providing the services that basically were outlined with respect to the Administration Division, the finance -- excuse me, the Financing Division and the Legal Division and the Marketing Division. Those contracted items have been reduced corresponding to the position increases. And the same workload will be performed at a lower cost.

CHAIRMAN COURSON: Why don't we stop there, and then I think, rather than go through all of them, ask for questions on any of the particular position changes. There is on page 377 the same numbers with an explanation showing for each of those.

MS. LEE: Yes, sir.

CHAIRMAN COURSON: Any questions on personnel? Then let's move on.

MS. JAVITS: Well, I'll ask one question.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: I mean I just -- you know, the obvious changes, you're down -- you're going down I mean on the multifamily side and up on the homeownership side, so just a maybe one sentence on that?

MS. LEE: Okay. Special lending has been moved from homeownership to -- excuse me, from multifamily to homeownership, and that's basically a shift of the same resources. And additionally when the MHSA contract is signed, we'll be reevaluating the impact, the workload impact, of that contract and how many counties actually come into the program, the MHSA housing program, so we would have to come back to the Board at that time if there is a workload change and report on that specifically.

MS. JAVITS: Okay. Thank you.

MS. PARKER: I'm sorry I didn't mention that, but I think we had talked about that in prior discussions, how we were moving that group over. This is now the time that we memorialize it in the financial documents.

CHAIRMAN COURSON: Okay.

MS. PARKER: I'm going to ask Steve to give us a -- just a briefing on the strategic initiatives. Obviously since that -- this incorporates a substantial amount of our consulting and professional dollars, I wanted you to be -- continue to be updated on where we are in our projections of this. As -- we refer to this as almost kind of the -- the food going through the snake because it is a substantial financial commitment, but once this is done, we'll be having our business plan operating budget decline back to what the dollar amounts were sort of more normalized.

Steve.

MR. SPEARS: Thank you.

Steve Spears, deputy director.

What you see on this slide here is a numerical update of projects that we've discussed with you before. There's a lot of detail about the projects themselves in the business plan, which can be found starting on page 358 in your Board binder. Obviously this is a very substantial commitment of dollars. These are outside dollars that are being spent. This does not include staff commitment time, which is substantial, to work on these projects.

But the trick with all of these, and we've discussed this before, is to keep the trains running to keep production going for homeownership and multifamily and legal and fiscal services and financing division and every aspect of the Agency while this is all going on. So some of this project management work exceeds our ability in the sheer number of people that we have.

So you see here outside oversight and the IV&V is oversight of these projects, project management support on the project committees, but basically over the business plan period, about $24 million of investment. We've spent about a million so far on these particular projects on initial phases of some of these, and so it's going to probably be in the neighborhood of 25 million.

The only caveat I would provide is in the fiscal services line. Phase I, those numbers are pretty accurate. Some of those contracts are in, already done. But in Phase II and III, in the out years where you see 3.8 million for three years in a row and $200,000, those are really estimates. We're not sure what -- exactly what those are going to be, so those are our best estimates at this point.

As far as progress, here again, I would point you to our business plan. But the homeownership project is making terrific progress. We have terrific response to the RFP that went out. Fiscal services, we made a purchase of software that we're going to convert our current system to make it more reliable, more understandable, more usable by the staff. Those two are our biggest projects, and they're making very, very good progress at this point.

So at this point I'd stop, ask if anybody has any questions.

CHAIRMAN COURSON: Steve, remind me again what Enterprise Content Management is.

MR. SPEARS: It's Tom Hughes' project, actually. It is in every part of the Agency, we handle documents in a different way. It's not standardized. It's difficult for us to find documents for litigation purposes, for internal purposes. And when we -- in many cases in multi -- between multifamily, legal and financing, for example, we'll work on a multifamily project, and it's difficult for us to all work on the same document and find it in one place. So it is -- it is adopting a consistent way of handling it and actually putting software in place that will put these documents where everybody can find -- everybody knows exactly what version you're working.

Because, I mean, as you know, when we're working with the legal documents on a multifamily deal, you want to make sure everybody is on the same page. So it's part of that.

CHAIRMAN COURSON: Okay. Thank you.

MR. SPEARS: Also part of that, Mr. Chairman, is a retention policy. At present we have -- we need to get that standardized across the Agency. We're going to work on that as well.

CHAIRMAN COURSON: Any other questions on these projects?

Okay, Terri.

MS. PARKER: In closing, Mr. Chairman, again, I would just ask the Board for their support of this budget. And obviously if there are situations where our assumptions about production don't materialize, then some of these funds would not be expended. On the other hand, if the situation changes and presents opportunities for us, if there's more workload in MHSA, if there is opportunity for financing at the federal level, then we would look first to see if it could be accommodated in our budget, and then, if necessary, come back to the Board for your consideration.

But at this point in time I would just ask for your approval.

CHAIRMAN COURSON: Are there other questions?

Yeah, Ms. Galante.

MS. GALANTE: I just have one question. I'm trying to tie this chart with the operating budget numbers, and I'm making an assumption that the $5 million on this chart is in the $8.7 million in the other?

MS. PARKER: Correct. Correct. Again, that's why we pulled this out.

But I -- I think in our book we had given you the extensive information on contracts so that you would have, you know, every contract that -- at this point in time that we are anticipating, and that is the backup data to the number in totality.

CHAIRMAN COURSON: Any other questions on the budget?

Mr. Morris.

MR. MORRIS: Okay. So as it relates to resolution 8-19, at what point do we address in that -- those years the memo as it relates to the budget request for exempt employee salary increase bonuses? Is that part of that?

MS. PARKER: It is included in the bottom number; correct.

MR. MORRIS: Do you want to discuss that?

MS. PARKER: I submitted a proposal. I think -- I'm not sure I have a lot more to add. It is based on the performance evaluations that I did for the senior managers, what I would be recommending in that. I've not made that public, because that would be something that I would be discussing with the Board. However, I did make note that that dollar amount, given the salaries for that group of individuals, is about 3 percent.

What my --

MR. MORRIS: So you're recommending a pool --

MS. PARKER: A pool, correct.

MR. MORRIS: -- for exempt employees.

MS. PARKER: Correct, but --

MR. MORRIS: Do you have any similar type of pool for nonexempt employees?

MS. PARKER: No. Those salaries are all salaries that are negotiated through employee contracts, which the --

MR. MORRIS: So how would those --

MS. PARKER: -- collective bargaining --

MR. MORRIS: How would the nonexempt -- going forward, for example, next year, next fiscal year, how would you anticipate the nonexempt employees' compensation to compare to the exempt employees' compensation? Increases.

MS. PARKER: You know, it's based -- that's based on collective bargaining, so I can't -- I can't say.

Let me just say a couple things. First of all, what I want to talk to the compensation committee about is the concept of a plan that might include two different forms of compensation: The ability to raise salaries within the salary survey that the compensation committee and the Board has adopted based on recruitment/retention issues, but also the introduction of a concept of a bonus program.

Now, I have not had the opportunity, because, again, this -- I haven't presented this to see if the Board is interested in this. My intention is also to have some conversations with the Department of Personnel Administration about this.

But there are examples of this where it exists in state government, and one of -- the one that is a very easy one to describe and it's kind of the interesting one, the pension fund. PERS uses this as a concept, not for its exempt, but its career exempt managers. So if you are a CEA in PERS, they have the ability to give on an annual basis for those individuals a bonus up to 15 percent of their salary.

So I thought that the idea of some kind of a bonus for performance might be something that the Board might look at as another additional opportunity for compensation. So --

MR. MORRIS: So one question, just so I understand. So if we approve this proposal, this budget for next year, does that establish this 3-percent pool?

CHAIRMAN COURSON: No. Let me --

MR. MORRIS: Okay.

CHAIRMAN COURSON: Let me be clear what's happening. The plan was -- what Terri, when she came to me with this, was to put a sum of dollars in the budget as a placeholder so that if -- that's exactly what it is. Approval of the budget, from my perspective and I think everybody's, is in no way approving any bonus plan, salary increases, et cetera. It's merely -- a budget is a plan. And it's in the plan.

It's my plan to call a meeting of the compensation committee between now certainly and the next Board meeting where we can talk about as a compensation committee any plans that Terri might have, if she's talked to DPA, bonus opportunities and so on, because that's -- and that committee then would make a decision as to proceeding to make any recommendations and so on.

So what this is -- this is not approving. All this has to come back to the Board, whether it's 3 percent, whether it's bonus or so on.

MR. MORRIS: Okay.

MS. PARKER: The only -- you know, I just would point out that the dollar amount that is here reflects my recommendation for some of the employees for salary considerations subject to the compensation committee's interest.

Those considerations, as I've put in my document, are if there would be salary adjustments, they would be within the salary survey that has been adopted to date or would be a bonus that would be something that would be contemplated. But it certainly is not in excess of what the Department of Personnel -- to what CalPERS has for its employee. And the dollar amount in totality is, to give you a comparison of what the 15 percent that CalPERS has, this would be 3 percent on the salaries.

It is my attempt at this point in time merely because I have made recommendations in the employees' evaluations, and I will make my case for them to you, to try to have as part of the budget because of SB257 to do this at this particular point in time. I see it as absolutely no commitment on the Board's part to make --

CHAIRMAN COURSON: It's just a separate process.

MR. MORRIS: Okay. So then just finally as it relates to the budget for next year, I mean, one of the issues that we'll have to address -- we don't have that many meetings left this year, but one of the issues is that Terri's term is expiring, so we have in the budget a dollar figure for what you're currently making, but when the compensation committee meets next, which I think should be sooner rather than later, one of the issues that we have to address is a succession plan. I don't know what Terri's plans are or when she plans to make that public, but this is something that needs to be addressed rather soon, given the fact that we only have a few more meetings left this year.

CHAIRMAN COURSON: That is correct. And that's why we're going to -- that's -- the topics that the compensation committee -- and you'll see part of the charter is part of the compensation committee's role to review annually a succession plan, et cetera, so that, talking about any proposed bonus arrangement or increase.

The third item is I would like to move the compensation towards a process of developing policies and procedures. We never got that far because of the issues we faced through our audit committee, but I know we've seen CalPERS and STRS policies and procedures, and we really need a set of policies and procedures for our compensation committee.

So those are going to be the three things on the agenda. So those are on the compensation committee. We're going to circulate and try to find some dates because it's not going to be a meeting that's going to last 30 minutes. We're going to have to spend some time on this because it's very important.

Is there a motion to approve the budget?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MS. GALANTE: I'll second.

CHAIRMAN COURSON: Is there any further discussion?

Any discussion from the public?

Call the roll.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-19 has been approved.

CHAIRMAN COURSON: Thank you.

MS. PARKER: Thank you, Members.

CHAIRMAN COURSON: I also would publicly like to announce that San Antonio did lose the game last night to our -- my friend, new friend, here who is a New Orleans supporter and Peja Stojakovich fan.

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Item 11. Reports

CHAIRMAN COURSON: Let's move -- we talked about going to have some time to get to the reports, and I think it's important based upon the time that we spent at our last Board meeting is to get an update. I've asked Bruce to give us an update on where we are with the re-funding and refinancing of the Agency's debt based upon the tumult and turmoil that is take place in the marketplace.

So, Bruce, thank you.

MR. GILBERTSON: Thank you, Mr. Chairman and Board Members, for allowing me a few minutes to talk to you and update you on market conditions and some of the other things that we have experienced in the last two months.

If I were to summarize in kind of two key concepts, I would suggest that what we've learned in the last two months is that financial markets are improving, ever so slightly, but they are improving, and that there is a heightened awareness and more thorough analysis of credit risk.

One of the things that we have spent a lot of time with recently is talking with existing and potential bond investors. They are asking many questions regarding the lending activities, the programs we offer, the characteristics of the program, as well as delinquency, you know, losses, REO situation, year of origination. A lot of things are being asked, and we are doing our very best to try to provide the information as requested on a timely basis to these investors.

Quite honestly, it's my opinion we have a very good story to tell. We have $6 billion of homeownership mortgages in our portfolio. One of the benefits we have is that we have what I would consider a nonmodern bond indenture. It requires 50-percent mortgage insurance coverage on every loan for the life of the loan. So if you're an investor in our bonds, you have a lot of -- take a lot of comfort, have a lot of security, in knowing that.

So as a part of our strategy, then we felt we had to reach out and touch these bond investors. Terri and I, as she mentioned earlier this morning, traveled to New York at the invite of Bank of America Securities to participate in an investors conference in Manhattan in early April. We were in front of 30 or 35 different investors. Total number of participants was probably 50 or 60. It was very well received.

In addition, in late April we went to the financial markets in a public offering to issue $300 million of fixed-rate bonds for the homeownership program. As a part of that, we decided that we would have arranged an investor conference call. So we invited over 500 investors to participate if they wanted to.

Tim Hsu, who most of you met last meeting, and I were on that call and walked through the characteristics of the asset quality that we were offering and what our plans were. I thought it went very, very well. We'll talk a little bit more about that in a moment.

And then lastly, in June we're planning -- Terri will be out of the office, unavailable. Steve Spears and I are going to go to Chicago, do a similar kind of road show for investors that are meeting in Chicago. That's the first week in June.

So since we last met, we have been busy. We issued and closed two different bond financings, early April $190 million under our home mortgage revenue bond indenture, and later in April $150 million, approximately, for our multifamily program.

In addition, this week we are closing an additional $600 million worth of bonds, all for the homeownership program, which means that we have issued in the last five weeks or will have issued almost a billion dollars of bonds. Many of those bonds are part of the restructuring program.

I'll just talk quickly on both of those transactions that have occurred, the multifamily transaction, as I mentioned, $150 million in bonds. They were all tax-exempt, uninsured variable rate demand bonds. The liquidity facility was provided to us by Bank of America. This provided funding for five new projects, projects that this Board had approved in January and March, including the A piece for Grand Plaza, since you've talked about that already.

It also included $90 million of economic re-funding bonds, which allowed us to call out auction rate securities that were not performing as planned, consistent with the restructuring plan that we discussed two months ago. As a part of that, we transferred 21 project loans and five interest rate swap contracts from the old bonds to the new bonds. There's a lot of additional details about that offering in the report section of the Board binder today.

Moving on to the single family financing,

$190 million worth of bonds. Again, all tax exempt, uninsured, so we have no exposure to the bond insurers, variable rate demand obligations. Again, the liquidity was provided by Bank of America. Included -- nearly all of this was part of debt restructuring quite honestly, $175 million of economic re-funding of prior bonds.

We decided to use the balance of liquidity that we had from B of A, $15 million, to provide some proceeds for some new loan purchase activity. This included transferring $188 million of swaps that were hedges on re-funded bonds or otherwise unattached bonds, moving them forward into this financing, effectively creating a fixed rate to the Agency for those bonds.

The two other transactions we are working on this week, in fact, I was on a call very early this morning for the successful closing of $300 million of the 2008 series G, H and I. This was a taxable offering. We had some restructuring to do with taxable bonds as well. $93 million of the proceeds that we received today will be used as a part of that plan. $207 million will be used by -- to buy mortgages. Again, it's the way by which we leverage the limited tax exempt volume cap that we do have.

Tomorrow -- I'll be flying home this afternoon to join a preclosing conference in Sacramento and we will hope to close $300 million of 2008 Series J and K bonds. These are all tax-exempt fixed-rate bonds, and this is really what we're really so proud of, Terri and I. Our investors conference and the investor call that we had, we knew we were going out talking to these potential bond investors just prior to a very large sale. And I must say that it was very, very successful.

We had strong retail and institutional demand for these bonds. Some of the longer dated term bonds were as much as four times oversubscribed. Sorry about the lingo, but that means we had four orders for every bond we were selling. We were able to improve the price, sometimes by much as 10 to 15 basis points. Providing -- it's not a great rate, but considering the market, we thought it was a huge success. We have an all-in bond yield of 5.37 percent on that financing and will work just fine in financing the loans that we've been taking in through our reservation window.

The one thing that was the milestone, I guess, for us is that typically in housing bonds we talk about the long bond, the 30-year maturity. Other issuers of those bonds back two weeks ago were having to pay as high as 5.75 in interest rate. We were able to get the price down to 5.60, so we were very, very pleased with that.

I'll just wrap this up quickly by giving you a snapshot of the update of the restructuring plan, which really is intended to show that we're quite far through this process. We started out in our single family program needing to do something with about $565 million worth of bonds. $227 million have already been redeemed, so that's behind us. 55 million will be redeemed the first part of June.

We're in the process of modifying some of these liquidity agreements that are officially called standby bond purchase agreements associated with $260 million worth of the insured VRDOs. We hope to complete that by the end of May. And then the last piece for the homeownership program is to simply redeem $20 million of the last of the auction rate securities in that indenture on the debt service date of August 1, 2008.

Under the general obligation, which is primarily where the multifamily financing is occurring, there were $440 million in bonds that we needed to address. 90 million have been redeemed as of this point. We're working on modifying the liquidity agreement, again similar to what we're doing with the homeownership program of $51 million of insured VRDOs.

We will do something a little different, convert $44 million that were auction rate securities, we're looking to convert them to variable rate demand obligations. We have been in contact with FGIC, one of the bond insurers. They're willing to revoke their insurance policy as a part of that conversion, so we think that those bonds will trade very, very well once we get through that. And that's scheduled to occur late next week.

And then lastly, as we mentioned to you at our March meeting, we have some time to deal with the balance of these auction rate securities. It's about $250 million. And we will, once we identify some additional liquidity sources, deal with that over the next year or thereabouts.

I have another report. There's really not much change in the variable rate profile of the -- of the Agency. I think once we work through a lot of what I just talked about, you'll be interested to take a look at some of those things as we -- as we head into July. And I'll be in a position to give you a more thorough review of the variable rate bonds in the portfolio.

Any questions?

MS. PARKER: I also forgot to do this in my earlier comments. I've been saving this, it's such exciting news, and now I want to make sure I give it to you before we leave so that for all of you if you want to change your résumés, you can now say that you are on the board of a $10 billion financial institution. We used to be a

$9 billion financial institution, but we have pushed through, punched through, the $10 billion ceiling and are now a $10 billion financial institution, so congratulations to all of you.

CHAIRMAN COURSON: Being in the mortgage business, I've been saying that all along. I always rounded up, so.

--o0o--

Item 12. Discussion of other Board matters

CHAIRMAN COURSON: Is there -- are there -- are there any other comments from the Board? Any topics?

MS. JACOBS: I just wanted to thank you for this report and thank you for the work you're doing. I think in this environment, it's impressive.

CHAIRMAN COURSON: We're doing remarkably well based upon the state of the financial markets.

--o0o--

Item 13. Public testimony

CHAIRMAN COURSON: The -- I have no notice of any testimony from the public.

So in the interest of budget, I have one parking pass. That's all they have given us. Now, we can -- I saw Ms. Jacobs' hand first, she wins the lottery for the parking pass.

All right. We -- our next meeting is July the 17th in Sacramento at the Hyatt and we'll stand adjourned.

(The meeting concluded at 12:38 p.m.)

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 21st day of May, 2008.

____

Yvonne K. Fenner

Certified Shorthand Reporter

License No. 10909, RPR

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Mirage I & II Apartments
Rancho Mirage, Riverside County, CA
CalHFA # 07-031A/S

SUMMARY

This is a Final Commitment request. Security for the acquisition/rehabilitation and permanent loans will be a 98-unit family apartment complex known as Villa Mirage I & II Apartments, located at 34-160 Rebecca Way, Rancho Mirage, California. AFE-Villa Mirage Associates, L.P., whose managing general partners are AF Evans Company, Inc. and The Trinity Housing Foundation, a California nonprofit corporation, will own the project.

Villa Mirage I & II Apartments was developed as two phases and both are existing portfolio loans currently owned by Villa Mirage I and II, a California limited partnership, whose general partner is C.R.I., Inc. This 98-unit family apartment project was constructed in 1984 and consists of 24 one and two-story buildings. The project is 100% Section 8 and the initial 20-year HAP contract for phase I expired and is on annual renewal. Phase 2 is in the middle of a 5-year renewal period through 2010. Phase 2 has one additional 5-year renewal period through 2015.

Existing Financing	
Villa Mirage I	
Project Rate	11.00%
Term:	30 yrs.; remain term: 7yrs. 8mos.
Loan maturity	2/1/2016
Curr Prin Bal:	$1,313,227.00
HAP Maturity	Annual Renewal;
Villa Mirage I RHCP	
Project Rate	0.00%
Term:	30yrs. Remain term 7 yrs. 2 mos.
Loan maturity	8/1/2015
Current Bal:	$204,340
Villa Mirage II	2/1/2016
Project Rate	10.6
Term:	30 yrs.; remain term: 7yrs. 8mos.
Loan maturity	2/1/2016
Curr Prin Bal:	$1,179,269.00
	5 yr. term expires 2010.
HAP Maturity	One additional 5 yr. term through 2015

Sales Transaction				
Sales Price		$5,953,411	($60,749 per unit)	
Less CalHFA existing indebtedness		$2,696,836		
Less CalHFA Yield Maintenance		$612,575		
Transfer Riverside County Loan		$317,000		
Net Proceeds to Seller		$2,327,000		
Proposed Rents				
100% Section 8	Rent	Rent Level	Units	# of Persons
Two Bdrm	$950	30%	68	204
Three Bdrm	$1,145	30%	29	116
Tax Credit Rents				
Two Bdrm	$677	50%	14	42
Two Bdrm	$826	60%	54	162
Three Bdrm	$746	50%	6	24
Three Bdrm	$951	60%	23	103.5
Total Affordable Tenants			98 Units	331.5
Rehabilitation		$1,470,000	($15,000 per unit)	

The rent restrictions for deep affordability remain unchanged since the project currently receives 100% Section 8 subsidy. The affordability levels will be extended as the borrower is seeking new 20 year HAP contract extensions on each phase.

The seller is motivated to sell primarily because the limited partners are at retirement age and are therefore dissolving their holdings. The sellers are pleased to sell to a company that will guarantee the long-term affordability of the project they originally built to serve a low income population in the community.

The buyer, A.F. Evans is motivated to purchase this property because it furthers their mission statement of creating and managing affordable housing that creates dignified, safe living environments to their residents, no matter their income level. By acquiring, rehabilitating, and guaranteeing the long term affordability of the Rancho Mirage Apartments, A.F. Evans believes it can make a positive impact on the lives of the residents and contribute to a vital need to the community of Rancho Mirage.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$5,665,000,
Interest Rate	5.0%, fixed interest rate
Term	12 Months, interest only
Financing	Tax-exempt

Second Mortgage*	$1,760,000
Interest Rate	5.75%
Term	15 year fixed, fully amortized
Financing	Tax-exempt

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage.

Permanent

First Mortgage	$4,180,000
Interest Rate	5.75%
Term	30 year fixed, fully amortized, prepayable after 15 years with 120 days written notice.
Financing	Tax-exempt

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

OTHER FINANCING

Villa Mirage II currently has a loan with the Riverside County RDA in the amount of $317,000 at a rate of 3% payable in September 2015. The County is in the process of extending the loan an additional 30 years. The Agency's final commitment will be conditioned upon the County's approval of a 30-year extension.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract for Villa Mirage I was executed on December 20, 1985, for a term of 20 years. The project is now on annual renewals and the borrower is seeking Mark Up to Market Rents for a new 20-year HAP Contract based on annual appropriation. The original HAP contract for Villa Mirage II was executed on October 18, 1985, for a term of 30 years. The HAP contract is in the middle of a 5-year term that expires in 2010. It also has one additional 5-year renewal period through 2015. The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

CalHFA is currently seeking approval from the Los Angeles HUD office recommending that the existing 20-year HAP contract remain in place with HUD. A response from HUD is still pending. In addition, a transition reserve of $215,539 will be funded at permanent loan closing representing approximately 17 months of debt service reserve towards any potential shortfall in Section 8 funding.

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement and operating reserves will be transferred with the property at the time of sale to AFE-Villa Mirage Associates, L.P, .

PROJECT DESCRIPTION

Project Location

- The project is located in the central area of the Palm Springs/Coachella Valley, four and one-half miles northwest from Palm Springs International Airport, in the Coachella Valley area of Riverside County, 110 miles southeast of Los Angeles.
- The neighborhood boundaries consist of the easterly boundary of Da Vall Drive with the westerly boundary as Date Palm Drive Avenue. The southerly boundaries are Gerald Ford Drive and Highway 111 (Palm Canyon Drive). The northerly boundaries are Dinah Shore Drive and the I-10 Interstate.
- Rancho Mirage is surrounded by the cities of Palm Springs to the north, Cathedral City to the west, Palm Desert to the south and Thousand Palms to the east.
- Land uses in the site vicinity include the single family homes to the west, residential condominiums to the east and south, and vacant, unimproved land to the to the west. A public high school is situated across the major thoroughfare of Dinah Shore Drive.
- Proximity to off-site amenities and services are all within a reasonable distance.

Site

- The site consists of two irregular shaped parcels totaling 5.22 acres in size.
- The site is zoned R-H (multi-family residential), representing a residential land use zoning designation. The site and its use are legally conforming.
- The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- This 98-unit project was built in 1984 and consists of a 24 one and two-story buildings The construction is wood frame with stucco exterior. The roofing on the building is the original roof covering and is 23 years old.
- There are five two-bedroom handicap units, 64 two-bedroom townhouse units, and 29 three-bedroom townhouse units. A manager occupies one of the two-bedroom townhouse units. Each unit has a garbage disposal, double sinks, dishwasher, central heat and air conditionings, gas stoves and a patio or balcony.
- The common area amenities include a community room with a kitchen, one central laundry facility, pool, spa, two barbeque areas, play ground are, and a leasing office.
- The project offers 196 carports and 30 uncovered, open parking spaces.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the City of Rancho Mirage and surrounding areas.
- The scope of rehabilitation work totals $1,470,000 or $15,000 per unit and includes:

- **Site work, $158,150** – walkways/asphalt repair, seal coat, and restriping ($48,200), concrete repairs ($9,800), children's play area ($40,000), resurface pool ($6,000), landscaping upgrades ($24,500), signage, and miscellaneous ($29,650).
- **Building and Residential Units, $940,910** – interior & exterior painting ($40,920), windows ($225,400), glass, drywall, flooring ($117,600), cabinets ($58,800), appliances ($78,400), light fixtures, GFI and misc. ($127,890), roof repair ($90,000), stucco, stairs ($137,200) and rough carpentry ($64,700).
- **Mechanical systems, $370,940** – new wall a/c units and remove existing ($156,000), plumbing ($158,766), and smoke detectors, misc. ($56,174).

  Work is scheduled to commence in late summer/early fall 2008 and is projected to be completed within 12 months.

Off-site improvements

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

Relocation

- There is approximately $49,000 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. The residents will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower will provide transportation and moving arrangements. In addition, these temporary 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, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area [PMA] is defined as the City of Rancho Mirage. PMA boundaries extend to city limits for the subject property.

The defined PMA comprises 17,669 people in 9,130 households per 2007 ESRI estimates. The population is forecast by ESRI to increase by nearly 3,100 people during the next five years. The median household income for the PMA of $87,181 is above the Coachella Valley median (+54%) and Riverside County median (+56%), and nearly sixteen percent (16%) of PMA residents have annual incomes below $25,000 (vs. 23.5% countywide). The average age for residents within the PMA, 60.96, is 9.2 years higher than the Coachella Valley and 28.53 years higher than Riverside County.

Of the 9,130 households within the PNA population, renters account for 17.22% of the households. Extrapolating from 2000 Census data provided in the ESRI “Age 55- Profiles” and “Market Profile” demographic reports, 77% of households aged 55 or less were renters, in comparison to 39% across all age groups at the time of the Census.

Housing Supply and Demand

The entire existing affordable family housing rental stock in the PMA consists of the subject project totaling 98 units. There are no other HUD subsidized or low income tax credit projects in the PMA area. The subject project is 100% occupied with a waiting list. There are no planned or proposed senior LIHTC/bond projects other than this project.

A total of seven (7) projects outside of the PNA were reviewed in the market analysis, comprising 798 units. Two are age-restricted HUD projects totaling 111 units (excluding the subject property). Five (5) are market rate projects totaling 687 units.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

The Phase I is in process. The final commitment will be conditioned on any further work required and/or any remediation.

SEISMIC

URS Corporation is performing a seismic review assessment. The final commitment will be conditioned on any required work.

DEVELOPMENT TEAM

Borrower

AFE Villa Mirage Associates, LP

- The non-profit Managing General Partner will be The Trinity Housing Foundation, located in Walnut Creek, California. William Leone is Executive Director and co-founder.
- To date, Trinity owns and operates two Section 8 housing communities with plans underway to develop five additional projects in the next several years, with a long-term goal to expand to at least 5,000 low income housing. Playa del Alameda, Alameda, and Charter Oaks, Napa, are owned and operated in a partnership with A.F. Evans Company, Inc.

- The co-general partner and sponsor/developer, A.F. Evans Company, Inc. will be an initial general partner in the LP. Since 1977, A.F. Evans Company has developed over 9,500 units and currently manages over 6,500 units in Northern and Southern California, Nevada, and Washington with offices in Oakland Seattle. The A.F. Evans Company currently has several projects in the Agency's portfolio.

Management Agent

Evans Property Management, Inc.

- In 1984, Evans Property Management, Inc. was formed to manage the growing number of residential projects developed by its parent company, A.F. Evans Company, Inc. Currently, EPMI manages 43 properties, a combined total of 6,500 units, in 28 cities within the Western states of California, Nevada, Washington, and Oregon. Some projects are fee managed for third party owners.
- A resident services coordinator employed by Evans Property Management, Inc. will be responsible for the coordination of programs at Villa Mirage I & II. Upon completion of an assessment based on tenant needs, EPMI services typically include one or more of the following: afterschool programs, computer learning center, employment support, healthy living, and others. Such services are offered free of charge.

Architect

N/A

Contractor

Nick Tavaglione Construction Cttonsultants

- In 1952 Mr. Tavaglione formed Nick Tavaglione Construction Company which has been in the building and development business in several states. Mr. Tavaglione resides in Riverside, California. The construction company has been active in multi-family subsidized housing in the communities of Rancho Mirage, San Bernardino, Riverside, and Beaumont.

PROJECT SUMMARY

PROJECT NUMBER: 07-031-A/S

Final Commitment

Project:	**Villa Mirage I & II**		
Location:	34-160 Rebecca Way	***Developer:***	**A.F. Evans**
City:	Rancho Mirage	***Partner:***	The Trinity Hsg. Found.
County:	Riverside	***Investor:***	TBD
Zip Code:	92270		

		No. of Buildings:	24	
Project Type:	Existing	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	93,875	sq. ft.
Total Units:	98	*Office Space*	3,080	sq. ft.
Style Units:	Garden	*Commercial Space*	0	sq. ft.
Elevators:	No	*Gross Area*	96,955	sq. ft.
Total Parking	226	*Land Area*	227,383	sq. ft.
Covered	196	*Units per acre*	19	

CalHFA Acquisition Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition/Rehab Financing	$5,665,000	5.00%	12

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$4,180,000**	**5.75%**	**30/15**
CalHFA Bridge Loan	**$0**	**5.00%**	**1**
CalHFA Second Mortgage	**$1,760,000**	**5.75%**	**15**
Riverside County Loan	$317,000	3.00%	30
Assumed Reserves	$100,632	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	$399,159		
Developer Contribution	$0		
Deferred Dev. Fee	$530,600		
Tax Credit Equity	$2,981,619		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$11,400,000	**Appraisal Date:**	**May 5, 2008**	**Restricted Value**	$9,515,000
Loan / Cost	64%	**Cap Rate:**	**6.19%**	**Perm. Loan / Cost**	41%
Loan / Value	50%			**Perm. Loan / Value**	44%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$37,125	Other Reserve	$0
CalHFA Permanent Loan Fees	$10,450	Replacement Resv. Initial Deposit	$98,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$450
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$114,031
Completion Guarantee Fee	$2,189,330	Rent Up Reserve	$0
Contractors Payment/Performance B	$2,189,330	Other Reserve	$0
		Transition Operating Reserve	$215,539

Date: 7/2/2008 **Senior Staff Date:** 6/23/2008

UNIT MIX AND RENT SUMMARY — Villa Mirage I & II

07-031-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
0	1 Bedroom Flat	1	0
0	1 Bedroom Flat	1	0
5	2 Bedroom Flat	1	875
64	2 Bedroom Townhome	1	900
29	3 Bedroom Flat	1.5	1,100
	4 Bedroom Townhome	2.5	
98			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			20				
Tax Credits				97			
Locality							
HCD							
AHP							
Zoning							
Other							

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Mkt Rent	Sec. 8 Rent	Dollars Difference	% of Market
Two Bedroom			$1,200	$950		
30%	0	$0			$0	0%
40%	0	$0			$0	0%
50%	14	$677			$523	56%
60%	54	$826			$374	69%
80%	0	$0			$0	0%
Three Bedroom			$1,350	$1,145		
30%	0	$0			$0	0%
40%	0	$0			$0	0%
50%	6	$746			$604	55%
60%	23	$951			$399	70%
80%	0	$0			$0	0%
			$0			
30%	0	$0			$0	0%
40%	0	$0			$0	0%
50%	0	$0			$0	0%
60%	0	$0			$0	0%
80%	0	$0			$0	0%
			$0			
30%	0	$0			$0	0%
40%	0	$0			$0	0%
50%	0	$0			$0	0%
60%	0	$0			$0	0%
80%	0	$0			$0	0%

Sources and Uses of Funds — Villa Mirage I & II

07-031-A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition/Rehab Financing	5,665,000				
Construction Only Source 2	-				
CalHFA Bridge Loan	-				
CalHFA First Mortgage		4,180,000	4,180,000	42,653	41%
CalHFA Second Mortgage	1,760,000		1,760,000	17,959	17%
Riverside County Loan	317,000	-	317,000	3,235	3%
Assumed Reserves	100,632	-	100,632	1,027	1%
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	266,311	132,848	399,159	4,073	4%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	530,600	530,600	5,414	5%
Tax Credit Equity	745,405	2,236,214	2,981,619	30,425	29%
Total Sources	8,854,348	7,079,662	10,269,010	104,786	100%
(Gap)/Surplus	-	(0)	(0)		

(Right-hand columns: **Total Development Sources**)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$5,665,000**			
ACQUISITION					
Existing CalHFA Notes	2,492,496	-	2,492,496	25,434	24%
Prepayment Penalty	612,575	-	612,575	6,251	6%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	3,105,071	-	3,105,071		
CRI LP Notes	2,327,000	-	2,327,000	23,745	23%
Second Note-RHCP	204,340	-	204,340	2,085	2%
Riverside County Loan	317,000	-	317,000	3,235	3%
Total Acquisition	**5,953,411**	**-**	**5,953,411**	**60,749**	**58%**
REHABILITATION					
Site Work	100,000	-	100,000	1,020	1%
Rehab to Structures	1,370,000	-	1,370,000	13,980	13%
General Requirements	102,900	-	102,900	1,050	1%
Contractors Overhead	58,800	-	58,800	600	1%
Contractors Profit	58,800	-	58,800	600	1%
Contractor's Bond	16,905	-	16,905	173	0%
General Liability Insurance	25,000	-	25,000	255	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**1,732,405**	**-**	**1,732,405**	**17,678**	**17%**
RELOCATION EXPENSES					
Relocation Expense	49,000	-	49,000	500	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**49,000**	**-**	**49,000**	**500**	**0%**

(Right-hand columns: **Total Development Costs**)

(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	21,000	-	21,000	214	0%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**21,000**	**-**	**21,000**	**214**	**0%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	3,000	-	3,000	31	0%
Total Engineering & Survey	**3,000**	**-**	**3,000**	**31**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	285,606		285,606	2,914	3%
CalHFA Construction Loan Fee	37,125		37,125	379	0%
ICAC Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	20,000		20,000	204	0%
CalHFA Req'd Inspection Fees	27,000		27,000	276	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	-		-	-	0%
Other	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**369,731**	**-**	**369,731**	**3,773**	**4%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	10,450	10,450	107	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	5	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	600	-	600	6	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**1,100**	**10,450**	**11,550**	**118**	**0%**
LEGAL FEES					
Borrower Legal Fee	55,000	-	55,000	561	1%
Org.	5,000	-	5,000	51	0%
Total Attorney Expense	**60,000**	**-**	**60,000**	**612**	**1%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	8,500	-	8,500	87	0%
Market Study	7,000	-	7,000	71	0%
Physical Needs Assessment	5,100	-	5,100	52	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	7,000	-	7,000	71	0%
Soils / Geotech Reports	2,900	-	2,900	30	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/Dry Rot Report	5,000	-	5,000	51	0%
RCS	3,000	-	3,000	31	0%
Total Contract Costs	**38,500**	**-**	**38,500**	**393**	**0%**
CONTINGENCY					
Hard Cost Contingency	147,000	-	147,000	1,500	1%
Soft Cost Contingency	30,000	-	30,000	306	0%
Total Contingency	**177,000**	**-**	**177,000**	**1,806**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	114,031	114,031	1,164	1%
Construction Defects Reserve	-	-	-	-	0%
Transition Operating Reserve	-	215,539	215,539	2,199	2%
Replacement Resv. Initial Deposit	-	98,000	98,000	1,000	1%
Other	-	-	-	-	0%
Total Reserves	**-**	**427,570**	**427,570**	**4,363**	**4%**
OTHER					
CTCAC App/Alloc/Monitor Fees	12,088	-	12,088	123	0%
Local Permit Fees	5,000	-	5,000	51	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	30,000	-	30,000	306	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	-	15,000	15,000	153	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**47,088**	**15,000**	**62,088**	**634**	**1%**
SUBTOTAL PROJECT COSTS	**8,452,235**	**6,118,020**	**8,905,255**	**90,870**	**87%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	402,113	961,642	1,363,755	13,916	13%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**402,113**	**961,642**	**1,363,755**	**13,916**	**13%**
Total Costs	**8,854,348**	**7,079,662**	**10,269,010**	**104,786**	**100%**

Annual Operating Budget **Villa Mirage I & II**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,189,260	$12,135	99.51%
Laundry	$5,860	$60	0.49%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$1,195,120**	**$12,195**	100.00%
Less:			
Vacancy Loss	$54,806	$559	4.81%
Effective Gross Income	**$1,140,314**	**$11,636**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$200,796	$2,049	33.20%
Administrative	$97,610	$996	16.14%
Management fee	$49,862	$509	8.24%
Utilities	$43,417	$443	7.18%
Operating and Maintenance	$92,990	$949	15.38%
Insurance and Business Taxes	$61,000	$622	10.09%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$545,675**	$5,568	90.23%
Replacement Reserves	$44,100	$450	7.29%
Taxes & Assessments	$15,000	$153	2.48%
Total Expenses	$604,775	$6,171	100.00%
Financial Expenses			
CalHFA First Mortgage	$0	$0	
CalHFA Second Mortgage	$175,383	$1,790	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$360,157**	**$3,675**	

Cash Flow	Final Commitment			CalHFA Project Number: 07-031-A/S					Villa Mirage I & II		
RENTAL INCOME	**Rehab Yr. 1**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**965,172**	**989,301**	**1,014,034**	**1,039,385**	**1,065,369**	**1,092,004**	**1,119,304**	**1,147,286**	**1,175,968**	**1,205,368**	**1,235,502**
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%*
Rental Subsidies	**208,488**	**212,658**	**216,911**	**221,249**	**225,674**	**230,188**	**234,791**	**239,487**	**244,277**	**249,162**	**254,146**
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%*
Unrestricted Units	**15,600**	**15,990**	**16,390**	**16,799**	**17,219**	**17,650**	**18,091**	**18,543**	**19,007**	**19,482**	**19,969**
Unrestricted Unit Increases	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL RENTAL INCOME	**1,189,260**	**1,217,949**	**1,247,334**	**1,277,433**	**1,308,263**	**1,339,841**	**1,372,186**	**1,405,317**	**1,439,252**	**1,474,012**	**1,509,617**
OTHER INCOME											
Laundry	**5,860**	**5,978**	**6,097**	**6,219**	**6,343**	**6,470**	**6,600**	**6,732**	**6,866**	**7,004**	**7,144**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**5,860**	**5,978**	**6,097**	**6,219**	**6,343**	**6,470**	**6,600**	**6,732**	**6,866**	**7,004**	**7,144**
GROSS POTENTIAL INCOME	**1,195,120**	**1,223,927**	**1,253,432**	**1,283,652**	**1,314,606**	**1,346,311**	**1,378,786**	**1,412,049**	**1,446,119**	**1,481,016**	**1,516,761**
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%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**54,806**	**56,144**	**57,514**	**58,918**	**60,356**	**61,829**	**63,339**	**64,886**	**66,470**	**68,093**	**69,757**
EFFECTIVE GROSS INCOME	**1,140,314**	**1,167,783**	**1,195,918**	**1,224,735**	**1,254,251**	**1,284,482**	**1,315,447**	**1,347,163**	**1,379,649**	**1,412,923**	**1,447,004**
OPERATING EXPENSES											
Expenses	545,675	564,774	584,541	605,000	626,175	648,091	670,774	694,251	718,550	743,699	769,728
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%*
Taxes and Assessments	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	18,285
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%*
Replacement Reserve		44,100	44,982	45,882	46,799	47,735	48,690	49,664	50,657	51,670	52,704
Percentage Increase Yearly	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL EXPENSES	**560,675**	**624,174**	**645,129**	**666,799**	**689,210**	**712,387**	**736,356**	**761,145**	**786,782**	**813,296**	**840,717**
NET OPERATING INCOME	**579,639**	**543,609**	**550,789**	**557,935**	**565,040**	**572,095**	**579,091**	**586,018**	**592,867**	**599,627**	**606,287**
DEBT SERVICE											
CalHFA - 1st Mortgage		292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720
CalHFA - Bridge Loan	0	0	0	0	0						
CalHFA - 2nd Mortgage	175,383	175,383	175,383	175,383	175,383	175,383	175,383	175,383	175,383	175,383	175,383
None	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
DSCR on Restricted Rental Income	**2.04**	**1.15**	**1.16**	**1.17**	**1.18**	**1.19**	**1.20**	**1.21**	**1.22**	**1.22**	**1.23**
DSCR on Total Income and Total Debt	**3.30**	**1.16**	**1.18**	**1.19**	**1.21**	**1.22**	**1.24**	**1.25**	**1.27**	**1.28**	**1.30**
Cash Available for Distribution	**404,257**	**75,507**	**82,686**	**89,833**	**96,937**	**103,992**	**110,988**	**117,915**	**124,764**	**131,524**	**138,184**

Cash Flow **CalHFA Project Number:)7-031-A/S** **Villa Mirage I & II**

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**1,266,389**	**1,298,049**	**1,330,500**	**1,363,763**	**1,397,857**	**1,432,803**	**1,468,623**	**1,505,339**	**1,542,972**	**1,581,547**
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	**259,229**	**264,413**	**269,701**	**275,095**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	**20,469**	**20,980**	**21,505**	**22,042**	**22,593**	**23,158**	**23,737**	**24,331**	**24,939**	**25,562**
Unrestricted Unit Increases	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL RENTAL INCOME	**1,546,086**	**1,583,442**	**1,621,706**	**1,660,901**	**1,420,450**	**1,455,962**	**1,492,361**	**1,529,670**	**1,567,911**	**1,607,109**
OTHER INCOME										
Laundry	**7,287**	**7,432**	**7,581**	**7,733**	**7,887**	**8,045**	**8,206**	**8,370**	**8,537**	**8,708**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**7,287**	**7,432**	**7,581**	**7,733**	**7,887**	**8,045**	**8,206**	**8,370**	**8,537**	**8,708**
GROSS POTENTIAL INCOME	**1,553,373**	**1,590,875**	**1,629,288**	**1,668,633**	**1,428,338**	**1,464,007**	**1,500,567**	**1,538,040**	**1,576,449**	**1,615,817**
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	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**71,461**	**73,206**	**74,995**	**76,828**	**70,287**	**72,042**	**73,841**	**75,685**	**77,575**	**79,513**
EFFECTIVE GROSS INCOME	**1,481,912**	**1,517,668**	**1,554,292**	**1,591,806**	**1,358,050**	**1,391,964**	**1,426,725**	**1,462,354**	**1,498,873**	**1,536,305**
OPERATING EXPENSES										
Expenses	796,669	824,552	853,412	883,281	914,196	946,193	979,310	1,013,585	1,049,061	1,085,778
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	18,651	19,024	19,404	19,792	20,188	20,592	21,004	21,424	21,852	22,289
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	53,758	54,833	55,929	57,048	58,189	59,353	60,540	61,751	62,986	64,245
Percentage Increase Yearly	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL EXPENSES	**869,077**	**898,409**	**928,745**	**960,121**	**992,573**	**1,026,137**	**1,060,853**	**1,096,760**	**1,133,899**	**1,172,313**
NET OPERATING INCOME	**612,835**	**619,260**	**625,547**	**631,684**	**365,477**	**365,827**	**365,872**	**365,594**	**364,975**	**363,992**
DEBT SERVICE										
CalHFA - 1st Mortgage	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	175,383	175,383	175,383	175,383	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
DSCR on Restricted Rental Income	**1.23**	**1.24**	**1.24**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.24**
DSCR on Total Income and Total Debt	**1.31**	**1.32**	**1.34**	**1.35**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.24**
Cash Available for Distribution	**144,732**	**151,157**	**157,444**	**163,582**	**72,757**	**73,107**	**73,152**	**72,874**	**72,254**	**71,272**

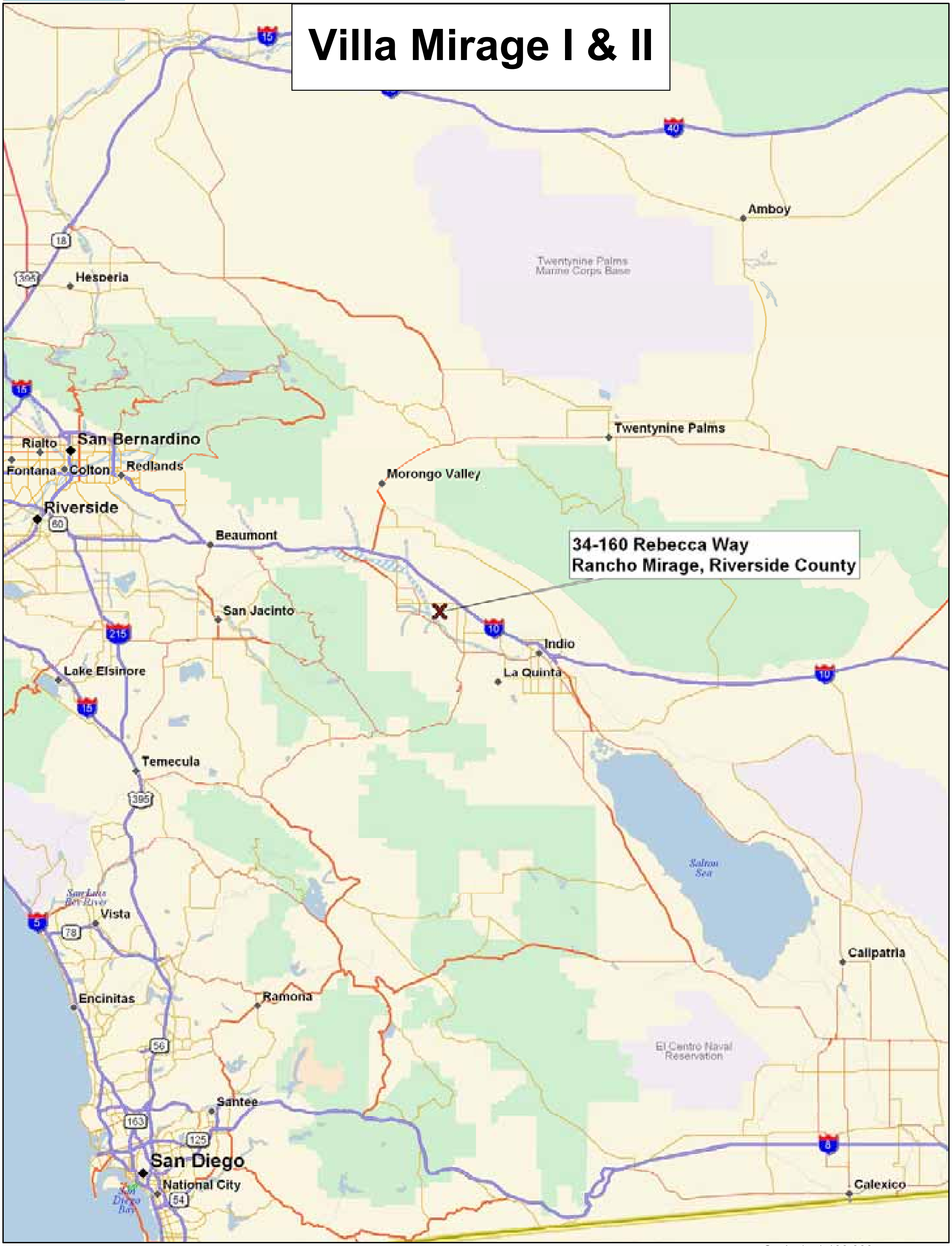
Cash Flow | **CalHFA Project Number: 07-031-A/S** | **Villa Mirage I & II**

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,621,085	1,661,613	1,703,153	1,745,732	1,789,375	1,834,109	1,879,962	1,926,961	1,975,135	2,024,513
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	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	26,201	26,857	27,528	28,216	28,922	29,645	30,386	31,145	31,924	32,722
Unrestricted Unit Increases	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL RENTAL INCOME	1,647,287	1,688,469	1,730,681	1,773,948	1,818,296	1,863,754	1,910,348	1,958,106	2,007,059	2,057,236
OTHER INCOME										
Laundry	8,882	9,060	9,241	9,426	9,615	9,807	10,003	10,203	10,407	10,615
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	8,882	9,060	9,241	9,426	9,615	9,807	10,003	10,203	10,407	10,615
GROSS POTENTIAL INCOME	1,656,169	1,697,529	1,739,922	1,783,374	1,827,911	1,873,561	1,920,351	1,968,310	2,017,466	2,067,851
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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	81,498	83,534	85,620	87,758	89,949	92,196	94,498	96,858	99,277	101,756
EFFECTIVE GROSS INCOME	1,574,671	1,613,995	1,654,302	1,695,616	1,737,962	1,781,365	1,825,853	1,871,451	1,918,189	1,966,094
OPERATING EXPENSES										
Expenses	1,123,780	1,163,113	1,203,822	1,245,955	1,289,564	1,334,698	1,381,413	1,429,762	1,479,804	1,531,597
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	22,735	23,190	23,653	24,127	24,609	25,101	25,603	26,115	26,638	27,170
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	65,530	66,841	68,178	69,541	70,932	72,351	73,798	75,274	76,779	78,315
Percentage Increase Yearly	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%
TOTAL EXPENSES	1,212,046	1,253,143	1,295,653	1,339,623	1,385,105	1,432,150	1,480,814	1,531,151	1,583,221	1,637,082
NET OPERATING INCOME	362,625	360,852	358,650	355,993	352,857	349,215	345,039	340,300	334,968	329,012
DEBT SERVICE										
CalHFA - 1st Mortgage	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720	292,720
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
DSCR on Restricted Rental Income	1.24	1.23	1.23	1.22	1.21	1.19	1.18	1.16	1.14	1.12
DSCR on Total Income and Total Debt	1.24	1.23	1.23	1.22	1.21	1.19	1.18	1.16	1.14	1.12
Cash Available for Distribution	69,905	68,132	65,929	63,273	60,137	56,494	52,318	47,580	42,248	36,292

DELORME

Street Atlas USA® 2006 Plus

Villa Mirage I & II



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Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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Street Atlas USA® 2006 Plus

Villa Mirage I & II

TN
MN (12.5°E)

Scale 1 : 8,800

0 200 400 600 800 1000 ft
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1" = 733.3 ft

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RESOLUTION 08-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of AFE-Villa Mirage Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Rancho Mirage, Riverside County, California, to be known as Villa Mirage I & II 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 23, 2008, 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 and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
07-031-A/S	Villa Mirage I & II Apartments Rancho Mirage, Riverside Co., California	\$5,655,000.00 Acq/Rehab 1st Mortgage \$1,760,000.00 2nd Mortgage \$4,180,000.00 Permanent 1st Mortgage

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 08-20 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST:________________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Cedar Gateway Apartments
San Diego, San Diego County, CA
CalHFA # 08-022C/S

This is a Final Commitment request for three loans, a construction loan, a permanent loan and a residual receipts gap loan. Security for the loans will be both the fee interest and a leasehold interest on a 23,850 square foot site and the residential improvements located at 1620 6th Avenue, City San Diego, San Diego County. Cedar Gateway LP, a California Limited Partnership, will own the property and will be the ground lessee. The general partner will be Cedar Squier ROEM, LLC, a limited liability company, whose members are Squier Properties, a limited liability company and ROEM Corporation, a for-profit corporation. The managing general partner will be Pacific Housing, Inc., a California not-for-profit, public benefit corporation.

The 65-unit project will consist of one five and six story high rise building. There will be 56,200 of residential space with 23 one-bedroom supportive housing units, 16 two-bedroom family units and 26 three-bedroom family units. There will be approximately 56,200 square feet of residential space, 1,728 square feet of community space and 400 square feet of supportive service space, and 83 subterranean parking spaces for the residents. Twenty-three of the units will be designated for households in which a member of the household has severe mental illness, and is homeless or at risk of homelessness, and is eligible for supportive services under the Mental Health Service Act (MHSA) program. The supportive housing target population will include both adults and seniors. It is anticipated that the 23 one bedroom units will house 23 single individuals who are MHSA eligible, but can house up to two persons. The 16 two-bedroom family units can house up to two adults and two children. The 26 three-bedroom family units can house up to two adults and four children. The maximum potential occupancy is 268 people in 65 households. There will be two manager units, ensuring 24 hour resident management coverage.

LOAN TERMS

Construction

First Mortgage	$18,800,000
Interest Rate	6.10% Fixed
Term	24 months, interest only
Financing	Taxable Bonds

Permanent

First Mortgage	$2,150,000
Interest Rate	7.25%
Term	40 year fixed, fully amortized 15 year prepayment option
Financing	Taxable Bonds

Risk Share Insurance	No
Residual Receipts Gap	$325,000
Interest Rate	4.00%
Term	40 years residual receipts 15 year prepayment option
Financing	HAT

CalHFA construction financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments. Construction loan extension fees will apply. The interest rate on the CalHFA construction loan and Permanent Loan will fix at the later of Board Approval or the 9% Tax Credit Reservation Date.

RESIDUAL RECEIPTS GAP LOAN TERMS

The source of Residual Receipts Gap loan will be Agency HAT Funds. The Loan will be in second position, and will be paid from cash flow. The Residual Receipts Gap loan must be repaid if the Borrower exercises the 15 year repayment option on the Agency Permanent Loan.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
MHSA Housing Program	Loan	$2,751,809	55	0.00%	Deferred
HCD MHP Supportive Housing	Loan	$3,211,191	55	3.00%	Residual Receipts
CCDC	Loan	$3,661,000	55	3.00%	Residual Receipts
Sales Proceeds of Retail Condominiums	Sales Proceeds	$1,682,000	NA		
Sales Proceeds of Parking	Sales Proceeds	$1,400,000	NA		

Housing and Community Development (HCD) staff will recommend funding of the project at HCD's Loan and Grant Committee on July 17, 2008.

The MHSA Housing Program Loan will be reviewed by the CalHFA Senior Loan Committee in July, 2008. Staff anticipates that the Agency construction loan will be reduced by approximately $2,751,809 when the MHSA HP loan is approved.

The CCDC loan has been committed.

<u>TCAC approval</u>
The Borrower is submitting an application for a 9% tax credit allocation in the next round.

UNIT MIX AND RENT SUMMARY

Unit Type	Number of Units	Unit Size S.F.	Net Rents	Utility Allowance	Gross Rents	Maximum Allowable LIHTC Rents	% AMI	Maximum No. of Persons per Bedroom	Total Potential No. of Persons Housed
1BR/1BA	23	700	$353	$17	$370	$370	25%	2	46
2BR/1BA	16	811	$803	$22	$825	$825	50%	2	64
3BR/2BA	24	1050	$928	$26	$988	$988	50%	2	144
MANAGER	2	1050						2	12
Totals	65								268

MHSA HP Capitalized Operating Subsidy

The project anticipates an award of Capital Funding and Capitalized Operating Subsidy (COS) funding from the MHSA Housing Program (MHSA HP). The initial COS reserve in the amount of $2,300,000 will be held in the MHSA HP County sub-account.

The borrower will be required to seek and accept any and all available rental or operating subsidies that the MHSA residents are entitled pursuant to MHSA HP terms prior to receiving their Certificate of Occupancy. The amount of the Capitalized Operating Subsidy may be reduced in the event that the borrower receives other operating subsidies.

In the event of exhaustion of the MHSA operating subsidy, a Transition Operating Reserve will be established from Development sources to allow for two years of stabilized rents during the transition to 50% AMI rents allowed by the MHSA HP and MHP SP programs. This will allow adequate time for MHSA eligible residents to find other permanent housing.

SITE CONTROL

A Development and Disposition Agreement was executed on May 22, 2008 between the Redevelopment Agency of the City of San Diego and Cedar Gateway, L.P. Centre City Development Corporation (CCDC) represents the Redevelopment Agency.

Cedar Gateway, L.P. purchased the property from the seller in accordance with the terms and conditions of the Squier/Seller Purchase Agreement in the amount of $6,358,000 on May 22, 2008 (the first closing). The Redevelopment Agency purchased the property form Cedar Gateway L.P. in the amount of $6,358,000 (the second closing) on May 22, 2008.

Concurrently with the purchase of the property by the Redevelopment Agency, the Redevelopment Agency agreed to provide a ground lease to Cedar Gateway L.P. The term of the ground lease is for a period of 65 years from the date of execution. The ground lease will be executed at construction loan close which is projected for January 2009. The rent payable for each lease year is $1.00 per annum. As additional consideration the developer will also build out a parking parcel which it will sell to CCDC in the amount of $1,400,000, which is approximately half of the cost of building out the parking. If the two retail parcels are sold before the second anniversary of the issuance of a temporary certificate of occupancy, the cost of the ground lease will be $308,000 in cash payable at the time of the sale. In event that the retail improvements are sublet, the tenant shall pay as rent 12 ½% of Effective Gross Income (triple net rent).

PROJECT DESCRIPTION

Project Location

- The project is located in the incorporated area of San Diego County in the northern portion of downtown San Diego in the neighborhood commonly referred to as Cortez Hill.
- The site is located on the northwest corner of Cedar Street and 6th Avenue which is bounded on the north by Interstate 5. A landscaped area and a freeway on-ramp from 5th Avenue lie between the property and the freeway itself. Interstate 5 provides direct access north to Los Angeles and south to the U.S. /Mexico border at San Ysidro. The site is less than 1 mile from the Amtrak Terminal, and is 3 miles to San Diego International Airport. The San Diego Trolley operated by San Diego Metropolitan Transit System provides local transportation that is easily accessible from the project site via three trolley lines.
- The San Diego Harbor which offers recreational and entertainment opportunities and Petco Park baseball stadium are approximately 1 mile from the site.
- Across the freeway to the north is a mixed-use residential and commercial area. At the east side of the property on 6th Avenue is a multi-story apartment building with a retail grocery store on the ground level. To the south of the property is Cedar Street, across which are older homes converted for office use and a parking lot occupying a former gas station property on the corner of Cedar Street and 5th Avenue. On the west side of the property is 5th Avenue, across from which is a large office building.
- There is a 1,200 acre urban cultural park located 2 miles from the site. Balboa Park offers open space, gardens, museums, theaters and the San Diego Zoo. Two recreational facilities are also located in the park, Balboa Park Activity Center and the Municipal Gym.
- The nearest pharmacy is less than ¼ mile from the site. The nearest grocery store is across the street. A senior citizens center is located within Balboa Park. There is an elementary school, 2 high schools and a library within less than a mile of the site. The nearest hospital is 2 miles away.

Project Strengths

- The Development will provide affordable multifamily housing and represent good quality apartments that are in strong demand in the area. The site is located in a mature urban mixed use neighborhood that is beginning to experience new investment in its housing and commercial stock. The Subject will positively impact the neighborhood by creating good quality affordable multifamily housing in San Diego. The neighborhood is well suited for this type of housing.

Site

- The site is .547 acres or 23,850 square feet. It is located in the Centre City Planned District and has an NC Zoning designation which allows for the development of mixed use residential and commercial development at a minimum height of three stories.
- The site is bounded on the north by Interstate 5. A landscaped area and a southbound freeway on-ramp from 5th Avenue lie between the property and the freeway itself.
- The site is currently operating as a parking lot with a 3,343 square foot steel-reinforced concrete building located on the northeast corner. The building is vacant.

Improvements

- The project will consist of one new building of contemporary design and consistent with recent development in downtown San Diego. There is an existing chapel on the parcel next door to the subject site that will be rehabilitated by the City of San Diego as commercial retail space.
- The new structure will have varied building stories, from five to six with three levels of subterranean parking. The primarily six story building will include 65 residential living units and street level retail spaces.
- The unit mix will consist of 23 one-bedroom units, 16 two-bedroom units of which two are manager's units, and 26 three bedroom units. One hundred percent of the units will be affordable with 23 one-bedroom units targeted to the supportive services/MHSA target tenant population and will be interspersed on all floors of the building meeting fair housing law.
- The building will range from 5 to 6 stories of Type I, III and V sprinkled construction over a concrete podium. The housing units will begin on the second story above the retail space. Residents will enter the building from 6th Street and onto a plaza that opens out from the space between the chapel building and the new structure. The retail space will wrap over the edge of the podium to grade. Three levels of parking are located under the podium and behind the retail space; access to parking is from Cedar Street.
- The plaza level will include a computer/after-school programs room, a community space and the leasing office.
- Additional public space, the "Eco-Roof" will be located on the 5th floor. The Eco Roof will be 3,500 square feet of landscaped deck that will include barbeques, tables and seating and view of the Cortez Hill neighborhood.
- There will be 111 subterranean parking spaces consisting of 83 spaces reserved for residents and 28 spaces for retail.
- There will be 400 square feet of office space for supportive services.

Commercial Improvements

- The Developer will build two retail subdivided condominium parcels and 28 retail parking spaces.
- There will be a Homeowners Association (HOA) formed among the condominium owners. The HOA will be responsible for maintenance of the condominium retail units.
- CCDC will purchase the parking parcel (Parcel 1) which is comprised of the 28 retail parking spaces and the parking access from the Developer in the amount of $1,400,000.

This purchase will occur concurrently with permanent conversion. The sale of the parking condominium is a transaction that is part of the DDA and is included in the Total Development Costs.

- The two commercial parcels are 2,400 square feet (Parcel B) and 2034 (Parcel D) square feet.
- The Developer will market and lease the retail space to the retail tenants; the developer intends to sell the leased retail parcels to investors after construction completion.
- The appraised value of the two retail parcels is $3,500,000. Staff has underwritten the sale at $1,682,000.
- The restricted value of the property is valued at $18,267,000.
- The market study anticipates a sale in 12 months.
- The market study demonstrated expectations of full retail lease up within one year as the neighborhood is within a designated redevelopment area that is underserved by retail establishments Based on data drawn from historic and current retail vacancy rates and collection losses, a stabilized vacancy rate of 5% was projected. All of the leases are assumed to be written on a triple net basis, which is consistent with the market.
- In the event that the condominium retail space does not sell as quickly as anticipated, Agency has provided for a lease up reserve. Agency will also hold the entire Developer Fee until the two parcels are sold, or the borrower arranges separate financing.
- Under separate development and contract, CCDC will rehabilitate the vacant church on the adjacent CCDC owned parcel for commercial retail.

Off-Site Improvements

- The off-site improvements are estimated to cost $207,000. These improvements are subject to the Centre City Streetscape Manual. Off-site improvements include Paving, Street Trees, Sidewalk Paving, Litter Containers, and Public utility system hook ups.

COSTS

The project cost is approximately $339,690 per residential unit. The costs associated with the commercial parcels that will be sold are not included in the cost per unit. While the cost per unit is relatively high compared to other affordable housing developments, the cost of the project on a per bedroom basis and a per residential square foot is comparable to other similar infill projects. The entitlement constraints, green and sustainable building, an eco-garden and subterranean garage also add extra costs to the development. These are detailed below.

- Entitlement Constraints - $900,000
- Green and sustainable development requirements and LEED qualifications will add an additional $600,000 to project costs.
- Noise mitigation requirements due to the proximity of the site to the highway and the Interstate on and off ramps including building a sound wall buffer, double paned windows and additional insulation.
- Three levels of subterranean parking added $3,082,000 to the construction costs.

SPECIAL NEEDS SERVICES

- Twenty-three of the units will serve households where a household member is disabled with mental illness. A household member will also be required to be homeless, formerly homeless or at risk of homelessness. The target population includes adults and seniors
- The MHSA eligible units are anticipated to receive a Capitalized Operating Subsidy from MHSA in the amount of $2,300,000. This subsidy is anticipated to provide operating subsidy for twenty years for the 23 MHSA HP units.
- Supportive services will be provided by two Primary Full Service Partnerships (FSPs). Community Research Foundation (CRF) and Heritage Clinic. The supportive services program developed by CRF and Heritage Clinic will support their respective clients residing at Cedar Gateway in meeting anticipated outcomes by providing tools and skills for success in maintaining their mental wellness and independence, sustaining housing and assisting them in their integration in the community. Although supportive services will be voluntary, residents will be assertively and respectfully encouraged to participate. Supportive Services will be provided by CRF and Heritage Clinic through existing contracts with the County of San Diego Mental Health Services.
- CRF will be responsible for providing Assertive Community Treatment (ACT), an evidence based form of intensive case management that many of the MHSA residents may require. CRF will assign an ACT Team to each enrolled client within the age of 25 to 59 years old. That ACT Team will be responsible for structuring a service plan for each client and monitoring the client's progress.
- In the event that the tenant pool contains MHSA Eligible Residents younger than 23, they will be assisted by different FSP teams designed to meet the needs of children and younger adults.
- Heritage Clinic will assign clinicians to their clients aged 60 years old and over, who have psychiatric disabilities. Each clinician will be responsible for supporting the client in his or her progress toward recovery by creating a service plan for each client and monitoring the client's progress.
- Both CRF ACT Team and Heritage Clinic clinicians will be available on call 24-7.
- The target population will receive intensive case management with an emphasis on assisting the eligible MHSA resident in addressing behavioral health and physical health issues. The eligible MHSA resident will be assisted with independent living skills and on meeting employment and educational goals. Additionally they will receive intensive case management with an emphasis on addressing behavioral health and physical health issues, assistance in accessing entitlement programs, and building life skills.
- Mental Health Services will be available on-site including crisis intervention services, clinical assessments, individual counseling and family therapy. Residents will also have off-site access to ongoing counseling, treatment for substance abuse and mental health problems, and support groups for disabilities at off-site locations.
- The Borrower, through its Resident Services Coordinator Program, will provide overall service coordination for the MHSA eligible residents. In addition to the FSPs, the Resident Services Coordinator (RSC) will be based on-site 40 hours per week. The RSC will have a one-on-one relationship with each program resident and act as liaison with property management, the FSPs and the development's general population residents. The FSPs, RSC and property manager will work collaboratively with both clients and community resources to create a work of support. As implemented through these partners, the Cedar Gateway model will promote resident empowerment through

education, training, involvement and support by assisting residents in recognizing their potential and developing their strength, which will help them live a healthier, more productive and independent life with dignity, confidence and self respect.

MARKET

Market Overview

- The Primary Market Area is defined as eight downtown neighborhoods and portions of the city to the north of Cortez Hill and Interstate 5. The eight neighborhoods are: Cortez Hill, Little Italy, Columbia, Core, Horton Plaza, Gas Lamp Quarter, Marina and East Village The Secondary Market Area includes the whole of San Diego County.
- The population of the PMA is 33,099 and is expected to increase by 17.5% by 2010. There are 18,363 households in the PMA of which 12.2% are owners and 87.8% are renters. There are 5,111 seniors in the PMA in 2,444 households.
- There are 4,969 households in the PMA living "below poverty" levels defined as $15,000 per year.
- The most prevalent type of employment in the area is in the trade, transportation and utilities, government, professional and business services and financial industries. The unemployment rate in San Diego County is 5% as of February 2008.

Housing Supply and Demand

- The population in the PMA is expected to increase by 17.5% and currently 87% of the households are renters. Combined with a 5% unemployment rate in San Diego County and with average market rent ranging from $1,700 to 2,475 and with vacancy rate at just 2.7%, the need for affordable housing will continue to be in demand. Further, the demand analysis supports that there are sufficient income eligible households that will qualify for this housing type.
- The local market offers other affordable housing opportunities however most are currently 100% occupied and have extensive wait lists. There are 10 LIHTC family properties in the PMA, of which 3 are targeted for special needs or senior tenant population. These 3 properties (Sanford Hotel, The Leah Residence and CCBA Seniors) are 100% occupied and report waiting lists.
- The local market offers 3 properties with transitional housing opportunities and supportive services. Cedar Gateway will offer permanent housing and full service partnerships for those tenants in need.
- There are 2 LIHTC projects proposed for the PMA targeted to large families.

PROJECT FEASIBILITY

Estimated Lease-up Period

The estimated lease-up period is 2.2 months based on an absorption rate of 23 units per month.

ENVIRONMENTAL

A Phase I Environmental Assessment report an update from the May 9, 2007 report was completed on January 29, 2008 by Advantage Environmental Consultants, LLC (AEC,LLC). The report concluded that there is presence of lead-impacted artificial/undocumented fill material near the subject site. Further, due to the historical use of the site as a "service station", it was recommended that a Subsurface Assessment be conducted.

An Additional Subsurface Assessment report was completed on January 30, 2008 by AEC, LLC. The report concluded that there are areas of elevated lead identified in the soil at the northwestern portion of the site. It is recommended that soil containing elevated concentrations of lead should be removed from the site and properly disposed during excavation of proposed subterranean garage. Soil remediation cost is included in the construction budget.

A Geotechnical and Fault Study was completed on December 19, 2007 by Vinje & Middleton Engineering, Inc., and recommended mitigation measures addressing the following: remedial grading and earthworks, foundation and floor slabs, exterior concrete slabs/flatworks, soil design parameters, asphalt and PCC pavement design and general recommendations.

A seismic evaluation was included in the geotechnical study referenced above found no evidence of earthquake fault. This new construction project will not require earthquake insurance.

A Hazardous Materials survey was not indicated by the Phase I for additional hazardous material surveys other than the soils report for lead-impacted material.

A Noise Assessment/ Acoustical Site Assessment was conducted by Investigative Science and Engineering, Inc. dated February 15, 2008 which identified potential exposure to noise levels that exceed Title 24 noise abatement thresholds at the exterior façade of the development and recommended an interior acoustical analysis showing compliance with the CCR Title 24 interior noise thresholds of 45 dBA CNEL.

A Structural Acoustical Analysis / CCR Title 24 Survey was completed on March 11, 2008 by Investigative Science and Engineering, Inc. which concluded that interior noise levels would be as high as 55.6 dBA CNEL with the windows open and would require closed windows to comply with CCR Title 24 requirements. The developer is required to install mechanical ventilation which meets the City of San Diego building requirements as recommend by the analysis.

DEVELOPMENT TEAM

Borrower

Cedar Gateway, L.P

Cedar Gateway, L.P., a California Limited Partnership, will be the ground lessee. The general partner will be Cedar Squier ROEM, LLC, a limited liability company, whose members are Squier Properties, a limited liability company and ROEM Development Corporation, a for-profit corporation. The managing general partner is Pacific Housing, Inc, a California Non-Profit Public Corporation.

- Cedar Squier ROEM is the developer of the property.
- Squier Properties collaborates with local governments and neighborhood groups to address and solve affordable housing needs. Squier Properties owns, has developed or has under development over 2000 units of, senior housing, family housing, preservation projects, and housing for persons with special needs. Gary Squier, its founder and principal, was Los Angeles Mayor Tom Bradley's housing director, headed the L.A. Housing Authority and served as General Manager of the Los Angeles Housing Department. Squier Properties uses all tools to achieve project feasibility; tax exempt bonds, tax credits, State affordable housing programs, credit enhancement and responsible construction cost containment.
- ROEM Development Corporation, established in 1977, has been developing affordable housing since 1999. ROEM and its principal, Robert Emami, has developed over 10,000 housing units of single family homes, luxury homes, townhouses and multifamily affordable housing. ROEM is comprised of three divisions: ROEM Development Corporation, MIRO Design Group and general contactor ROEM builders, Inc. ROEM is committed to the creation of quality housing by integrating innovative planning, design, develop, construction management, and marketing. ROEM's corporate philosophy is an unwavering commitment to bringing communities together through quality housing.
- Pacific Housing, Inc. is a California Non-Profit Public Benefit Corporation whose mission is to advocate and promote the development of quality affordable housing, affordable housing programs and affordable tenant services programs." Pacific Housing is the managing general partner and will implement the tenant services programs that will help insure that the development maintains a level of quality, safe affordable housing through a series of programs specific to the target populations. The organization is experienced in tenant service coordination, programs and services and manages 10,520 units.

Management Agent

<u>FPI Management , Inc.</u>

FPI Management, Inc. has been managed multifamily residential properties since 1968. They currently manage over 45,000 units throughout California, Nevada, Alaska, Ohio, Virginia and Pennsylvania. FPI's portfolio includes luxury and conventional properties as well as properties developed under all low and moderate income programs including, LIHTC, HUD Insured, Section 8, USDA Rural properties. Approximately 30% of the portfolio has an affordable housing component. At present FPI oversees the management of 8,000 LIHTC units.

The Developer will be required to provide evidence that the Management Company, the Management Plan, the Management Contract and management staff demonstrate experience, and prerequisite qualifications in managing affordable housing that serves the specific target populations as well as a strategy for meeting the needs of all of the residents. Experience in managing properties that serve adults and seniors with a serious mental illness and who are chronically homeless or at risk of homelessness will be required.

Architect

Silber Architects

Silber Architects was formed in 1993 as a full service architectural firm whose geographical emphasis lies in Southern California especially in the San Diego, Orange and Los Angeles County. Although the firm is diverse in practice, it has a special commitment to housing and has worked with non-profits and public agencies to create desirable affordable and workforce housing. Its principal, John Silber has been active in architecture and urban design for over 30 years. Prior to establishing Silber Architects, John Silber was the Architectural Director for The Los Angeles Community Design Center.

Contractor

ROEM Builders, Inc.

ROEM Builders, Inc. is a California licensed general contractor building multifamily, single family and mixed use projects. They were formed in 1988, ten years after the establishment of ROEM Development Corporation who has been developing new communities in northern California for almost 30 years. Their commitment to quality has resulted in numerous awards including multifamily development of the year in 2005 for Corde Terra, a CalHFA funded project. Their bonding capacity is more than adequate to bond the entire cost of construction. The construction contractor plans to require that all of their major subcontractors with contracts of at least $250,000 bond their portions of the construction. The aggregate bonds for the development will be equal to the costs of construction.

					PROJECT NUMBER:	**08-022-C/S**	
	PROJECT SUMMARY					**Final Commitment**	
Project:	**Cedar Gateway**			County Co-applicant	County of San Diego Mental Health Services		
Location:	1620 6th Avenue			***Developer:***	**CEDAR SQUIER ROEM LLC**		
City:	San Diego			***Partner:***	Pacific Housing Inc.		
County:	San Diego			***Investor:***	Alliant Capital LTD		
Zip Code:	92101			Tax Credits	9%		
				No. of Buildings:	1		
Project Type:	New Construction			*No. of Stories:*	5+6		
Occupancy:	Family			*Residential Space*	56,200	sq. ft.	
Total Units:	65			*Office Space*	1,728	sq. ft.	
MHSA Units:	23			*Social Services Space:*	400	sq. ft.	
MHSA Subsidised Unit	23						
Style Units:	High Rise			*Commercial Space*	0	sq. ft.	
Elevators:	YES			*Gross Area*	58,328	sq. ft.	
Total Parking	83			*Land Area*	23,850	sq. ft.	
Covered	83			*Units per acre*	119		

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$18,800,000	6.10%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	$2,150,000	7.25%	40
CalHFA Residual Receipts Gap Loan	$325,000	4.00%	40
MHSA Capital Loan	$2,751,809	0.00%	55
HCD MHP Loan	$3,211,191	3.00%	55
CCDC	$3,661,000	0.00%	0
AHP	$0	0.00%	0
Deferred Lease Payment CCDC	$0	0.00%	0
Sales Proceeds 2 Retail Condos*	$1,682,000		
Sale of Parking Parcel to CCDC*	$1,400,000		
Income from Operations	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$351,043		
Tax Credit Equity	$14,267,000		
MHSA Capitalized Operating Subsidy	$2,300,000		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$21,349,000	**Appraisal Date:**	**TBD**	**Restricted Value**	$18,267,000
Loan / Cost	71%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	7%
Loan / Value	88%			**Perm. Loan / Value**	14%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$94,000	MHSA Operating Reserve	$98,724
CalHFA Permanent Loan Fees	$5,375	Replacement Resv. Initial Deposit	$65,000
CalHFA Residual Gap Loan Fee	$1,625	Transition Operating Reserve	$300,000
MHSA Loan Fee	$24,086	Rent-Up Reserve	$71,320
Construction Inspection Fee	$19,500	Commercial Lease Up Reserve	$98,587
Payment and Performance Bond	$21,110,842		
Construction Loan Guarantee	$21,110,842		

UNIT MIX AND RENT SUMMARY — Cedar Gateway

08-022-C/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
	Studio	1	
23	1 Bedroom Flat	1	700
16	2 Bedroom Flat	1	811
26	2 Bedroom Townhome	1.5	1,050
	3 Bedroom Flat	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
65			

Number of Regulated Units By Agency

Agency	25%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			13			52	**65**
Tax Credits	23		40			2	**65**
Locality	23		42				**65**
MHSA/CalHFA	23					42	**65**
HCD	23					42	**65**
AHP							**0**
Zoning							**0**
CalHFA Residual Gap			13			**52**	**65**

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			$1,756		
50%	0	$0			
25%	23	$353		$1,403	20%
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%
Two Bedroom			$1,973		
50%	0	$0			
25%	0	$0			
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	16	$803		$1,170	41%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$2,475		
50%	0	$0			
25%	0	$0			
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	26	$928		$1,547	37%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Cedar Gateway

08-022-C/S

Final Commitment

-

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	18,800,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		2,150,000	2,150,000	33,077	7%
CalHFA Residual Receipts Gap Loan	325,000	-	325,000	5,000	1%
MHSA Capital Loan	-	2,751,809	2,751,809	42,335.52	9%
HCD MHP Loan	-	3,211,191	3,211,191	49,403	11%
CCDC	3,294,900	366,100	3,661,000	56,323.08	12%
AHP	-	-	-	-	0%
Deferred Lease Payment CCDC	-	-	-	-	0%
Sales Proceeds 2 Retail Condos*	-	1,682,000	1,682,000	25,877	6%
Sale of Parking Parcel to CCDC*		1,400,000	1,400,000	21,538	5%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution		-		-	0%
Deferred Developer Fee		351,043	351,043	5,400.66	1%
Tax Credit Equity	4,110,100	10,156,900	14,267,000	219,492.31	48%
Total Sources	26,530,000	22,069,043	29,799,043	457,717	100%
(Gap)/Surplus	0	0	(0)		

* The sales prices of the commercial retail space and the retail parking parcel are not included in the residential costs per unit

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$18,800,000**			
ACQUISITION					
Lesser of Land Cost or Value		1,400,000	1,400,000	33,333	5%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	15,000	-	15,000	357	0%
Subtotal - Land Cost / Value	15,000	1,400,000	1,415,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**15,000**	**1,400,000**	**1,415,000**	**33,690**	**5%**
REHABILITATION					
Site Work	-	-		-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**-**	**-**	**-**	**-**	**0%**
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					
Off-Site Work	207,000	-	207,000	3,185	1%
Structures (Hard Costs)	18,209,649	-	18,209,649	280,148	61%
General Requirements	1,105,000	-	1,105,000	17,000	4%
Contractors Overhead	364,193	-	364,193	5,603	1%
Contractors Profit	1,105,000	-	1,105,000	17,000	4%
Contractor's Perf. & Pymt Bond	55,250	-	55,250	850	0%
General Liability Insurance	120,000	-	120,000	1,846	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**21,166,092**	**-**	**21,166,092**	**325,632**	**71%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	520,000	-	520,000	8,000	2%
Architect's Supv during Construction	90,000	-	90,000	1,385	0%
Total Architectural	**610,000**	**-**	**610,000**	**14,524**	**2%**
Engineering Expense	252,000	-	252,000	3,877	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	55,000	-	55,000	846	0%
Total Engineering & Survey	**307,000**	**-**	**307,000**	**7,310**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	1,111,881		1,111,881	17,106	4%
CalHFA Construction Loan Fee	94,000		94,000	1,446	0%
Other Construction Loan Fees	2,500		2,500	60	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	35,000		35,000	538	0%
CalHFA Req'd Inspection Fees	19,500		19,500	300	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	15,000		15,000	231	0%
Taxes & Insurance during construction	327,529		327,529	5,039	1%
Interest During Lease Up	-			-	0%
Other LOC CL over 85% appraised value	25,000		25,000	385	0%
Ground Lease Expense	-	308,000	308,000	4,738	1%
Total Construction Loan Expense	**1,630,410**	**308,000**	**1,938,410**	**29,822**	**7%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	5,375	-	5,375	83	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	8	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	20,000	20,000	308	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
MHSA Capital Loan Fee	27,518	-	27,518	423	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**33,393**	**20,000**	**53,393**	**821**	**0%**
LEGAL FEES					
Borrower Legal Fee	80,000	-	80,000	1,231	0%
Other	-	-	-	-	0%
Total Attorney Expense	**80,000**	**-**	**80,000**	**1,231**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	5,000	-	5,000	77	0%
Market Study	5,000	-	5,000	77	0%
Physical Needs Assessment	5,000	-	5,000	77	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	-	-	-	-	0%
Soils / Geotech Reports	1,000	-	1,000	15	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	1,000	-	1,000	15	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**17,000**	**-**	**17,000**	**262**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,206,197	-	1,206,197	28,719	4%
Soft Cost Contingency	200,000	-	200,000	3,077	1%
Total Contingency	**1,406,197**	**-**	**1,406,197**	**21,634**	**5%**
RESERVES					
CalHFA Operating Expense Reserve	-	71,320	71,320	1,097	0%
MHSA Operating Reserve	-	98,724	98,724	1,519	0%
Rent-Up Reserve	71,320		71,320	1,097	0%
Transitional Operating Reserve	-	300,000	300,000	4,615	1%
Commercial Lease Up Reserve	98,587		98,587	1,517	0%
Total Reserves	**169,907**	**470,045**	**639,952**	**9,845**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	64,000	-	64,000	985	0%
Local Permit Fees	991,000	-	991,000	15,246	3%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	20,000	-	20,000	308	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	10,000	-	10,000	154	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Accounting fees	10,000	-	10,000	154	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**1,095,000**	**-**	**1,095,000**	**16,846**	**4%**
SUBTOTAL PROJECT COSTS	**26,529,999**	**20,998,045**	**28,728,043**	**441,970**	**96%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)		1,071,000	1,071,000	16,477	4%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**-**	**1,071,000**	**1,071,000**	**16,477**	**4%**
Total Costs	**26,529,999**	**22,069,045**	**29,799,043**	**457,717**	**100%**

Annual Operating Budget — Cedar Gateway

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
TOTAL MHSA UNITS INCOME	$295,387	$7,033	39.62%
TOTAL OTHER UNITS INCOME	$443,712	$10,565	59.51%
TOTAL LAUNDRY AND OTHER INCOM	$6,461	$154	0.87%
Gross Potential Income (GPI)	**$745,560**	**$17,751**	100.00%
Less:			
Vacancy Loss	$32,356	$770	4.54%
Effective Gross Income	**$713,204**	**$16,981**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$123,000	$2,929	31.15%
Administrative	$26,850	$639	6.80%
Management fee	$30,000	$714	7.60%
Utilities	$55,000	$1,310	13.93%
Operating and Maintenance	$30,500	$726	7.72%
Insurance and Business Taxes	$18,000	$429	4.56%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Misc. licenses, permits, insurance	$2,000	$48	0.51%
Subtotal Expenses	**$285,350**	$6,794	72.26%
Replacement Reserves	$32,500	$774	8.23%
MHSA Units Only - Optional Expenses	$74,047	$1,763	18.75%
Taxes & Assessments	$3,000	$71	0.76%
Total Expenses	$394,897	$7,639	81.25%
Financial Expenses			
CalHFA First Mortgage	$159,393	$3,795	
CalHFA Residual Receipts Gap Loan	$23,243	$553	
MHSA Capital Loan	$11,558	$275	
HCD MHP Loan	$13,487	$321	
NET OPERATING INCOME	**$122,183**	**$2,909**	

Combined Cash Flow	Final Commitment				CalHFA Project Number:)8-022-C/S					Cedar Gateway
MHSA UNITS RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
MHSA Units Rents	97,428	98,402	99,386	100,380	101,384	102,398	103,422	104,456	105,501	106,556
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
Transitional Rent Reserve	0	0	0	0	0	0	0	0	0	0
MHSA COS Reserve Use	197,959	104,663	108,961	113,429	118,075	122,903	128,496	133,711	139,129	144,758
TOTAL MHSA UNITS INCOME	**295,387**	**203,066**	**208,347**	**213,810**	**219,459**	**225,301**	**231,918**	**238,167**	**244,630**	**251,314**
OTHER UNITS RENTAL INCOME										
Affordable Rents	443,712	454,805	466,175	477,829	489,775	502,019	514,570	527,434	540,620	554,135
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER UNITS INCOME	**443,712**	**454,805**	**466,175**	**477,829**	**489,775**	**502,019**	**514,570**	**527,434**	**540,620**	**554,135**
LAUNDRY AND OTHER INCOME										
MHSA Units - Laundry and Other	2,093	2,198	2,308	2,423	2,544	2,671	2,805	2,945	3,092	3,247
Other Units - Laundry and Other	4,368	4,586	4,816	5,057	5,309	5,575	5,854	6,146	6,454	6,776
TOTAL LAUNDRY AND OTHER INCOME	**6,461**	**6,784**	**7,123**	**7,479**	**7,853**	**8,246**	**8,658**	**9,091**	**9,546**	**10,023**
GROSS POTENTIAL INCOME	**745,560**	**664,655**	**681,646**	**699,118**	**717,087**	**735,566**	**755,146**	**774,692**	**794,795**	**815,472**
VACANCY ASSUMPTIONS										
MHSA Units, Subsidies, Laundry	9,952	10,060	10,169	10,280	10,393	10,507	10,623	10,740	10,859	10,980
Other Units, Subsidies, Laundry	22,404	22,970	23,550	24,144	24,754	25,380	26,021	26,679	27,354	28,046
LESS: VACANCY LOSS	**32,356**	**33,030**	**33,719**	**34,425**	**35,147**	**35,887**	**36,644**	**37,419**	**38,213**	**39,026**
EFFECTIVE GROSS INCOME	**713,204**	**631,625**	**647,927**	**664,694**	**681,940**	**699,680**	**718,502**	**737,273**	**756,582**	**776,446**
OPERATING EXPENSES										
MHSA Units- Share of Expenses	100,970	104,504	108,162	111,947	115,865	119,921	124,118	128,462	132,958	137,612
MHSA Only - Operating Expenses	58,267	59,816	61,418	63,077	64,794	66,571	68,411	70,314	72,285	74,324
Other Units - Share of Expenses	184,380	190,833	197,512	204,425	211,580	218,986	226,650	234,583	242,793	251,291
Taxes and Assessments	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Replacement Reserve	32,500	32,500	32,500	32,500	32,500	32,500	34,125	34,125	34,125	34,125
TOTAL EXPENSES	**379,117**	**390,713**	**402,714**	**415,134**	**427,987**	**441,290**	**456,682**	**470,930**	**485,676**	**500,937**
NET OPERATING INCOME	**334,087**	**240,912**	**245,213**	**249,560**	**253,953**	**258,390**	**261,820**	**266,343**	**270,906**	**275,510**
DEBT SERVICE AND SERVICE FEES										
CalHFA - 1st Mortgage	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243
MHSA Capital Loan	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558
HCD MHP Loan	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487
DEBT COVERAGE RATIO	**1.61**	**1.16**	**1.18**	**1.20**	**1.22**	**1.24**	**1.26**	**1.28**	**1.30**	**1.33**

Combined Cash Flow | **CalHFA Project Number: 08-022-C/S dar Gateway**

MHSA UNITS RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
MHSA Units Rents	107,621	108,697	109,784	110,882	111,991	113,111	114,242	115,384	116,538	117,704
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
Transitional Rent Reserve	0	0	0	0	0	0	0	0	0	0
MHSA COS Reserve Use	146,210	152,887	159,194	165,744	172,545	179,606	187,570	195,178	203,075	211,271
TOTAL MHSA UNITS INCOME	**253,831**	**261,584**	**268,979**	**276,626**	**284,536**	**292,717**	**301,812**	**310,563**	**319,613**	**328,974**
OTHER UNITS RENTAL INCOME										
Affordable Rents	567,989	582,189	596,743	611,662	626,953	642,627	658,693	675,160	692,039	709,340
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER UNITS INCOME	**567,989**	**582,189**	**596,743**	**611,662**	**626,953**	**642,627**	**658,693**	**675,160**	**692,039**	**709,340**
LAUNDRY AND OTHER INCOME										
MHSA Units - Laundry and Other	3,409	3,580	3,759	3,947	4,144	4,351	4,569	4,797	5,037	5,289
Other Units - Laundry and Other	7,115	7,471	7,844	8,237	8,648	9,081	9,535	10,012	10,512	11,038
TOTAL LAUNDRY AND OTHER I	**10,524**	**11,051**	**11,603**	**12,183**	**12,792**	**13,432**	**14,104**	**14,809**	**15,549**	**16,327**
GROSS POTENTIAL INCOME	**832,344**	**854,823**	**877,325**	**900,472**	**924,282**	**948,776**	**974,608**	**1,000,532**	**1,027,202**	**1,054,641**
VACANCY ASSUMPTIONS										
MHSA Units, Subsidies, Laundry	11,103	11,228	11,354	11,483	11,613	11,746	11,881	12,018	12,158	12,299
Other Units, Subsidies, Laundry	28,755	29,483	30,229	30,995	31,780	32,585	33,411	34,259	35,128	36,019
LESS: VACANCY LOSS	**39,858**	**40,711**	**41,584**	**42,478**	**43,394**	**44,332**	**45,292**	**46,277**	**47,285**	**48,318**
EFFECTIVE GROSS INCOME	**792,486**	**814,113**	**835,741**	**857,994**	**880,888**	**904,444**	**929,316**	**954,255**	**979,917**	**1,006,323**
OPERATING EXPENSES										
MHSA Units- Share of Expenses	142,428	147,413	152,573	157,913	163,440	169,160	175,081	181,208	187,551	194,115
MHSA Only - Operating Expenses	72,039	74,224	76,484	78,825	81,247	83,753	86,348	89,033	91,812	94,689
Other Units - Share of Expenses	260,086	269,189	278,611	288,362	298,455	308,901	319,712	330,902	342,484	354,471
Taxes and Assessments	3,657	3,730	3,805	3,881	3,958	4,038	4,118	4,201	4,285	4,370
Replacement Reserve	34,125	35,831	35,831	35,831	35,831	35,831	37,623	37,623	37,623	37,623
TOTAL EXPENSES	**512,335**	**530,387**	**547,304**	**564,811**	**582,931**	**601,683**	**622,882**	**642,967**	**663,754**	**685,268**
NET OPERATING INCOME	**280,151**	**283,726**	**288,438**	**293,182**	**297,958**	**302,762**	**306,434**	**311,288**	**316,162**	**321,055**
DEBT SERVICE AND SERVICE F										
CalHFA - 1st Mortgage	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243
MHSA Capital Loan	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558
HCD MHP Loan	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487
DEBT COVERAGE RATIO	**1.35**	**1.37**	**1.39**	**1.41**	**1.43**	**1.46**	**1.48**	**1.50**	**1.52**	**1.55**

Combined Cash Flow	CalHFA Project Number: 08-022-C/S									Cedar Gateway
MHSA UNITS RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
MHSA Units Rents	118,881	120,069	151,000	154,775	158,644	162,610	166,676	170,843	175,114	179,492
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
Transitional Rent Reserve	71,844	73,281	0	0	0	0	0	0	0	0
MHSA COS Reserve Use	155,116	0	0	0	0	0	0	0	0	0
TOTAL MHSA UNITS INCOME	**345,841**	**193,350**	**151,000**	**154,775**	**158,644**	**162,610**	**166,676**	**170,843**	**175,114**	**179,492**
OTHER UNITS RENTAL INCOME										
Affordable Rents	727,074	745,251	763,882	782,979	802,553	822,617	843,183	864,262	885,869	908,016
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER UNITS INCOME	**727,074**	**745,251**	**763,882**	**782,979**	**802,553**	**822,617**	**843,183**	**864,262**	**885,869**	**908,016**
LAUNDRY AND OTHER INCOME										
MHSA Units - Laundry and Other	5,553	5,831	6,123	6,429	6,750	7,088	7,442	7,814	8,205	8,615
Other Units - Laundry and Other	11,590	12,169	12,778	13,416	14,087	14,792	15,531	16,308	17,123	17,979
TOTAL LAUNDRY AND OTHER I	**17,143**	**18,000**	**18,900**	**19,845**	**20,837**	**21,879**	**22,973**	**24,122**	**25,328**	**26,594**
GROSS POTENTIAL INCOME	**1,090,057**	**956,601**	**933,782**	**957,599**	**982,035**	**1,007,107**	**1,032,832**	**1,059,227**	**1,086,310**	**1,114,101**
VACANCY ASSUMPTIONS										
MHSA Units, Subsidies, Laundry	19,628	19,918	15,712	16,120	16,539	16,970	17,412	17,866	18,332	18,811
Other Units, Subsidies, Laundry	36,933	37,871	38,833	39,820	40,832	41,870	42,936	44,028	45,150	46,300
LESS: VACANCY LOSS	**56,561**	**57,789**	**54,545**	**55,940**	**57,371**	**58,840**	**60,347**	**61,894**	**63,481**	**65,110**
EFFECTIVE GROSS INCOME	**1,033,496**	**898,812**	**879,237**	**901,659**	**924,664**	**948,267**	**972,484**	**997,333**	**1,022,829**	**1,048,991**
OPERATING EXPENSES										
MHSA Units- Share of Expenses	200,909	207,941	215,219	222,751	230,548	238,617	246,968	255,612	264,559	273,818
MHSA Only - Operating Expenses	97,666	0	0	0	0	0	0	0	0	0
Other Units - Share of Expenses	366,877	379,718	393,008	406,763	421,000	435,735	450,986	466,770	483,107	500,016
Taxes and Assessments	4,458	4,547	4,638	4,731	4,825	4,922	5,020	5,121	5,223	5,328
Replacement Reserve	37,623	39,504	39,504	39,504	39,504	39,504	41,479	41,479	41,479	41,479
TOTAL EXPENSES	**707,533**	**631,710**	**652,369**	**673,749**	**695,877**	**718,778**	**744,454**	**768,982**	**794,368**	**820,641**
NET OPERATING INCOME	**325,963**	**267,102**	**226,868**	**227,909**	**228,787**	**229,489**	**228,030**	**228,350**	**228,461**	**228,350**
DEBT SERVICE AND SERVICE F										
CalHFA - 1st Mortgage	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243
MHSA Capital Loan	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558
HCD MHP Loan	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487
DEBT COVERAGE RATIO	**1.57**	**1.29**	**1.09**	**1.10**	**1.10**	**1.11**	**1.10**	**1.10**	**1.10**	**1.10**

Combined Cash Flow	CalHFA Project Number: 08-022-C/S								Cedar Gateway
MHSA UNITS RENTAL INCOME	**Year 31**	**Year 32**	**Year 33**	**Year 34**	**Year 35**	**Year 36**	**Year 37**	**Year 38**	**Year 39**	**Year 40**
MHSA Units Rents	183,979	188,578	193,293	198,125	203,078	208,155	213,359	218,693	224,160	229,764
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
Transitional Rent Reserve	0	0	0	0	0	0	0	0	0	0
MHSA COS Reserve Use	0	0	0	0	0	0	0	0	0	0
TOTAL MHSA UNITS INCOME	**183,979**	**188,578**	**193,293**	**198,125**	**203,078**	**208,155**	**213,359**	**218,693**	**224,160**	**229,764**
OTHER UNITS RENTAL INCOME										
Affordable Rents	930,716	953,984	977,833	1,002,279	1,027,336	1,053,020	1,079,345	1,106,329	1,133,987	1,162,337
Section 8 HAP Contract	0	0	0	0	0	0	0	0	0	0
Shelter Plus Care	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER UNITS INCOME	**930,716**	**953,984**	**977,833**	**1,002,279**	**1,027,336**	**1,053,020**	**1,079,345**	**1,106,329**	**1,133,987**	**1,162,337**
LAUNDRY AND OTHER INCOME										
MHSA Units - Laundry and Other	9,046	9,498	9,973	10,472	10,995	11,545	12,122	12,728	13,365	14,033
Other Units - Laundry and Other	18,878	19,822	20,813	21,854	22,947	24,094	25,299	26,564	27,892	29,286
TOTAL LAUNDRY AND OTHER I	**27,924**	**29,320**	**30,786**	**32,326**	**33,942**	**35,639**	**37,421**	**39,292**	**41,257**	**43,319**
GROSS POTENTIAL INCOME	**1,142,619**	**1,171,882**	**1,201,912**	**1,232,730**	**1,264,356**	**1,296,814**	**1,330,125**	**1,364,314**	**1,399,404**	**1,435,420**
VACANCY ASSUMPTIONS										
MHSA Units, Subsidies, Laundry	19,302	19,808	20,327	20,860	21,407	21,970	22,548	23,142	23,753	24,380
Other Units, Subsidies, Laundry	47,480	48,690	49,932	51,207	52,514	53,856	55,232	56,645	58,094	59,581
LESS: VACANCY LOSS	**66,782**	**68,498**	**70,259**	**72,066**	**73,921**	**75,826**	**77,780**	**79,787**	**81,846**	**83,961**
EFFECTIVE GROSS INCOME	**1,075,837**	**1,103,384**	**1,131,654**	**1,160,664**	**1,190,435**	**1,220,988**	**1,252,345**	**1,284,527**	**1,317,557**	**1,351,459**
OPERATING EXPENSES										
MHSA Units- Share of Expenses	283,402	293,321	303,587	314,213	325,210	336,593	348,373	360,566	373,186	386,248
MHSA Only - Operating Expenses	0	0	0	0	0	0	0	0	0	0
Other Units - Share of Expenses	517,517	535,630	554,377	573,780	593,862	614,647	636,160	658,426	681,471	705,322
Taxes and Assessments	5,434	5,543	5,654	5,767	5,882	6,000	6,120	6,242	6,367	6,494
Replacement Reserve	41,479	43,553	43,553	43,553	43,553	43,553	45,731	45,731	45,731	45,731
TOTAL EXPENSES	**847,832**	**878,047**	**907,171**	**937,313**	**968,508**	**1,000,793**	**1,036,384**	**1,070,965**	**1,106,754**	**1,143,795**
NET OPERATING INCOME	**228,005**	**225,338**	**224,483**	**223,351**	**221,927**	**220,195**	**215,961**	**213,562**	**210,803**	**207,665**
DEBT SERVICE AND SERVICE F										
CalHFA - 1st Mortgage	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393	159,393
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243	23,243
MHSA Capital Loan	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558	11,558
HCD MHP Loan	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487	13,487
DEBT COVERAGE RATIO	**1.10**	**1.09**	**1.08**	**1.08**	**1.07**	**1.06**	**1.04**	**1.03**	**1.02**	**1.00**

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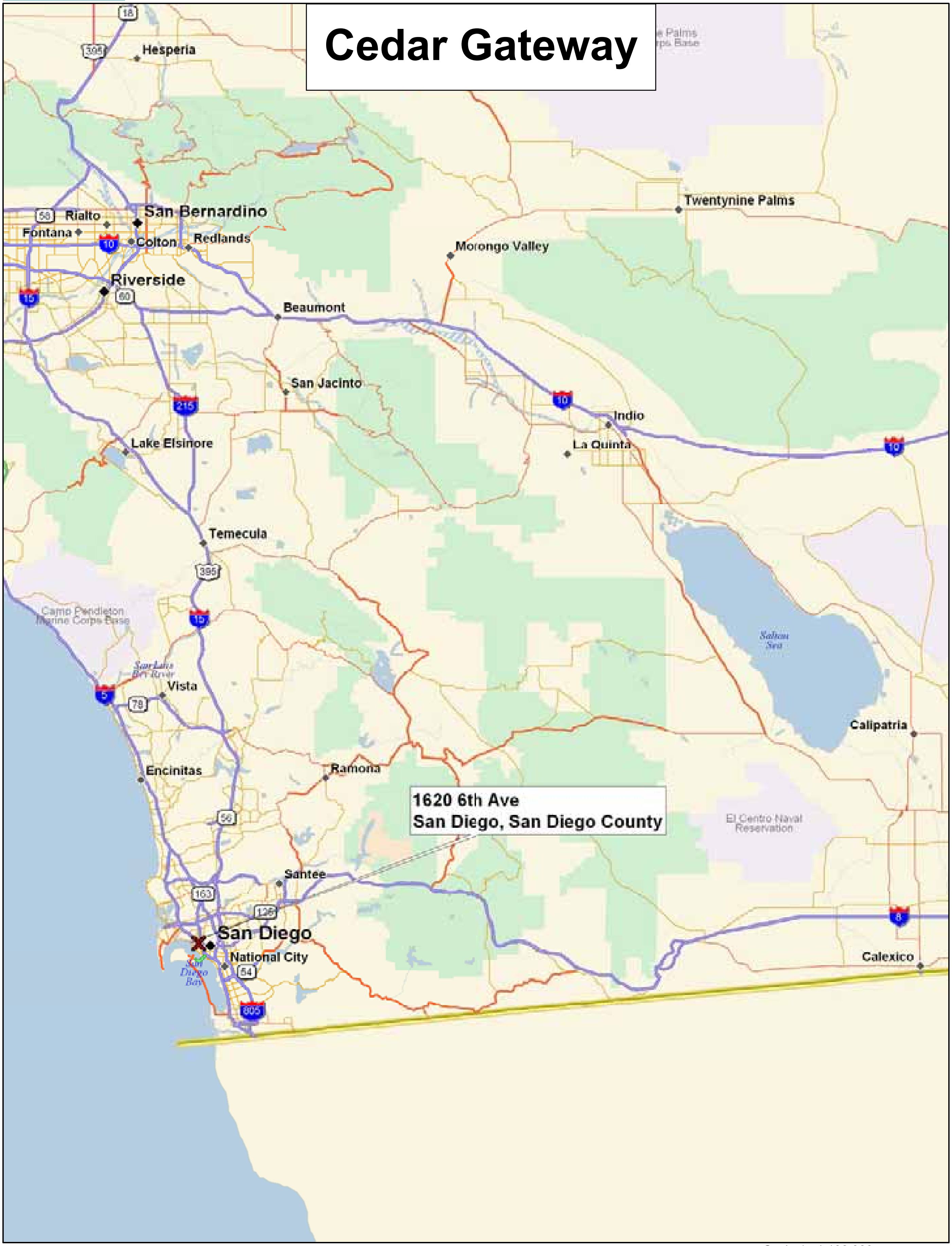

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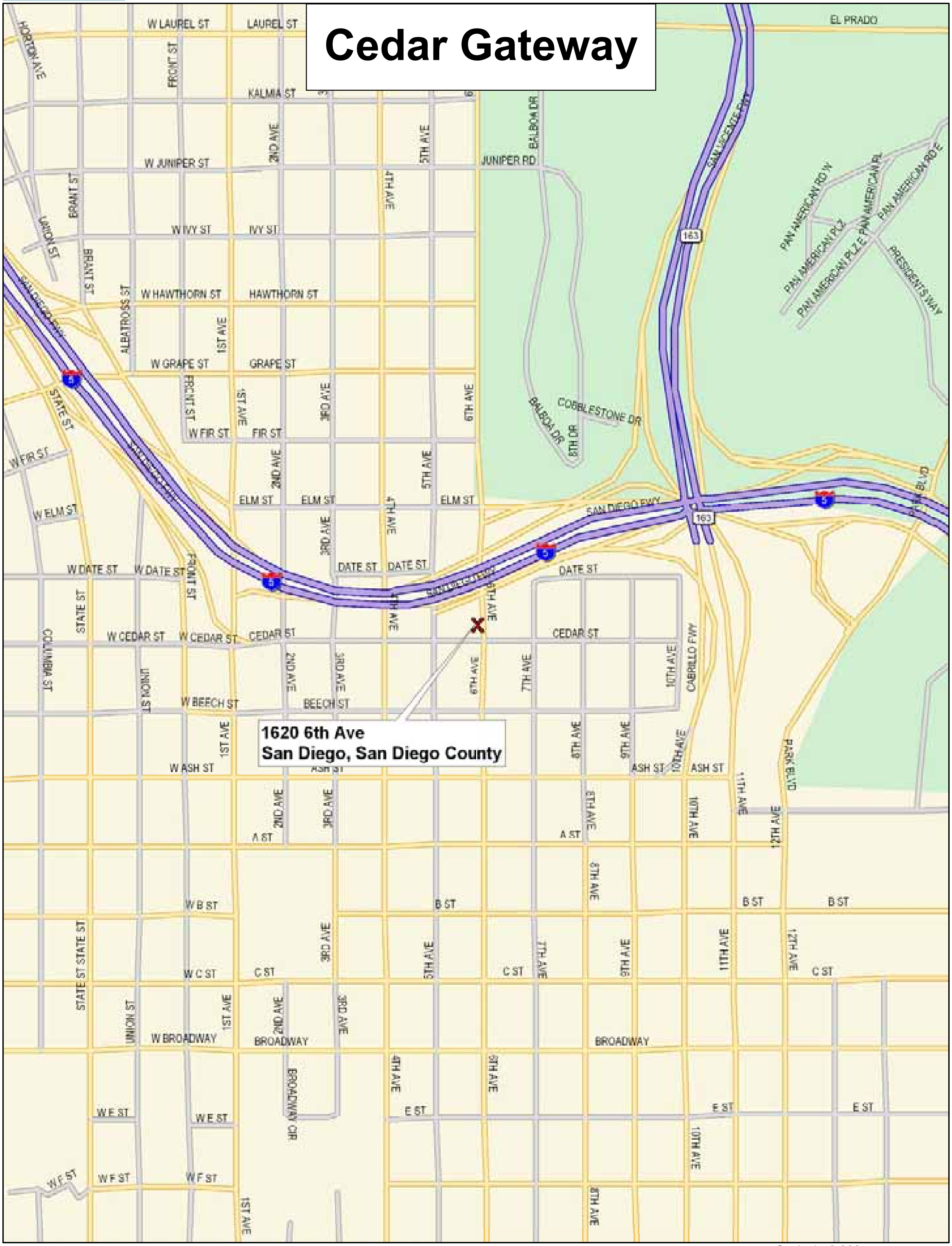
Street Atlas USA® 2006 Plus

Cedar Gateway



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RESOLUTION 08-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Cedar Gateway, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in San Diego, San Diego County, California, to be known as Cedar Gateway 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, 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 and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
08-022-C/S	Cedar Gateway Apartments	$18,800,000.00 Taxable 1st Mortgage/Construction
	San Diego, San Diego County,	$ 2,150,000.00 Taxable 1st Mortgage/Permanent
	California	$ 325,000.00 Taxable HAT Residual Receipts

Resolution 08-21
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 08-21 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
The Courtyards
Long Beach, Los Angeles County, CA
CalHFA # 08-025 A

This is a Final Commitment request for financing rehabilitation using a CalHFA construction loan in the amount of $10,500,000. Security for the loan will be the fee interest on each of four the scattered sites which together comprise “The Courtyards” project. The residential improvements are located at 1027 Redondo Avenue, 1045 Redondo Avenue, 1134 Stanley Avenue and 350 E. Esther Avenue, in the City of Long Beach, in Los Angeles County. Clifford Beers Housing, Inc., a California non-profit public benefit corporation, is the current owner of the properties, and will be the sole general partner once the limited partnership entity is formed. The 46 unit project will require the substantial rehabilitation of four single story properties located within 2.1 miles from one another, near downtown Long Beach. There will be 14,880 square feet of residential space with 46 studio units.

Twenty-three of the units will be designated for single adults who have a history of severe mental illness, and are homeless or at risk of homelessness and who qualify for supportive services under the Mental Health Service Act (MHSA) program. The supportive housing target population is single adults. It is anticipated that the 23 MHSA eligible residents will be able to live independently with the collaboration of supportive services provided to each resident. There will be two manager units ensuring 24 hour resident management coverage. It is anticipated each unit will house one individual and that 46 individuals will be housed in the property.

LOAN TERMS

Construction Loan

First Mortgage	$10,500,000
Interest Rate	6.10% Fixed
Term	18 months, interest only
Financing	Taxable Bonds

CalHFA construction financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments. The interest rate will be fixed at the later of Board Approval or the Tax Credit Reservation Date.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
MHSA Housing Program	Loan	$2,084,352	55	3.00%	Residual Receipts
HCD MHP Supportive Housing	Loan	$2,903,613	55	3.00%	Residual Receipts
Federal Home Loan Bank – AHP	Loan	$900,000	55	0.00%	Deferred

Projected cash flow will not support any hard debt. All permanent loans will be residual receipts loans. Other financing commitments are anticipated as outlined below.

An application has been submitted to HCD for MHP funds. It is anticipated that these funds will be approved at the next Loan and Grant Committee meeting in mid-July.

The developer has applied to the City of Long Beach for a permanent residual receipts loan in the amount of $2,200,000. They anticipate receiving a loan commitment in August of 2008.

It the event that they do not receive funding from Long Beach, they will apply for Federal Home Loan Bank for AHP funds in the next application round in October, if necessary. If they do receive the Loan Beach loan they will not apply for AHP funds. The final amount of the CalHFA construction loan will be reduced after the City of Long Beach funds are committed by approximately $1,300,000.

A letter of interest for the MHSA Housing Program (MHSA HP) funding has been submitted and accepted by the Los Angeles County Mental Health Department. The Supportive Services Plan has been preliminarily reviewed by the County. It is expected that the MHSA posting by the County will occur in mid-July, before the application for tax credit is submitted. After the posting is completed, in mid-August, the County has indicated that they intend to file an MHSA application for the project. Staff anticipates having an award determination on the MHSA application by mid-October. If the MHSA HP funds are committed prior to the construction loan close, the final amount of the CalHFA construction loan will be reduced by the amount of the MHSA HP loan, or approximately $2,084,352.

Scattered sites are permitted pursuant to both TCAC and HCD regulations.

This commitment will be contingent on the borrower receiving commitments for all funding, as well as an allocation of 9% tax credits. We are requesting approval of the construction financing at this time so that the tax credit application can be competitive.

MHSA HP Capitalized Operating Subsidy

The project anticipates an award of Capital Funding and Capitalized Operating Subsidy (COS) funding from the MHSA HP. The COS initial reserve amount is anticipated to be $2,200,000. The borrower will be required to seek and accept any and all available rental or operating subsidies to which the MHSA residents are entitled pursuant to MHSA HP terms. The borrower is planning to apply for Shelter Plus Care rental subsidy in the next application round.

SITE CONTROL

Clifford Beers Housing, Inc. purchased the four properties for $2,760,000 in May 2008 from a single seller with acquisition financing in the amount of $3,100,000 from the Enterprise Community Loan Fund ($2,000,000) and the Corporation for Supportive Housing ($1,100,000). The Enterprise and CSH funds are acquisition loans and will be taken out at construction loan closing.

UNIT MIX AND RENT SUMMARY

Unit Type	Number of Units	Unit Size Sq. Feet	Net Rents	Utility Allowance	Gross Rents	Maximum Allowable LIHTC Rents	% AMI	Maximum Number of Persons per bedroom	Total Potential No. of Persons Housed
Studio	23	290-360	$242	$48	$290	$398	30%	1	23
Studio	21	290-360	$615	$48	$663	$664	50%	1	21
Manager	2	290-360	$0	$0	$0			1	2
Totals	**46**								**46**

PROJECT DESCRIPTION

Project Location

- The project is located on four scattered sites (within 2.1 miles of each other) in the incorporated area of Los Angeles County, in the City of Long Beach, near the downtown area.
- Long Beach is 22 miles from downtown Los Angeles. It is accessible by 4 major freeways, Interstate 405, Interstate 710, Interstate 605 and the Artesia Freeway Highway 91. Bus and light rail transportation are available through the Metropolitan Transit Authority. The Metro Blue line light rail runs north and south along Long Beach Boulevard connecting the area to downtown Los Angeles.
- Site 1 is located at 1027 Redondo Avenue. Site 2 is located at 1045 Redondo Avenue. Site 3 is located at 1134 Stanley Avenue. Site 4 is located at 350 East Esther Avenue.
- Sites 1 through Site 3 are located near each other and are just east of downtown Long Beach. The neighborhood is defined as that area bounded on the north by Anaheim Street, on the south by Seventh Street, on the east by Redondo Avenue and on the west by Cherry Avenue.
- Site 4 is located 2.1 miles from sites 1-3, just north of downtown Long Beach and is defined as that area bounded on the north by Pacific Coast Highway; on the south by Anaheim Street; on the east by Martin Luther King Jr. Avenue and on the West by Long Beach Boulevard.
- The commercial uses near sites 1-3 are located primarily on Redondo Avenue and include retail centers, a supermarket, drug stores with pharmacy, auto service and fast food restaurants.
- Directly adjacent to 1045 Redondo Avenue is the Substance Abuse Foundation.
- Commercial uses near Site 4 are primarily located on Long Beach Boulevard and include retail centers, fast food restaurants, auto service and sales, and discount motels. South of Site 4 is the City Place shopping mall that includes supermarket, drug store and other amenities.
- All sites are located in a mature urban mixed-use neighborhood that is generally more affordable than other sections of Long Beach.

Site

- All sites are rectangular in shape and the topographies of the sites are level and at street grade. All sites allow for multifamily developments pursuant to the current zoning.
- Site 1 and Site 2 located on Redondo Avenue are zoned C-N-R/Neighborhood Commercial,
- Site 3, on Stanley Avenue is currently zoned R-1-N/Single Family District and has legal non-conforming use status. The City of Long Beach Building Department will allow the proposed rehabilitation on Stanley Avenue because additional dwelling units will not be included in the scope of work.
- Site 4 located on Esther Avenue is zoned R-3-S/ Three Family Residential District.
- All sites are currently occupied by very low to low income tenants. Currently 38 units are occupied and eight are vacant.
- Historically, residential land use has been the only use at these four site locations.
- There is no on-site parking at any of the four buildings. Street parking is adequate.

Improvements

- The Courtyard Apartments were constructed in 1922 and 1923 and are 85 to 86 years old. The buildings are all single-story, wood frame, Type V construction, with poured concrete foundations.
- The layout of each building is similar with a central open air corridor/ courtyard with residential units on either side of the exterior corridor and a laundry room located at the center rear of the site connecting the two residential wings. The Esther Avenue site has a rear yard garden.
- Sites 1 – 3 on Redondo and Stanley Avenues contain 12 studio units each and Site 4 on Esther Avenue contains 10 studio units. The average dwelling space per unit is 325 square feet, with a range from 290 to 360 square feet. Each unit will have a kitchen and bathroom.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project will consist of major rehabilitation of the four scattered site properties. The cost of the rehabilitation is estimated to be approximately $4,988,000 with a 15% contingency of approximately $748,000.
- The current condition of all sites is poor. Extensive rehabilitation is scheduled to include interior, building systems, exterior and common area improvements.
- Interior improvements will include: entry/interior doors, gut rehabilitation of the units and enlarging all bathrooms with replacement of all fixtures, gut rehabilitation of kitchens, replacing all fixtures and appliances in the kitchens, new cabinetry as needed, new flooring throughout and installation of hard wired smoke detectors.
- Building systems improvements will include: new wall unit gas heating, new telephone and cable wiring, individual electrical sub panels, domestic hot water with central boiler, sewer connections and individual unit sewer clean out, fire alarm, security camera system and outdoor lighting.
- Green building techniques will be explored for the electrical, plumbing and heating systems.

- Building exterior improvements will include: possible foundation reinforcement, resurfacing of all exterior walls, replacement of windows with energy efficient, roofing, roof penetrations and drainage, hardscape and landscaping.
- Common area improvements will include enhancement to central courtyard spaces. The courtyards in sites one, two and three will be enlarged to allow more natural light and will accommodate new outdoor BBQ area and seating. At Site 4, the existing rear yard will be developed into an outdoor community space with seating and BBQ areas.
- Laundry room remodels will allow for an increase in washers and dryers from one set of washers and dryers, to two sets in each building.
- The anticipated replacement reserves for maintaining the properties over a fifty year term is $1,103,000.
- The PNA report has been accepted by staff and the proposed scope of work conforms with the PNA requirements. However, the borrower is planning to update the PNA to comply with other funder's requirements. CalHFA will require the updated PNA as a condition of our final commitment.

Off-site improvements

There are no off-site improvements.

RELOCATION

A Relocation Plan was prepared by Shober Consulting, Inc. in April 2008. The relocation program describes temporary relocation for 38 households that currently reside at the site(s) for the duration of rehabilitation/construction. Completion of the rehabilitation is estimated from 6 to 9 months. It is anticipated that most tenants will move back to the unit that they previously occupied or into a similar unit at the same complex. At the time of the relocation study, 38 units were occupied and 8 were vacant. All occupied units have only one tenant. None of the tenants are aged 62 or over.

Each tenant will be assisted in finding temporary replacement housing in the City of Long Beach at a comparable unit size and rental price and will receive lawful monetary relocation benefits. Temporary replacement housing has already been identified. However, the relocation survey provides evidence that there is other available comparable housing in area. The relocation program will be implemented in compliance with the California Relocation Assistance law and the federal Uniform Relocation Act. The estimated costs for the temporary relocation of the 38 occupied units is $431,100, or $11,345 per household.

The borrower has indicated that some of the tenants are currently MHSA eligible households, and that the current plan involves the permanent relocation of these tenants, so that they will not have to move twice. An updated relocation plan will be required as part of the MHSA approval process that discusses permanent relocation.

COSTS

- The project cost is approximately $272,000 per unit.
- Acquisition costs were approximately $60,000 per unit.
- Hard costs of construction are nearly $93,000 per unit.

- The Developer Fee of $1,239,000 is approximately $27,000 per unit, however approximately $550,000 will be deferred.

SPECIAL NEEDS SERVICES

- Mental Health America of Los Angeles (MHA), based in Long Beach, will provide mental health and support services by implementing the "Village" model for rendering services. In this integrated service approach the Village draws on existing relationships to help individuals access mainstream resources for which they are eligible, obtain needed services, gain employment in the community and benefit from peer support. The Village also operates the community's only Homeless Assistance Program for people with mental illness.
- The supportive services offered to MHSA eligible residents at the Courtyards will be assessment and service coordination, mental health services, money management, substance abuse recovery, employment services and peer support. Village job developers will provide opportunities for establishing employment goals, job training for eventual full time employment. Peer support will be provided through the Long Beach Wellness Center, an MHA sponsored and MHSA funded consumer-run program.
- There will be no designated support service space or office space on-site, at any of the four sites, due to the nature of the Village approach to mental health recovery which is based on full integration into all aspects of community life; having a "service" space or meeting room would be segregating instead of integrating. MHA staff and counselors spend most of their time out of the office and are available on a continuous basis. Staff can be reached around the clock for crises.
- This supportive service plan is subject to approval by the California Department of Mental Health as part of the review of the MHSA HP application. Agency staff will also review it as part of the MHSA HP application.

MARKET

Market Overview

- The Primary Market Area (PMA) includes a portion of central Long Beach. The market area is bound on the north by Willow Street and Interstate 405, on the south by 7th Street, on the west by Los Angeles Harbor River and on the east by Bellflower Boulevard. The Secondary Market area is the whole of Los Angeles County.
- The population of the PMA is 168,621 and is expected to increase by 2.7% by the year 2012. There are 51,032 households in the PMA of which 24.8% are owners and 75.2% are renters. 23% of the renters are single occupants.
- There are 4,036 households in the PMA living "below poverty" levels defined as $15,000 per year.
- The most prevalent job types in the PMA are in the healthcare and social assistance, manufacturing and retail industries. The unemployment rate for the City of Long Beach is 5.7%, compared to the Los Angeles County unemployment rate of 5.4%, both as of June 2008.

Housing Supply and Demand

- The unemployment rate in the City of Long Beach is 5.7%.
- The average market rent range is from $785 to $1,282 for a studio unit. There are sufficient income eligible households that will qualify for this housing type.
- The appraisal estimates rents for the project at $650 per unit, per month. This estimate of market rent is for the units “as-is”, in their current poor condition.
- An updated “as-improved” appraisal will be required with estimates of market rents for the units assuming the rehabilitation has been completed.
- There are 5 LIHTC comparable properties located just beyond the PMA, which are 100% occupied and have extensive wait lists.
- There are 3 transitional housing programs with supportive services.
- There are approximately 2,025 homeless household residing in Long Beach according to figures derived from the City of Long Beach Health Department and MHA.

PROJECT FEASIBILITY

Estimated Lease-up Period

Per the market study done by Novagradac and Company LLP on June 20, 2008, the estimated lease-up period is 2 months based on an absorption rate of 23 units per month.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on March 4, 2008 by Pacific Environmental. The report concluded that there is no evidence of recognized environmental conditions in connection with the four properties; no additional services are recommended as a result of the Phase I report.

An Asbestos and Lead Survey were completed on March 4, 2008 by Pacific Environmental. The survey identified asbestos containing material in flooring, in plumbing vents, roofing and in window caulking. It also identified lead components at all four sites in the interior and exterior of the property, in the doors, door frames, window frames, bath and kitchen walls and ceilings, baseboards, closet shelves, painted cabinets, and ceramic sink tiles. The project is required to abate asbestos and lead by certified asbestos and lead abatement contractors.

A third party seismic evaluation of the final scope of work will be completed due to the age of the buildings and the proximity to the Newport/ Inglewood fault.

DEVELOPMENT TEAM

Borrower

<u>Clifford Beers Housing Inc.</u>

Clifford Beers Housing, Inc. (Clifford Beers) is the current owner/developer of the project and will be the sole general partner of the limited partnership entity once established. Clifford Beers was established in 2005 in recognition of the need to increase the supply of affordable housing available to mental health consumers. Clifford Beers is a California non-profit public benefit corporation and an affiliate of Mental Health America of Los Angeles (MHA). MHA has been serving persons with mental illness since 1924.

Jim Bonar is the executive director of Clifford Beers. He has over 35 years of experience in the affordable housing industry and is an architect by training. Prior to joining Clifford Beers, Jim Bonar was the executive director of Skid Row Housing Trust, a leading developer of service enriched housing for the homeless, and he was also instrumental in the formation of the Los Angeles Community Design Center, a leading affordable housing developer in Southern California.

Management Agent

Community Housing Management Services

Community Housing Management Service (CHMS) was founded in 1986 originally as the Episcopal Housing Management Corporation. The legal name changed to Community Housing Management Services in 1997 to reflect the company's expansion from managing church properties. CHMS specializes in the management of affordable and special needs residential properties owned by non-profit sponsors in Southern California; they are based out of Cerritos, California just 14 miles from Long Beach. They currently manage 1,348 units of affordable and special needs housing that are regulated by affordable housing funding programs.

The Developer will be required to provide evidence that the management company, the management plan, the management contract and management staff demonstrate experience managing properties that serve adults with serious mental illness and who are chronically homeless or at risk of homelessness will be required.

Architect

J.S. Egan Design, Inc.

J.S. Egan Design Inc. (Egan) was founded in 1997 and serves in multiple roles as architect, construction manager and project manager to assist in the development of affordable and special needs housing. Egan has designed over 400 units of housing, four charter school developments, two hotel re-models, and a commercial kitchen facility for Project Angel Food. The majority of Egan's housing projects have been multi-family tax credit projects in the Los Angeles area. John Sexton Egan, the principal of Egan, is licensed in the state of California, a commissioner of the California Board of Architects, and has been practicing since 1990.

Contractor

The developer will request competitive bids from contractors in September. They expect to receive bids back in November, and to select a contractor in December.

The Agency commitment will be conditioned on final approval of the contractor after a review of the contractor's qualifications and bonding capacity. The construction loan is expected to close in January 2009.

PROJECT SUMMARY

CalHFA Project Number: #08-025A

MHSA Project Number: #08-025

Final Commitment

Project:	**The Courtyards**	***Developer:***	**Clifford Beers Housing**
Location:	Four sites	***Other Partner***	None
City:	Long Beach	**County Co-Applicant**	County of LA, Dept. of Mental Health
County:	Los Angeles	***Investor:***	Yet to be determined
Zip Code:	90804	*Tax Credits*	9%
		No. of Buildings:	4
Project Type:	Rehabilitation	*No. of Stories:*	1
Occupancy:	Family	*Residential Space*	14,880 sq. ft.
Total Units:	46	*Office Space*	0 sq. ft.
Total MHSA Units:	23	*Social Services Space:*	0 sq. ft.
MHSA COS Units:	23		
Style Units:	Flats	*Commercial Space*	0 sq. ft.
Elevators:	None	*Gross Area*	14,880 sq. ft.
Total Parking	None	*Land Area*	25,400 sq. ft.
Covered	None	*Units per acre*	79

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$10,500,000	6.10%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	$0	0.00%	0
CalHFA Bridge Loan	$0	0.00%	0
CalHFA Second Mortgage	$0	0.00%	0
MHSA Capital Loan	$2,084,352	3.00%	55
HCD MHP Loan	$2,903,613	3.00%	55
City of Long Beach	$0	3.00%	55
Source 5	$0	0.00%	0
FHLB - AHP	$900,000	0.00%	55
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	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$549,757		
Tax Credit Equity	$6,057,001		
MHSA Capitalized Operating Subsidy	$2,200,000		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$11,944,966	**Appraisal Date***	TBD	**Restricted Value**	TBD
Loan / Cost	90%	**Cap Rate:**	6.25%	**Perm. Loan / Cost**	N/A
Loan / Value	88%			**Perm. Loan / Value**	N/A

*Values are estimates. A commercial appraisal acceptable to the Agency will be required as a condition of this final commitment.

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$78,750	MHSA Operating Reserve	$73,012
CalHFA Permanent Loan Fees	$0	Replacement Resv. Initial Deposit	$46,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$504
MHSA Loan Fee	$20,844	Transitional Operating Reserve- MHSA	$0
Construction Inspection Fee	$13,500	Transitional Operating Reserve- Other	$0
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$0
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$4,927,494	Other Reserve	$0
Contractors Performance Bond	$4,927,494		

Date: 7/7/2008 **Senior Staff Date:** 6/30/2008

UNIT MIX AND RENT SUMMARY

The Courtyards

MHSA #08-025

CalHFA #08-025A

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.	
10	Studio	1	360	Esther
12	Studio	1	320	1027 Redondo
12	Studio	1	290	1045 Redondo
12	Studio	1	330	Stanley
46				

Number of Regulated Units By Agency

Agency	30%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			10			36	**46**
Tax Credits	23		21			2	**46**
Locality							**0**
MHSA/CalHFA	23					23	**46**
HCD	23					23	**46**
AHP	23					23	**46**
Zoning							**0**
Other							**0**

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
STUDIO			$650		
20%	0	$0		$0	0%
30%	**23**	**$242**		**$408**	**37%**
30%	0	$0		$0	0%
35%	0	$0		$0	0%
50%	**21**	**$615**		**$35**	**95%**
60%	0	$0		$0	0%
80%	0	$0		$0	0%
One Bedroom			$0		
20%	0	$0			
30%	0	$0			
30%	0	$0		$0	0%
35%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$0		
20%	0	$0			
30%	0	$0			
30%	0	$0		$0	0%
35%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — The Courtyards

MHSA #08-025
CalHFA #08-025A
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	10,500,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		-	-	0	0%
CalHFA Second Mortgage		-	-	0	0%
MHSA Capital Loan	-	2,084,352	2,084,352	45,312	17%
HCD MHP Loan	-	2,903,613	2,903,613	63,122	23%
City of Long Beach	-	-	-	0	0%
Source 5	-	-	-	0	0%
FHLB - AHP	-	900,000	900,000	19,565	7%
Source 7	-	-	-	0	0%
Source 8	-	-	-	0	0%
Source 9	-	-	-	0	0%
Source 10	-	-	-	0	0%
Source 11	-	-	-	0	0%
Source 12	-	-	-	0	0%
Income from Operations	-	-	-	0	0%
Developer Contribution	-	-	-	0	0%
Deferred Developer Fee		549,757	549,757	11,951	4%
Tax Credit Equity	1,211,000	4,846,001	6,057,001	131,674	48%
Total Sources	11,711,000	11,283,723	12,494,723	271,624	100%
(Gap)/Surplus	0	(1)	(0)		

Total Development Sources (right-hand columns above)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$10,500,000**			
ACQUISITION					
Lesser of Land Cost or Value	1,390,000	-	1,390,000	30,217	11%
Demolition	-	-	-	0	0%
Legal - Acquisition Related Fees	-	-	-	0	0%
Subtotal - Land Cost / Value	1,390,000	-	1,390,000	30,217	
Existing Improvements Value	1,370,000	-	1,370,000	29,783	11%
Off-Site Improvements	-	-	-	0	0%
Title, Recording & Legal- Acquisition	26,000	-	26,000	565	0%
Total Acquisition	**2,786,000**	**-**	**2,786,000**	60,565	**22%**
REHABILITATION					
Site Work	-	-		0	0%
Rehab to Structures	4,269,000	-	4,269,000	92,804	34%
General Requirements	197,660	-	197,660	4,297	2%
Contractors Overhead	200,000	-	200,000	4,348	2%
Contractors Profit	200,000	-	200,000	4,348	2%
Contractor's Bond	60,834	-	60,834	1,322	0%
General Liability Insurance	60,834	-	60,834	1,322	0%
Environmental Mitigation Expense	-	-	-	0	0%
Other	-	-	-	0	0%
Other	-	-	-	0	0%
Total Rehabilitation	**4,988,327**	**-**	**4,988,327**	108,442	**40%**
RELOCATION EXPENSES					
Relocation Expense	400,000	-	400,000	8,696	3%
Relocation Compliance Monitoring	31,100	-	31,100	676	0%
Total Relocation	**431,100**	**-**	**431,100**	9,372	**3%**

Total Development Costs (right-hand columns above)

(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	0%
Structures (Hard Costs)	-	-	-	0	0%
General Requirements	-	-	-	0	0%
Contractors Overhead	-	-	-	0	0%
Contractors Profit	-	-	-	0	0%
Contractor's Perf. & Pymt Bond	-	-	-	0	0%
General Liability Insurance	-	-	-	0	0%
Other	-	-	-	0	0%
Other	-	-	-	0	0%
Total New Construction	**-**	**-**	**-**	0	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	300,000	-	300,000	6,522	2%
Architect's Supv during Construction	96,122	-	96,122	2,090	1%
Total Architectural	**396,122**	**-**	**396,122**	8,611	**3%**
Engineering Expense	20,000	-	20,000	435	0%
Engineers Supv. during Construction	-	-	-	0	0%
ALTA Survey	-	-		0	0%
Total Engineering & Survey	**20,000**	**-**	**20,000**	435	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	620,000		620,000	13,478	5%
CalHFA Construction Loan Fee	78,750		78,750	1,712	1%
Other Construction Loan Fees	4,491		4,491	98	0%
CalHFA Outside Legal Counsel Fees	-		-	0	0%
Other Lender Req'd Legal Fees	25,000		25,000	543	0%
Title and Recording fees	40,000		40,000	870	0%
CalHFA Req'd Inspection Fees	13,500		13,500	293	0%
Other Req'd Inspection Fees	-		-	0	0%
Prevailing Wage Monitoring Expense	-		-	0	0%
Taxes & Insurance during construction	117,742		117,742	2,560	1%
Predevelopment Interest & Fee	83,726		83,726	1,820	1%
Cost for Completion Guarantee	-		-	0	0%
Acquisition Interest & Fee	157,572		157,572	3,425	1%
Total Construction Loan Expense	**1,140,781**	**-**	**1,140,781**	24,800	**9%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	-	-	0	0%
CalHFA Bridge Loan Fees	-	-	-	0	0%
CalHFA Loan Application Fee	500	-	500	11	0%
Other Lender Perm. Loan Fees	-	-	-	0	0%
Title and Recording	-	10,000	10,000	217	0%
Perm. Bridge Loan Interest Expense	-	-	-	0	0%
MHSA Capital Loan Fee	20,844	-	20,844	453	0%
Tax Exempt Bond Allocation Fee	-	-	-	0	0%
MHSA Pre-paid Service Fee	17,509	-	17,509	381	0%
Total Permanent Loan Expense	**38,852**	**10,000**	**48,852**	1,062	**0%**
LEGAL FEES					
Borrower Legal Fee	15,000	-	15,000	326	0%
Other	10,000	-	10,000	217	0%
Total Attorney Expense	**25,000**	**-**	**25,000**	543	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	217	0%
Market Study	7,500	-	7,500	163	0%
Physical Needs Assessment	4,760	-	4,760	103	0%
HUD Risk Share Environ. Review	-	-		0	0%
CalHFA EQ Waiver Seismic Review Fee	28,000	-	28,000	609	0%
Environmental Phase I / II Reports	22,100	-	22,100	480	0%
Soils / Geotech Reports	-	-		0	0%
Asbestos / Lead-based Paint Report	-	-		0	0%
Noise/Acoustical/Traffic Study Report	-	-		0	0%
Survey	-	-		0	0%
Feasibility & Environmental Review	10,000	-	10,000	217	0%
Total Contract Costs	**82,360**	**-**	**82,360**	1,790	**1%**
CONTINGENCY					
Hard Cost Contingency	748,249	-	748,249	16,266	6%
Soft Cost Contingency	52,045	-	52,045	1,131	0%
Total Contingency	**800,294**	**-**	**800,294**	17,398	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	-	0	0%
MHSA Operating Reserve	-	73,012	73,012	1,587	1%
Capitalized Replacement Reserve		46,000	46,000	1,000	0%
Rent-Up Reserve	-		-	0	0%
Operating Reserve - City required		-		0	0%
Capitalized Investor Req'd Reserve	-	-		0	0%
Services Reserve	-	-		0	0%
Total Reserves	**-**	**119,012**	**119,012**	2,587	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	57,375	-	57,375	1,247	0%
Local Permit Fees	132,000	-	132,000	2,870	1%
Local Development Impact Fees	-	-	-	0	0%
Other Local Fees	-	-	-	0	0%
Advertising & Marketing Expenses	6,000	-	6,000	130	0%
1st Year Taxes & Insurance	-	-	-	0	0%
Furnishings	50,000	-	50,000	1,087	0%
Final Cost Audit Expense	20,000	-	20,000	435	0%
Miscellaneous Admin Fees	-	-	-	0	0%
Acquisition Transfer Taxes	-	-		0	0%
CDLAC and CDIAC Fees	-	-		0	0%
	-	-		0	0%
Total Other Expenses	**265,375**	**-**	**265,375**	5,769	**2%**
SUBTOTAL PROJECT COSTS	**10,974,212**	**10,629,012**	**11,103,223**	241,374	**89%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	0	0%
Developer Overhead/Profit (NC/Rehab)	584,288	654,712	1,239,000	26,935	10%
Consultant / Processing Agent	52,500	-	52,500	1,141	0%
Project Administration	-	-	-	0	0%
Broker Fees to a related party	-	-	-	0	0%
Construction Mgmt. Oversight	100,000	-	100,000	2,174	1%
Other	-	-	-	0	0%
Total Developer Fee / Costs	**736,788**	**654,712**	**1,391,500**	30,250	**11%**
Total Costs	**11,711,000**	**11,283,724**	**12,494,723**	271,624	**100%**

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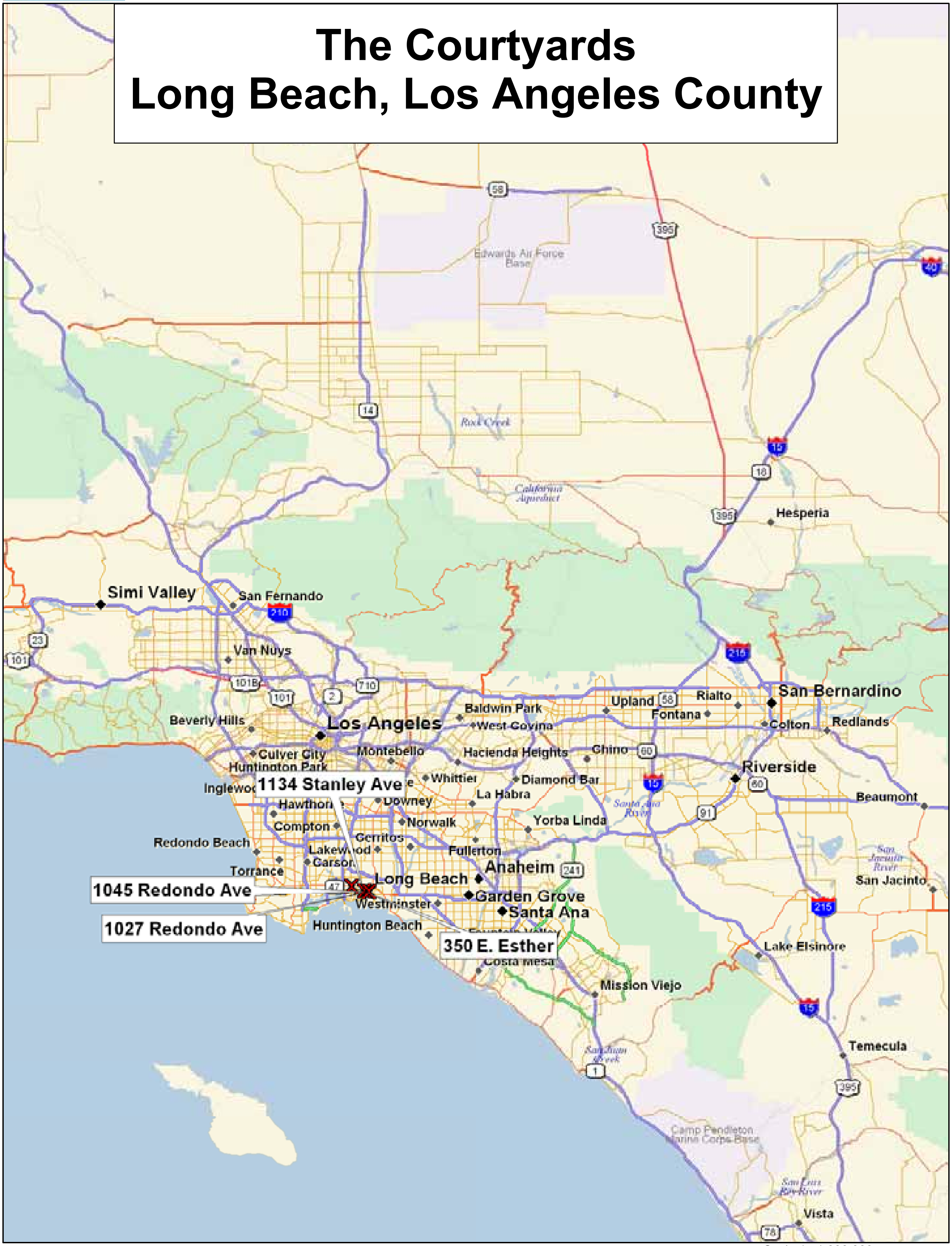
Street Atlas USA® 2006 Plus

The Courtyards
Long Beach, Los Angeles County



TN
MN (12.9°E)

Scale 1 : 1,000,000

1" = 15.78 mi

Data Zoom 7-6

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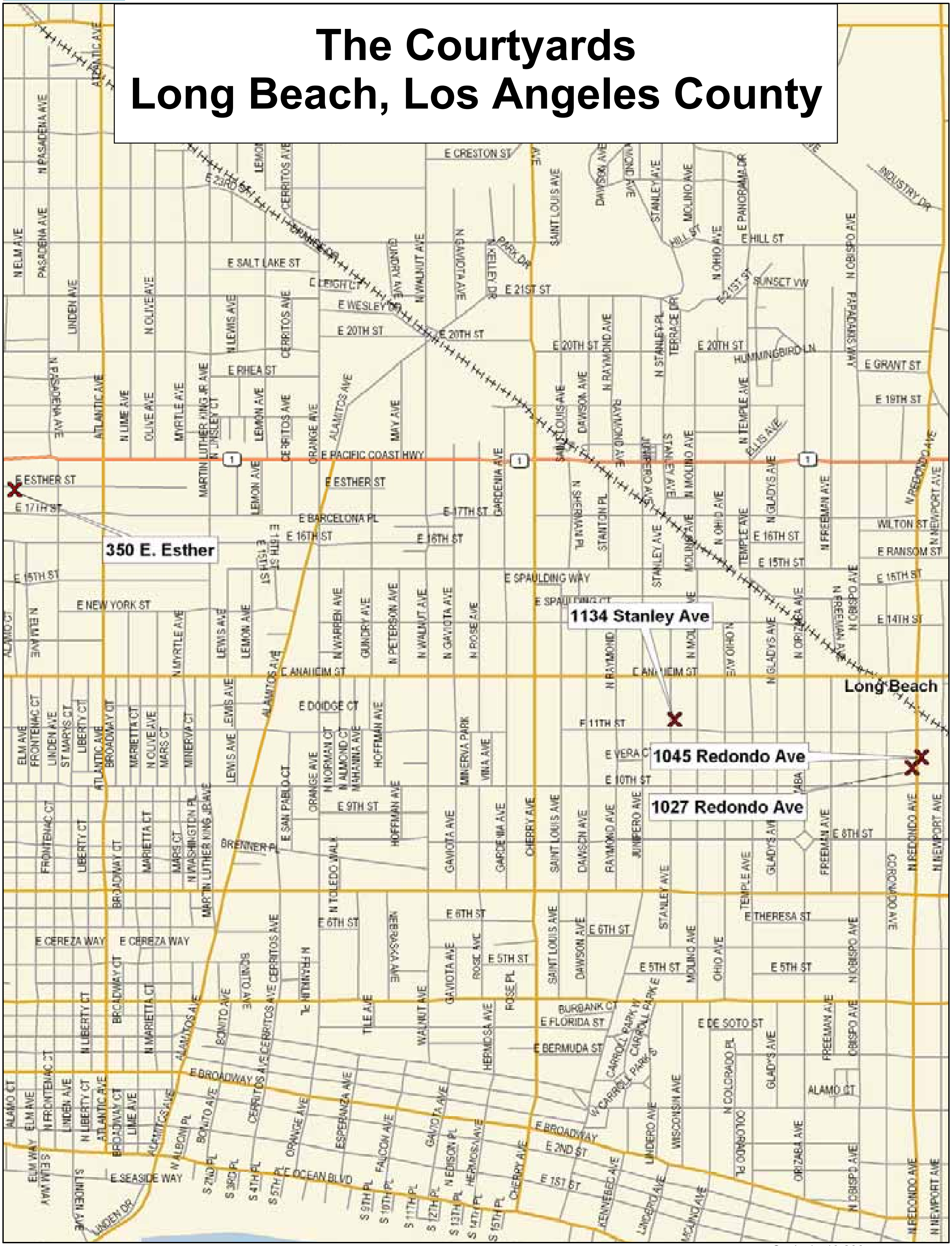
The Courtyards
Long Beach, Los Angeles County



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RESOLUTION 08-22

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Clifford Beers Housing, Inc., a California 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 Long Beach, Los Angeles County, California, to be known as The Courtyards (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, 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 and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
08-025-A	The Courtyards Long Beach, Los Angeles Co., California	$10,500,000.00 Taxable 1st Mortgage/Construction

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 08-22 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST:_______________________
Secretary

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

COMPENSATION COMMITTEE

PUBLIC MEETING

The Westin San Francisco Market Street
50 Third Street
San Francisco, California

Tuesday, June 24, 2008
4:25 p.m. to 6:16 p.m.

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

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A P P E A R A N C E S

CalHFA Compensation Committee Members:

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

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

JACK SHINE
Chairman
American Beauty Development Co.

Participating CalHFA Staff:

THERESA A. PARKER
Executive Director
California Housing Finance Agency

THOMAS C. HUGHES
General Counsel

JOJO OJIMA
Office of the General Counsel

Also Present

NAJIA A. ROSALES
Special Assistant to the
State Treasurer

BERNIE MIKELL
Piper Jaffray & Co.

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BE IT REMEMBERED that on Tuesday, June 24, 2008, commencing at the hour of 4:25 p.m. at the Westin San Francisco Market Street, 50 Third Street, San Francisco, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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Item 1. Roll Call

CHAIR COURSON: Let's call the meeting to order of the Compensation Committee.

MR. SHINE: This is it.

CHAIR COURSON: We'll show on the record that Chairman John Courson is here, Member Jack Shine, Member Carla Javits. Member John Morris is not here.

And we are joined by Tom Hughes, our general counsel; and our Executive Director, Terri Parker. And that is our group.

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Item 2. Chairman's Comments

CHAIR COURSON: We have an agenda in front of us, and we have a couple of tasks. And our job, I think, today in both of these areas --

MR. SHINE: Don't you have one, too?

CHAIR COURSON: I have mine.

MR. SHINE: I don't have mine.

Do I need it?

What are you going to do with it?

MS. PARKER: I can crib. I know everything that's in there. I've memorized it.

MR. SHINE: Okay, sorry about that.

CHAIR COURSON: So our job today -- and as you can see in here is the new charter, our compensation charter. And so our job in a couple of areas that are on the agenda are to consider recommendations to report back to the Board at the July meeting in two areas.

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Item 3. Discussion and possible recommendation to the CalHFA Board of Directors regarding succession planning, including succession planning for the Executive Director position

CHAIR COURSON: And one of those -- and let's just dig right into it -- one of those is the fact -- and I'll let Terri speak for herself -- that Terri has made a decision not to seek reappointment as executive director of CalHFA.

MS. PARKER: Thank you, John.

Certainly, it comes with a mixture of emotions. I have been with the Agency for 11 years, and I feel very proud of the work that the Agency has done during the time that I've been here.

I've weighed the decision to think about asking for reconsideration or reappointment very heavily. And for a variety of reasons, I've decided that I think it's a good time. The Agency is in a good position. It's always tough to leave an organization that you feel you've vested a good part of your working life. But we've got a good organization, we've got good staff, the Agency is poised to be able to, I hope, take what I've accomplished and go to the next level.

So I think given the opportunity to leave while I still have some -- we've done really good things, it's a good group, and I think it's a good time to go and pass the baton.

CHAIR COURSON: And Terri and I have had conversations over the last couple, three months, I guess, on this, knowing that her term was coming; and really -- she gave it a lot of thought. We talked about it, and she gave it a lot of thought about what she really wanted to do. And once she made the decision, as sad as I was personally on this, I certainly support it and understand it. And we now have to rise to the task of finding a process of determining a replacement.

MS. PARKER: John, maybe to add one thing.

CHAIR COURSON: Certainly.

MS. PARKER: First of all, I wanted to let my senior managers know about this yesterday. You know, it's kind of a -- well, John and I have had this discussion about when do you kind of decide this and tell people, make it public. The date of when my term ends is very public. It's in every OS at the Agency, every time bonds are sold. So it's very public.

MR. SHINE: What is that date, by the way?

MS. PARKER: The date, technically, is October 14th. I'll get to that.

CHAIR COURSON: And we're going to talk about that.

MS. PARKER: So, you know, I wanted to -- I felt that it was important to start doing this because of the amount of lead time for succession planning, but also from the standpoint of I wanted to be careful with having enough cachet of still having this job, so that -- there is a number of things we're in the middle of trying to get accomplished and wanting to be able to push and not have people figure, "Well, we'll just wait until she's gone, so that we do -- so that we can just wait until she's gone."

But I did talk to the senior managers yesterday, so they're aware. We will be moving forward internally with -- I've told them, you know, I certainly have plans to keep going every day that I am here.

It is possible for -- in a term appointment, the term, without the Governor's office intervening, in other words, sending my name up to the Senate, I can continue for 60 days, but no longer than 60 days.

MR. SHINE: Beyond October?

CHAIR COURSON: Right, and we’re going to talk about that.

MS. PARKER: And I wanted everybody to know, because I was able to report that I have asked for that consideration. And the response back from the Governor's office was, I should be able to report that the Governor's office thinks that that fits in with the succession planning.

So I've told my staff we'll be working internally on everything that we need to be doing, so that when I leave, it's transparent to pass the baton. We'll do all the appropriate things of transition, have transition books, so that it can be as seamless as possible, not only internally, but externally to people like the rating agencies and our customers, et cetera.

MR. SHINE: How sad.

CHAIR COURSON: Yes, it will be a -- it's a huge task on our shoulders, on the Board's shoulders now.

MR. SHINE: For this, you have put on this committee?

CHAIR COURSON: A big passing -- yes, it's a big baton-pass. And it's going to obviously put a lot of responsibility on the Board.

Let me share the other -- my piece of this, and this will sort of frame up where I think we need to go.

After Terri really made her final, final decision, I went to the Governor's office and met with the Cabinet Secretary, Dan Dunmoyer for a period of time, I got a very good discussion with him. And as a result of that meeting, I suggested to him that the Board would undertake -- or during the meeting, I suggested that the Board would undertake a process of trying to recruit, identify, and vet that replacement. Which is a little unusual, in that, obviously, this is the Governor's replacement and it's his appointment, and the Governor can appoint who he chooses.

But at the end of that meeting, which was a very good meeting, I was encouraged, and subsequently encouraged by Agency -- encouraged by Agency -- that the Board should undertake a process of retaining a search firm, identifying candidates, recruiting candidates, having them vetted, having them interviewed, and ultimately making a recommendation, or even a couple of recommendations, to put forth to the Governor for consideration.

And that's the process that they have agreed to and, in fact, they've encouraged us to do that.

It's clear, and there's no question, that this is the Governor's appointment. And we may well come up with the person or people that we think are absolutely the best candidates possible for this position; and the Governor could choose to appoint someone else. But they have encouraged us to go through with this process. So we'll have to be cognizant of that.

It will be a little different process than most of us in civilian life are used to in recruiting, in that as you recruit a candidate and you identify a candidate and you recommend that candidate, they still may not be the one that gathers the appointment. Although I would hope they would; and I think if we do our process thoroughly and as fastidiously as I hope we would, that they would give serious attention to the recommendation. But you have to say that as the caveat.

MR. SHINE: So is it your intention then to, on an ongoing basis, visit with the Governor's office to keep them aware of the road down which we're going, so that if there's a cul-de-sac somewhere, we find out early in the game?

CHAIR COURSON: Oh, absolutely. I think, Jack, that Terri and I have established what I think is a very good personal working relationship with Dan Dunmoyer. It's been very good. And absolutely, we've agreed that we would do that.

I think our -- I'll line up a couple things.

I think there’s sort of a “before we get into how we are going to do the process,” I think there's a couple things.

One, as Terri mentioned -- I mentioned it to Dan, and she's talked to Agency about it -- that her term ending in the middle of October can -- unless the Governor makes another appointment -- extend it through the middle of December. And I would think -- my recommendation would be that we would want to recommend to the Board, that the Board support that. And I'd like to see -- I think it would be good for the Board to come up, take an action that says that it is the Board's wish and recommendation that Terri serve -- her term be extended the additional 60 days to allow us to complete our search and recommendations in an orderly fashion.

So question one is, do we want to make that recommendation to the Board? We can't make the decision, but we can make that recommendation to the Board.

MR. SHINE: That's because we think it is going to be necessary to have that much more time? Or is that like a contingency thing that you’re not going to leave us, for the extra 60 days, if we need you?

MS. PARKER: First of all, I would ask for that. I would make my case, even if -- irrespective, for a variety of reasons.

I'm on some national boards that meet after the 14th of October. I'd like to complete my work on them.

There are some conferences that come up in late December -- late November, early December, that are around homelessness that I would like to be able to go to.

So I would like to be able to stay, because I would personally feel that that would complete my work and several projects.

In addition, the bonds that we're going to be selling for this foreclosure relief program that we have, are probably going to be going through the fall, into the winter. I think to the extent that I am there, it gives Wall Street some more comfort about not having to deal with what might be a likelihood that there would be a vacancy for some short period of time.

So it's something that I am asking you for, and it's something that I would think would be good to support, just from the standpoint of a reasonable time-line to accomplish and, from a business standpoint, to show the outside world about the process.

CHAIR COURSON: Jack, part of my take is, too, that this is obviously going to be very important for the rating agencies. So if we can show -- I mean, it's a fairly short window from here to October. If we can show the rating agencies that we've got a window here that extends about six months to get this job done, I think they'll feel much more comfortable about a transition, as opposed to us trying to get something done, or be, quote, "headless" with an acting as of October. So, in fact, that plays into it also.

MR. SHINE: Okay.

MS. JAVITS: I have a couple of thoughts I just wanted to put on the record related to some of the things that have already been said.

And I certainly agree with this last recommendation. You know, yes, personally, I'm very sorry that this is going to be the end of 34 years of really extraordinary service to the State on Terri's part. And I hope that we'll do several things to properly recognize that and celebrate that incredible accomplishment.

CHAIR COURSON: In your absence, Carla and I have already decided that this would be a continuum of recognition parties.

MS. JAVITS: The party-planning starts here.

So I just wanted to say that.

And, you know, I appreciate very much the orderly way that you're going about this as ever, in terms of trying to make sure that there is continuity and that we have enough time.

I certainly think it's going to take us that much time to find the right -- to go through the process and find the right people. It's actually a relatively short period of time for a position like this.

And in that regard -- so, first of all, I would support the recommendation that we ask the Board to recommend that Terri serve until the middle of December.

CHAIR COURSON: Let me interrupt.

Are you okay with that, Jack, also?

MR. SHINE: Absolutely.

CHAIR COURSON: So that's recommendation Number 1 that we will make to the Board then.

MS. JAVITS: And I just had a couple of questions, kind of related to what Jack had asked, and maybe this relates to other things you want us to decide to do. But first, I guess I'd like to understand a little bit better the work with the Governor's office on this. And I appreciate and think that that's obviously very helpful that you have a very good relationship with the cabinet secretary. That's fundamental. But I guess

I'm just wondering, do we know anything about the timing for the recommendations, e.g., how long the Governor's office might take before they approve recommendations?

And then I guess my other questions -- and we can get into it further as we talk -- have to do with working with the Governor's office on this, to be clear about what we're doing and what they're doing and where the twain is going to meet. Because it's going to require the resources of the Agency, obviously, to engage a search firm; and it's going to require a lot of time and energy on our part -- some of us, at least, on the Board -- to vet people.

So I guess I'm interested in understanding a little better how we get clear -- how formal or informal that clarity is, you know, and the timing of all that.

CHAIR COURSON: Let me go backwards.

I know during my visit, and then he wasn't in, that the next -- I guess I was in on Thursday or next Monday, there was a meeting between the Cabinet Secretary and the head of Gubernatorial Appointments. So the Appointments Office is well aware of this process also.

MS. JAVITS: Great.

CHAIR COURSON: We also know that the secretary and the undersecretary of BT&H is supportive of this.

So we've got all the right people saying, "Go forth and do this."

Now, and I think Jack's right, and it's a good point, we have to keep them -- make sure that we're still continually engaged as we go through this process. But the one thing I can't give you or anyone any assurance, and they won't give us any assurance, that on September 15th we get a call saying, "The Governor wants to appoint X to this position." That's something that they're not going to give up that right, and they're not going to share that with us.

I will tell you now, based on the conversations, I'm comfortable in saying they're not out looking for someone, they're not searching for someone, there's no one in mind that they have, that they're willing and want us, to move forward with the process.

But we're never going to get an assurance from the Administration that they, in fact, won't either out of the blue or over a period of time find someone that they want to appoint. That's an assurance we can't have, we just won't get.

MR. SHINE: Is it your mindset from the tenor of your meeting with Dan Dunmoyer that they would or could or might just say, "I want Joe-somebody," and that's it, or are they going to say, "We'd like to add so-and-so to your list, vet them, and go through the process, and then we'll make our decision?" Which is two different ways of going about it.

CHAIR COURSON: Jack, I think it could go either way. And I don't think they know.

As a matter of fact, I'm sure that they don't know.

MR. SHINE: Do you think it's something that should be left alone and we should decide how we would suggest doing it and if they don't object, do it; or is it something that maybe should be discussed with them so that there is clarity going in -- the protocol that is going to be agreed to and used by both of us, which does not in any way take away from the Governor his right to make an appointment, it's a matter of the process.

CHAIR COURSON: Right. My thought would be after we have our Board meeting and really bring some -- make the decisions, the recommendations I make today would be that would be my next meeting. I would go back -- or I think every time we take a step down the path, we get a little closer to just sort of bringing some of the fences -- Carla, I think we're trying to bring in a little closer that we're moving or really doing this, the Agency knows we're doing it, the Governor's Office of Appointments knows we're doing it. I think we keep bringing that fence in.

And I think -- in fact, that's a very good suggestion, and I think that would be something we should put on the table: That we've got this process; and we, as the Board would ask, "If you do have someone in mind, would you consider running them through" -- you could still make the appointment, regardless of our recommendation -- would you run them through, allow us then to run through our process." That's a legitimate question to ask.

MR. SHINE: It is, in my mind, the two possible ways in which you could work in cooperation with the Governor's office to achieve the goal, since I assume that the Agency will be paying all of the costs relative to this search, even if the Governor's office decides at the end that notwithstanding what we've done, they want to appoint Joe Blow, so to speak. I guess that's another question, which is --

CHAIR COURSON: That is correct.

MR. SHINE: -- the cost issue, and have you discussed under what circumstances we would pay for it and under what circumstances, if any, the Governor's office and the State would pay for it.

CHAIR COURSON: I didn't think I need to have that conversation because I know the answer. It's our expense.

MS. PARKER: Jack, if I can try to keep my participation very much from the standpoint of just to give you a context from the standpoint of being inside government. But just a perspective, from 34 years of government and certainly 20-plus years as a gubernatorial appointment, this is really a huge thing for them to say that they want to have the Board participate in this selection process.

So I think for them, the fact that they have gone so far -- you're over here, looking at trying to get certain answers. They have come so far by even doing -- you know, making this consideration, that they may not be to where you are, from the standpoint of being able to answer those kind of questions. But they have gone so far from where they are typically at, they just never give up what is their divine right.

Again, this is a very unique situation, too. Boards -- every board -- has one gubernatorial -- one board appointment, and that's the executive director of CalPERS, CalSTRS, Franchise Tax Board. That's not how the ED position has been used for CalHFA.

As you remember, we all hired Bob Deaner. He is in that board-hired position.

From the very beginning, the Governor's office took this one and said, "Irrespective of it being -- of

Executive Director, the Governor is going to hire."

So I can say that I had conversations with a representative and the undersecretary of the Agency, and she, who is a PERS board member, spoke very strongly that, from her standpoint, that it was very important to have the Board participate in this succession recruitment planning. And she has asked me that, after this board meeting, the Board needs to keep her apprised of what the process is.

So I don't know -- they're also, at the moment, very, very caught up in the budget. They really can't think of anything besides that. Nothing else matters to them.

You may be aware that we sent paperwork for Gary Braunstein's hire a couple months ago.

CHAIR COURSON: Right.

MS. PARKER: They're not dealing with that, and they have pretty much told me they're not going to deal with that until after the budget is done.

CHAIR COURSON: Right.

MS. PARKER: So that alone is -- I think that provides the opportunity to keep them apprised, but going along this very measured, very businesslike approach.

Just a perspective.

CHAIR COURSON: Yes, go ahead, Karla. I'm sorry.

MS. JAVITS: No, please. I defer.

MR. SHINE: I don't want to have my comments taken in a way that I didn't intend. I recognize that they're being very high class and bending over backwards by saying the agency that's going to be governed and run by this ED shall have participation in the selection. And at the same time, there is nothing in my comments that should be construed as asking them to give up anything at all.

I'm just asking questions as they pop into my mind about --

CHAIR COURSON: Sure.

MR. SHINE: I always ask the questions: Who pays for it? Who's going to make the decision? And how are you going to go about it? And I think that's what we're getting on the table here today.

CHAIR COURSON: Sure.

We pay for it. The Governor will make a decision, but we're going to make recommendations. And we've still got to figure out how we're going to go about it.

MR. SHINE: Thank you. It’s now on the record.

MS. PARKER: Well, when I talked to Margie, I made the analogy, if you remember correctly, that the last couple of gubernatorial appointments that we made, the managers have kind of been done this way. We hired a search firm for Chuck McManus and Gary. We did that search. We came up with a recommendation, and we submitted the name. However, there was no obligation on the Governor's office part for them to take that name.

So, you know, best case, it's exactly the process that's happened on these other gubernatorial positions.

CHAIR COURSON: Okay, Carla?

MS. JAVITS: Well, I really appreciate that background. I think it's very helpful.

I'd like to spend a few minutes talking about that, kind of given that full picture. I think there's more than one way to go about this.

One way could be that we do some sort of a search process and have a firm and, you know, run that and make recommendations to the Governor.

Another way could be that the Governor goes through his normal appointments process, but we have input. In other words, we help -- we recommend on the description of the job, we recommend on the criteria for the selection, we recommend candidates. We're certainly willing to look at candidates and assess them and provide our input.

And I guess I'm just opening that up. I'm not convinced either way.

You know, I think I'm just trying to think about what's obviously best for the Agency in terms of finding the most outstanding new director and how to be most efficient in terms of using the brain power and the treasure of the Agency in weighing in on that.

CHAIR COURSON: My sense is that they really -- they don't want to be the initiator; that they want us to be the initiator. In other words, rather than them identify and put forth either potential candidates or criteria and so on, it was clear to me that that's the role they want us to play.

MS. JAVITS: Okay.

CHAIR COURSON: And they want to be the receiver; they want us to be the thrower. And they want us to get the ball, get it all pumped up, and throw it to them, as opposed to them doing it.

And, frankly, with everything they've got on their plate and the number of appointments -- we know they've got them sitting over there. And so I think if we waited for them to try to understand what -- and give us what they think is right, there's nobody better to know what they think is right than us. I don't think they want to be the thrower; I think they want to be the receiver.

MS. JAVITS: Yes, but it is possible for us to say, "Here's the criteria that we think you should use, here's the job description we think you should use, here are the places we think you should go to look for people; but it's your process, not ours."

I mean, I guess -- I'm trying to understand, I guess, what -- if the goal is to get the best possible person in the position, how do we, as a board, participate in order to come to that.

CHAIR COURSON: Now, let me -- and I'll come back to your comment. I think they would say to you they think the process is ours. That's why they've given us the process. They've just always -- as Terri said, they've always reserved their right that it's the Governor's appointment. They're just saying that, but they really, clearly have, I think, come back and put the process in our laps and say, "You go do the identification and the recruiting."

MS. JAVITS: Yes, and I really understand that. And I think it's entirely possible that the smoke clears on the budget, it's October 15th, and there's somebody that the Governor really wants to appoint to this position; and we've spent an awful lot of time and energy on something that is, because it's ours, easier for them to say, "Well, thank you, but we've made a different call." I mean, that's why I'm trying to just open up the possibility of the -- I mean, maybe there's not a different way to go about it. But if we're influencing them, then it's theirs. And, you know, maybe at the end of the day, the same thing happens. But it's harder if they've put their time and treasure on the table, looking for somebody to simply short-circuit the process with them.

MR. SHINE: Carla, I think you're right. But if I were the Governor, I'd much rather have you do the work and I have the advice and consent role than the reverse.

MS. JAVITS: Sure.

MR. SHINE: And the Governor happens to be the boss here, number one.

Number two, think about it for just a minute. In your experience, how efficient has government demonstrated it can be in making the selection and appointment process in a timely way?

MS. JAVITS: It depends on how motivated they are.

MR. SHINE: Well, I know it took two years for Gray Davis to get around for my first appointment to actually do it. And it was sitting there because it wasn't a priority for him.

MS. JAVITS: True.

MR. SHINE: And when Governor Schwarzenegger reappointed me, it still didn't get done overnight.

And, therefore, my sense, Mr. Chairman, is that if our goal is to get this done and get it done in time, we don't have years to spend; we have a few months to spend. And we would probably be the most efficient.

My druthers would still be that someone else pay for it and they do the work and we get to say "yes" or "no." But I don't think that's reality.

Now, I may be wrong, but that's my sense of things.

CHAIR COURSON: The other piece -- and not to disparage, and I'm certainly not disparaging the gubernatorial appointment process -- but this is a job that I think if we go about this right, it takes a certain -- there's a skill-set out there. There's knowledge in terms of the mortgage world, financial markets, investments -- there's a skill-set here that you don't go into the book of potential candidates to fill one of 3,000 jobs and drag one out.

And I don't believe -- I believe I'm correct in saying that the Governor's office, when they fill these jobs, don't get professional recruiters, don't search high and low. I mean, this may well be somebody who could as well not be in California as be in California. I mean, I don't know where the candidate is.

But my other concern is if we leave it to the Governor's office to identify candidates, that they'll tend to be more narrow in their qualifications as opposed to what I envision when we look at the job description for this position and the capabilities, will that be where they'll go recruit, or will they recruit someone who is known to them for other reasons?

MR. SHINE: You need some very smart, savvy, experienced, politically adept, et cetera, et cetera, kind of person. And I think you're right, I don't know where that search is going to go.

And I'm not necessarily saying we have to do it Plan A or Plan B; but in commenting on the comments that were being made, that's my reaction, is that you go out and hire the top pros you can, and have them search the mass market with a very narrow description of what it is, the person that takes this job is going to have to know and be able to do to comport themselves.

I don't know how many -- you may think there's just loads of people out there.

CHAIR COURSON: No.

MR. SHINE: I don't think there are loads of people out there.

CHAIR COURSON: I think this is a very narrow field.

MR. SHINE: Yes, I agree.

CHAIR COURSON: It's a -- they're out there. We're not going to find -- I mean, you're going to have strengths and weaknesses and you're going to have to balance all those; but there's not a -- yes, there's not a broad group of talent out there that's going to meet what I perceive are going to be the specs.

I'll come back to what you said, Carla. I'm sort of going to marry up what both of you said. There is a side that says, make some decisions on what the process is going to be, to gather our search ideas, as we said, get them approved, go back to the Governor's, and say, "By the way, we don't see this as a one-way track. We're going to go down this path -- you've asked us to, we'd like to, it's our goal, and so on."

But at the same time, to come back to what Jack said, at any point in this process -- "And we're going to be over here, Dan, we will be over every thirty days, telling you what we're doing. At any point in this process, if you've got someone or some people or some ideas, would you let us know? Let's work together on this so we don't come up with your name and our name and so on," as Jack says. Because we know what is -- we've got a job description. We know what we think the needs of the Agency for which we're fiduciarily responsible are. And we want to make sure that if you start going down a road, you let us know that because we don't want to be having two trains on two separate tracks.

MS. PARKER: Can I add one thing? You know, an observation on my part.

I mean, part of the dilemma has been this position hasn't been filled for 11 years. And when I came here, it was very different than what it is now.

CHAIR COURSON: Right.

MS. PARKER: And if you look at the person who was the executive director before me, Maureen, and the person who was the executive director before that, John Seymour, and the person before that, it was Karney Hodge. And they could very well -- some of them that are there now in top positions, they know me from whenever, they could look at who I was when I left, and think, "Well, we just have to find somebody who was like Terri Parker when she was 11 years ago, and that would work."

And my advice to this Board is, you shouldn't find somebody that was Terri Parker 11 years ago because that person isn't qualified to do this job now.

And so one of the things that I think is really great about this involvement, is I think they really -- we were asked recently -- they made a new appointment for a Board member -- and I've sent this notice out to people -- but there is one board appointment left. And the Governor's office the other day asked me if I could give them a list of questions and qualities and qualifications that they should be looking for in talking to people. And I think that's how really elementary, in some respects, they are in this particular world.

So I think that the advantage of, if the Board decides to do this, is that you start out with having a better understanding because of where the organization is now of, really, what are the unique qualities, criteria that somebody needs to operate at to do the job the way the Agency is today.

MS. JAVITS: Yes, and I am in full agreement that we should influence the process. I agree with that 100 percent. We should participate in criteria-setting. We should participate in identification of candidates, and, if possible, in vetting candidates.

I'm only raising this question because it's -- I mean, if you step back from it and you think about it -- I'm just trying to understand the dynamics of this in terms of influence. If it's our job and we're spending a lot of time and money on finding -- on setting out a process, following the process, finding the candidates, and yet it's not our hire; not only is it not our hire, but our recommendations may or may not be weighed into the equation. And at any moment in the process, there could be a decision to do that or not, because the authority lies elsewhere. So I'm just trying to think about it.

I fully understand from the Governor's perspective, this is the best of all worlds: "You guys spend your money and your time identifying good candidates. I can make a decision anytime I want to about who I want to appoint. I can attend to those recommendations; I cannot attend to them."

You know, I understand from their perspective, that makes sense.

I'm trying to think, as a board member, with fiduciary responsibility for the Agency, how do we weigh in on this, to have the maximum influence in the final decision?

MR. SHINE: Let me then take the opposite point of view that I took just a moment ago, because I am a board member, as you are a board member, and we're sitting here discussing this issue.

From our point of view, what's in our best interests? Is it in our best interest to go to the Governor's office and tell him, "You do all the work and give us the advice and consent role," if we think we could even get them to do that; or do we want to have the maximum input possible, even if it may, at the end of the day, be a trapdoor?

I mean, which suits the best interests of what we are all trying to do to make this a really great, continuing operation? Do we want to be the initiators and get the most input possible, or do we want to tell them, "No, you do it and we'll give you our input"?

MS. JAVITS: Well, as we're discussing this, I'd be interested -- but you might have some insights into this based on the relationships -- is there any way, and what way might there be to increase the possibility that the process is followed? I mean, in other words, the proposal -- the original proposal that you kind of laid out about the way to do this, it relies on pretty informal agreements, you know, that are essentially, "We'll inform you," "You'll inform us," that's it.

You know, can we do any better than that?

I mean, not taking away anybody's right at any moment to make a decision to appoint somebody else, that's fine, they're going to have that.

I mean, sort of understanding the

fundamentals -- the threshold. The threshold is, the Governor can decide --

CHAIR COURSON: Right.

MS. JAVITS: -- anytime between now and December 15th to appoint anybody he wants.

Fine, we all agree to that.

Then under that, is there something we can do beyond relying on informal assurances that, you know, to the maximum extent possible, this is a process that has influence?

CHAIR COURSON: Well, I think we have. I'll go back to what Terri said, I think it's true. The fact that they -- I didn't know what reaction I was going to get when I went in and met with them. I was as prepared for them to say, "No, it's our bat, it's our ball, we're going to do it, and this is the way we've done it before. And we're just not going to get into that."

MS. JAVITS: Right.

CHAIR COURSON: And I was prepared to have that happen.

So I think the fact -- and it really sort of came top down, from talking to Dan, those talks with the Appointments people, he goes over and talks to Agency people, and he says, "I've met with Courson. Here's the way we think this needs to come down."

I think Terri's right, I think that sort of set the process.

Now, at the end of the day we can come up with a recommendation and we'll take it -- and we're never going to get that assurance.

MS. JAVITS: Sure. No, no, I get that.

CHAIR COURSON: But the fact that they have really officially said to us, "Go forth and do good work in finding a candidate or candidates for your executive director's job," I don't know what, beyond that, we're going to get.

MS. JAVITS: I'm trying to think of the -- so at the end of the day, kind of, we've done this, we've made two recommendations. He picks neither one.

At the end of the day, you know, we've made two, he picks --

CHAIR COURSON: But that's going to be a hard decision because if we do it correctly and we do it thoroughly and we really do a, quote, "national search," we do look -- we turn over nooks and crannies to identify, again, this job that's got these specific requirements and needs and come up with a candidate or candidates and put those forth, as a board, as an appointed board, it's going to be a hard job.

MS. JAVITS: Let me --

CHAIR COURSON: It's going to be a hard reach to go into the big, brown book and pull someone out.

MS. JAVITS: So let me pose a different dilemma. So basically, we would be going out with a national search and saying, "We have no explicit authority to make this appointment. What we're doing is, we're looking for candidates to recommend to the Governor."

CHAIR COURSON: Correct.

MS. JAVITS: "And he may or may not choose to appoint those candidates."

So I am a top person in an agency in another state. And in order to put my name into a process that may or may not actually be the process that determines whether or not I get this position, I mean, that's a serious disincentive to me to put my name in.

Wouldn't it be more of an incentive to put my name into a process that is run by the appointing authority with input from us?

CHAIR COURSON: But is it any different than --

MS. JAVITS: I mean, don't you think some candidates would be --

CHAIR COURSON: No, but is it any different than an executive search firm goes out and they garner 50 candidates, and the recruiter does vetting, and they come down to six candidates. And then the six candidates get personal interviews.

MS. JAVITS: Sure.

CHAIR COURSON: And they vet down to two.

MS. JAVITS: Yes.

CHAIR COURSON: And they take two to the board of the company; and they say, "We're not hiring either one of them."

MS. PARKER: Carla --

MS. JAVITS: But that’s -- you know, yes, but -- it does happen, but you know that you're in a serious process that is going to result in an appointment. Nine times out of ten that's going to result in a decision.

CHAIR COURSON: But if you're one of those six people out there and you don't know that until it gets down to the last two or one, yet you've still put your name in the hopper.

MS. PARKER: The only thing I could add to this is it's exactly what I've had to do when I've gone out and we hired Bob Deaner and Gary and --

CHAIR COURSON: Chuck McManus.

MS. PARKER: And I’ve had to essentially say, "I'm going to do all this. I can't offer you the job. The only person that can offer you a job is the

Governor's office." And there's -- you know, I made it very clear -- I think Gary is in this situation right now, he's on a contract. I hope I can offer him the job, but he's gone through all of this with having to have sort of a leap of faith. I will tell you, it makes it very hard.

MS. JAVITS: Yes, right.

CHAIR COURSON: Sure.

MS. PARKER: So that is kind of exactly what we have done.

The Governor’s -- I'm sorry, I won't speak about this one, I think Jack's made some comments -- the Governor's appointments are notorious for how they operate and how long they keep people hanging. So I don't really know that if they run this process, frankly, they could be more terse, less informative.

MS. JAVITS: But is it not possible for us to be doing this under some sort of agreement, even if that agreement retains their right, ultimately?

MR. SHINE: We have that. That's where we are right now, as I understand what you said, is the Governor has said, "Look, you guys are running this agency. You have a board. Go out and do a professional search and bring me a couple of candidates that I can look at. I'm not going to guarantee you right now I want to hire them, necessarily; but bring me the best you've got and we'll make a decision."

Isn't that the way it is, anyway? If the Governor himself were sitting in John's chair and we all went out and did that, there's no guarantee that anybody applying is going to get the job, even if they're the last two candidates, or the last one candidate.

Being the winner of the search isn't necessarily the guy that gets the job, although most of the time it is. And I believe that even in this instance, it would have to be very strange or some very huge circumstance that would cause the Governor to ignore the recommendation of this group if we've done our job in a professional way. It happens but, you know --

MS. JAVITS: So I guess maybe just as a final thought, perhaps if we do this, might we at least memorialize what we think we're doing in writing, and send that over to the Governor?

CHAIR COURSON: Sure.

MR. SHINE: Sure, absolutely.

MS. JAVITS: So at least that the candidates at least clearly understand the terms under which we're operating of the Governor's office.

CHAIR COURSON: Well, they'll have to know that because clearly the recruiting people are going to have to know that.

I mean, they're going to be working under a different -- when we take -- assuming we decide to take proposals from executive search firms, their modus operandi for compensation is only based on somebody getting the job and getting paid as part of the compensation.

MR. SHINE: They only get a piece of the action, anyway.

CHAIR COURSON: And in this particular case, there will be some different arrangements, because they're going to go through all this work and their person may not grab the salary. So it's going to come up in that respect, too.

MS. JAVITS: Yes, well, they're going to look for a different kind of compensation agreement with us.

CHAIR COURSON: Sure, sure.

MS. PARKER: Just to add in from that standpoint as a request for your consideration, we will have meetings this summer with rating agencies. They will ask this question.

I mean, I would hope -- I guess what I would like to be able to think about taking back to them is a time-line that has --

MS. JAVITS: That's agreed on.

MS. PARKER: -- some activities, you know, and --

MR. SHINE: And maybe even recommendations from them.

MS. PARKER: That would be something that people would be working off of, that people would be sort of understanding that this is what the expectation of this process is to occur.

MS. JAVITS: Okay, thank you.

MR. SHINE: Who would know better --

CHAIR COURSON: I'm open to other -- I don't think we're going to get more than what we --

MS. JAVITS: I appreciate that.

CHAIR COURSON: I feel the fact that we've gotten -- I'll tell you, they've really given us the football, and they're looking for us to come back to them with one or more recommendations. I think it will be hard for them to move otherwise. But we certainly can put the process down. We can memorialize it.

MS. JAVITS: My personal view is that it's a significant risk. And, you know, I'm convinced that that is useful.

CHAIR COURSON: But I don't know how to eliminate that risk.

MS. JAVITS: No, I understand. And it seems worth taking. So to whatever extent we're able to document the process and put it on the record --

CHAIR COURSON: We can do that.

MS. JAVITS: -- not just in our notes, but directly to the Governor's office.

CHAIR COURSON: Yes, I think once we get our process and the Board approves the process, as I said, at the next meeting, is go over there and say, "Okay, here's the action the Board is taking, here's what we're doing, here's a time-line," because I assume when we take a proposal, we'll get some time-lines, "Here's what we're going to do. We're still authorized and encouraged by you to bring you these candidates."

MS. JAVITS: Okay, so I'm prepared to move forward.

MR. SHINE: It's a good point. You had your conversation. There's nothing to lose and everything to gain -- if there's anything to gain -- by memorializing and saying, "Just so there's no lack of clarity, this is what we think you said."

CHAIR COURSON: Right.

MR. HUGHES: Well, one thing I think I should just point out, generally, is that this is an extraordinary process. I don't know that there's any precedent for it, that at least I'm aware of. But normally, all of the administrations very, very closely guard what they call the deliberative privilege. That the Governor's office has a privilege under law that's not subject -- to make decisions and the rationale that the governors use to make them is confidential, it's not subject to public records and so forth.

So I think probably the best way to approach this, given that, is to work very closely with them to determine how far they want you to go, if we talk about memorializing and things, I think I'd work very closely with them so that there's not a perception that the Agency is intruding on that deliberative privilege.

MS. JAVITS: Yes.

CHAIR COURSON: Right. I think that's what Carla wants to test, is to take a document over --

MR. SHINE: You give them a draft and see what they come back with.

MS. JAVITS: Yes, with full respect to that. And I'm just suggesting, and I think it would be good to externally, in terms of transparency about the process for us, to be clear about what we are doing -- what we're doing as a board and what we have -- what we're doing.

MR. HUGHES: Right. I think what's extraordinary here isn't that the Agency and this Committee have to operate by public meetings, and doing so in an area that's normally subject to this privilege and not public, there's a balance between the two.

CHAIR COURSON: Right.

MR. HUGHES: And I would just encourage the committee to work closely to make sure they know where that balance is.

MS. JAVITS: Yes, and it's going to be important for the people affected, for the people who participate in the process, et cetera.

MR. SHINE: The worst thing that could happen is, they say, "I don't want to see this piece of paper, thank you very much. I've told you what I had in mind and I don't want to see it, and anything that's going to be on the front page of the LA Times tomorrow morning," because --

MS. JAVITS: Well, then we have the notes. It's a public meeting.

CHAIR COURSON: We've got them here.

MS. JAVITS: And we are going to make a clear decision about what our process will be.

So, please, let's continue.

CHAIR COURSON: Let me ask another -- the other question for us to consider is, I trust that we will put together a search committee. And we've had this meeting at the Compensation Committee. I sort of -- I made an assumption -- that's an incorrect assumption, something that I had been discussing, we need to make a recommendation to the Board: Should the Compensation Committee be the search committee, or should the Chair appoint a separate search committee?

My assumption from the start has been that the Compensation Committee would serve in the role as the search committee.

MR. SHINE: The safest thing to do is ask the Board that question.

CHAIR COURSON: Okay.

MR. SHINE: And if there's anyone who really feels compelled, they really, really want to be on the search committee, let them get on the committee.

CHAIR COURSON: I'm okay with that, as long as it doesn't -- we've got enough --

Here's the other piece with the search committee: Whoever is going to do this -- and Carla correctly identified it -- they're going to have to participate in all the meetings. We're not going to -- when we start vetting candidates -- when we start vetting candidates, and we get down to four or five, or I don't know, maybe even one, they can't -- and through this whole -- even like today, the fact that Mr. Morris isn't here, he's missed the whole -- he can read about it in the minutes, but he's missed the whole essence of the meeting.

MR. SHINE: Then maybe you should appoint a separate committee that you think is a qualified group that will be able to --

CHAIR COURSON: Or if it's this committee, whether it's the three of us or John, we need to understand that if you can't participate, you can't play, and we're going to move on that process with that. You can't be missing meetings and be in this process.

MR. SHINE: Then you've got to inform the potential members what that means.

CHAIR COURSON: Right. Well, I think that's a discussion I think you can have at the Board meeting and, in fact, maybe raise the issue to say the recommendation from the Compensation Committee is, there needs to be a search committee.

Is there a sense on the Board as to whether that search committee should be comprised of those who are currently on the Compensation Committee or some other method used to appoint a search committee?

Is that a fair --

MR. SHINE: Or to have the chairman appoint a specific search committee.

CHAIR COURSON: Okay.

MS. JAVITS: Right.

MR. SHINE: Whether or not it contains people who are also --

CHAIR COURSON: And add the caveat -- whichever group goes -- however, you've got to be there, you've got to participate to play.

MS. JAVITS: And it's going to be a significant responsibility.

MR. SHINE: Yes, that's what I was saying. It's the old story. How much? Is that one day a month? Is that ten days a month? Is that twenty days a month? For how many months?

MS. JAVITS: Yes, I think we need a little -- if you're asking, you know, as a member of this Committee, am I willing? Yes, it matters to me how much time. I don't -- I have obviously a full-time job.

MS. PARKER: That would go back to developing again this process in this plan that hopefully will help answer, because you will have milestones at what point in time you will do --

CHAIR COURSON: My guess is, if this goes, that there will be some work -- we're going to get some proposals, assuming -- we haven't talked about that yet, but let's assume we get proposals and we're going to have to pick -- we're going to have to recommend or pick a recruiter, so that's going to be looking at some RFPs, or some responses to RFPs, and pick a firm and agree on compensation. So that's sort of step one.

My guess is, after that, they go away and they start doing their mining. I mean, they'll do a lot of mining and calling and networking and so on, assuming we've got our job descriptions done and all that.

MS. JAVITS: The step before that can take significant time, too, which is coming up with the criteria for the position.

CHAIR COURSON: Right.

MS. JAVITS: Generally, they talk to people as they do that.

CHAIR COURSON: Right. Well, Terri has, and we've seen it, there is -- correct me if I'm wrong, Terri -- there is a job description or a position description, I've seen -- I know you've done a couple of different things that are along those lines -- that will be a very good guideline for us to use.

MS. JAVITS: But a job description and also a description of the qualities we're looking for.

MS. PARKER: That doesn't exist.

CHAIR COURSON: Right.

MS. JAVITS: Yes, I mean, that's the real issue.

CHAIR COURSON: Well, I think once you've picked that firm, they're going to want to meet. They're going to want to --

MS. JAVITS: They may want to talk to others.

CHAIR COURSON: Yes.

MS. JAVITS: We have to lay those out.

CHAIR COURSON: But let me ask a question. Now, it's a logistical question. A search firm gets selected, whatever that -- I'm just talking about the process. So we get one selected and we sign a contract with them, and they decide, "Okay, we want to -- we've got the job description, we understand that, but we really want to talk to some key people -- we want to talk to people in the search committee. We don't need to do it all at one time. We want to talk to Carla, talk to Jack, talk to John.

MR. SHINE: Now, who is this that's asking that question?

CHAIR COURSON: The recruiter.

MR. SHINE: The selected recruiter?

CHAIR COURSON: Yes. They get there, they want to interview us first.

MS. JAVITS: They'll want to talk to external people, too.

CHAIR COURSON: Yes, we get their ideas --

MS. JAVITS: Like the Governor's office.

CHAIR COURSON: Okay, stay with me now.

Get their ideas about what the qualities are, et cetera. Can they have those conversations by telephone within the public meeting?

MR. HUGHES: I think the answer, in true lawyer fashion is, "It depends."

CHAIR COURSON: So that's going to be another problem.

MR. SHINE: On the one hand.

MR. HUGHES: The Bagley-Keene Act prohibits, as we've discussed before, serial meetings in order to form a consensus of board members.

CHAIR COURSON: Right.

MR. HUGHES: And if the search firm were doing that, then their participation would qualify. By lumping these separate conversations into one would be serial meetings.

However, I think it's at least possible that if the search firm is simply asking questions, not to obtain any kind of consensus of Board members but to get information from them, I don't think that would fall -- at least off the top of my head, I don't think that would fall within the definitions of the serial meetings.

Again, it goes to whether it is designed to allow a consensus to be formed outside the context of a public meeting.

So I think it could be structured in a way, potentially, to legitimize that process, but it depends on the details.

MR. SHINE: Did you have in mind on these interviews from the selected recruiter, that they would meet with the Governor, or some of these -- not the Governor, but some of the Governor's folks, to also get their input?

CHAIR COURSON: Well, I’d like to -- that's certainly one of my thoughts. I'd like at least to have them certainly engage in a discussion over there to understand. I go through Dan.

MS. PARKER: Yes, but just remember, you know, you've got the director of the Department of Housing and Community Development, you've got a representative from the Department -- from the Housing and Community, you've got the Governor's Office of Planning and Research, and you've got the Department of Finance. Those are four Board members that are Administration appointments.

CHAIR COURSON: True.

MS. JAVITS: But you don’t have the Appointments people.

CHAIR COURSON: But I would have them -- and

I would suggest, I go to Dan and get his input, but certainly get them to have that conversation. I don't think it's a problem.

MS. JAVITS: And I don't know if you want external input: rating agencies or --

CHAIR COURSON: Oh, sure, we'll do that.

MS. JAVITS: Right.

CHAIR COURSON: I'm more concerned about --

MS. JAVITS: The legal, yes.

CHAIR COURSON: -- the meetings. Because this is going to be a process -- okay, I think that I understand one.

MS. JAVITS: Yes.

CHAIR COURSON: I know if they want to meet with all of us, they have to have an open meeting and so on.

Let me go to the next one. Now, they start to identify candidates. They do some mining and they start to get some resumés and information.

Can they send those to the members of the search committee, for the search committee -- not to discuss, but for the search committee to review?

MR. HUGHES: I think they can send them. The law does require that materials that are provided to Board members for the purpose of -- to be distributed at meetings or to enable meetings, are required to be made public, if that's -- but I think they can send this.

MS. PARKER: How is this going to be handled from the standpoint of any discussion on that? How would -- is there an ability to do that in closed session?

MR. HUGHES: Yes, the law does permit the consideration of appointments in closed session. And so I think when the committee or the Board gets a short list of candidates, I imagine I'll have to look into this a little bit further, but that would appear to fall within the definition of considering the appointments.

MR. SHINE: Is the committee treated the same way as a full board?

MR. HUGHES: Although just one -- the answer to that is yes, both by the Bagley-Keene Act and by our own statutes.

The unusual part of this: This doesn't fit neatly within any of the existing statutes, this is not CalHFA's appointment, this is someone else's appointment. And how that plays out is -- and that's why I say, it's kind of an extraordinary situation that doesn't fit neatly into any box. And I think that's part of the reason why the committee and the Board should craft a process where there's consensus with the Administration, too, as to who is doing what, to make sure that there is an understanding of that.

CHAIR COURSON: Because ultimately we're going to have one or more candidates sitting right here, interviewing them. And the question is, is that a public meeting or is that an appointment meeting?

MR. SHINE: Closed.

MR. HUGHES: Well, again, I think if --

CHAIR COURSON: I hope so.

MR. HUGHES: It would seem logical -- I don't know that there's anything to support this; but using simply logic, it would seem that if the Agency is essentially acting as an aid to the Governor's office or an aid to the Governor's office in considering folks, it would seem logical to me that the Bagley-Keene Act exemption that permits discussing appointments within a closed session should apply, even though it's not technically our appointment.

I don't know that we'll find anything on point, but that's why I think we need to work closely to make sure everything's on the same page.

CHAIR COURSON: How about if we ask the Governor -- the Governor's office for a letter to that effect? They've asked us to do this.

MS. JAVITS: Apropos to the earlier

conversation.

MR. HUGHES: I think it's generally however the Board elects to implement, it's generally having a comfort level, that they have a comfort level that the process fits within their way of doing things and the privileges and rights that they have, and that it's not a surprise to them.

MS. JAVITS: And so it seems clear we need some sort of legal read on the confidentiality issues related to the process.

CHAIR COURSON: Yes, correct.

MR. HUGHES: I don't think it would be a huge stretch. I think what I'm saying is more that because it's novel and outside the normal scope of things, it helps to make sure that everyone has the same understanding.

MS. PARKER: This goes back -- it seems -- this is just a suggestion for your consideration: If we're going -- you know, if what you're talking about doing is establishing a process, and the process lays all this out and, you know, you want to memorialize the process and have the Governor's office look at it, and that includes in the process this activity by the Board, which includes these sessions, isn't that --

CHAIR COURSON: Well, you can pretty well know what's going to happen.

MS. PARKER: -- isn't that your best way to essentially present something in totality and say -- and then to the extent that there is the ability to get some kind of an agreement, that that's -- that you have it on some document in totality?

CHAIR COURSON: Yes, I've certainly been through enough searches. We probably have. We can set it up now. You can tell, you know what the process is we're going to go through and the points of which the individuals or the search committee as a whole are going to have to get engaged --

MS. PARKER: But you can lay the things out that Tom's talking about --

CHAIR COURSON: -- both with the recruiter, with the candidates --

MS. PARKER: -- to lay those things out --

CHAIR COURSON: -- with the --

MS. PARKER: -- it would be on that --

THE REPORTER: Excuse me, I'm sorry. One at a time, if you could, please.

Terri, if you could start again.

MS. PARKER: Well, I just was saying to Tom, to the extent that you lay these -- the process had these in there, these activities that listed it, Board meeting, Board-held interviews, Board closed session, whatever, it would certainly be a case where the Board has given the Governor's office all this information and the ability on their part to look at it and comment and say, "We uncomfortable with this."

MS. JAVITS: I would want a legal reading, as a Board member, some sort of legal reading as to the confidentiality protocols. I mean, I appreciate with full respect for -- you know, we could lay the process out, sort of how do we do this in such a way that we can actually review confidentially resumés and talk with people individually.

Just thinking about the process, as you've laid it out and the obvious next steps of looking for candidates, reviewing candidates, vetting candidates, I was just trying to think in my own mind how long that's going to take.

It's very unlikely that we would have recommendations until mid-November.

So it does seem like it would be important for the Board and the Governor's office to consider if an appointment would be able to be made within the appropriate period of time, and if not, what the fallback is going to be.

CHAIR COURSON: Right. And it could be --

going back to two things. One, I think you're right. We can put together a process --

MS. JAVITS: Yes, a time-line.

CHAIR COURSON: -- because, as I say, we can do that now.

MS. JAVITS: Sure.

CHAIR COURSON: And I sort of like: Step 1, Phase 1, Phase 2, Phase 3, here are the pieces.

After the Board approves that, go to Dan and say, "Here it is. And, by the way, for each of these steps, we want some comfort as to the fact that at this step and this step and this step we can do this in a closed session because of the appointment nature of this." I think we can get that.

MR. HUGHES: And what Terri said before was absolutely correct, when the Board appointed Bob Deaner, my recollection is, we did have a closed session to consider that appointment.

I think the only point I'm making is that that, again, was a Board appointment.

CHAIR COURSON: Correct.

MR. HUGHES: And if we're going to invoke the provisions of the Bagley-Keene Act that allow a board to consider the appointment or the appointment of someone --

MR. SHINE: Or a recommendation.

MR. HUGHES: -- that we need to make sure that the Administration agrees that we're doing that on their behalf, to invoke this, I guess is what I'm getting at.

CHAIR COURSON: That's fine. In that process, that will all be part and parcel of the same thing.

Well, you're right. My concern is that we are going to have to -- the most difficult part of that -- "the most difficult part," that's not true -- the part that's going to take some time is really finding the right recruiter, the right executive search firm. And that's going to -- we're going to have to make a determination as to who we want to invite to submit a proposal. We're going to have to spec out for them, "Here's the job description." We're going to have to lay out for them that, "Here's the way this process will work; and, oh, by the way, when you're thinking about compensation, you need to know that the recommendation that you bring forth to us and we take to the Governor's office may not get the paycheck." And so we have to think through compensation.

MR. SHINE: But I submit to you that whether we're doing it for the Governor or for ourselves, that result is always going to always be potentially the same.

CHAIR COURSON: Well, but a lot of executive recruiters will take a fee up-front and then they'll take a percentage of the first year's compensation.

In this case, there won't be a first year's compensation because our person didn't get the job. So they're going to want to be paid.

MR. SHINE: Do they expect to get a fee for whoever they decide should have the job, whether he gets the job or not?

MS. JAVITS: No, they expect that somebody who has been in the process will get appointed because 99 percent of the time that's what happens.

CHAIR COURSON: Right.

MS. JAVITS: Usually, somebody doesn't come in from left-field that the recruiter never saw and get the job.

MR. SHINE: Then I go back to my earlier comments in the earlier discussion; and that is, when we talk about the protocol to be used, the discussion that needs to be had with the Governor's office is, if you have somebody you really like and you want to appoint him and want to consider him, would you be willing to put him in the process with everyone else, and then we'll come back and we'll make sure that he's one of the people presented to you, but you may or may not change your mind. That would be the only way to deal with that issue. Otherwise, I don't know what to tell you.

CHAIR COURSON: Well, most of the contracts I've seen on executive recruiters, although they are set up with an up-front retainer, if you would, versus payment off the total comp, I also see many of them that have an upset price that says, "If we present you these candidates and we're the sole search firm working on this, our minimum fee for bringing forth a candidate will be X," and they give you an upset price. And that's what we may get here.

MS. PARKER: We had to do this for the recruitments that we've done because we couldn't ensure that there would necessarily be a hire. And I think we -- because we had a couple different firms, and we went through various iterations. But the last one on Gary, the agreement that we signed was a -- and, I'm sorry, I don't know if you remember this *(looking at Mr. Hughes)* -- we specifically did it on a, "We're going to hire you to find us a candidate. That person may or may not get hired, so we're going to give you the fee for the work in lieu of what you would charge as" --

CHAIR COURSON: Flat fee. A flat-fee search.

MS. PARKER: -- "part of your compensation." We paid them a flat fee.

CHAIR COURSON: Right, right.

MS. PARKER: And I think their bigger

concern -- the interesting part in the discussions about that was, their bigger concern was that they wanted to have an exclusive right to be the one to do the job search. And so the flat fee was less of an issue. It was more the issue of exclusivity. And they were concerned that when we started up these discussions, if you're not willing to pay me the salary, it's because you -- you're going to have lots of people working on this job, and whoever brings me the best candidate.

When we explained the situation to them, then it was okay.

CHAIR COURSON: That's always the case, they're always going to have an exclusive search.

And, frankly, anybody who wants to go through the process is going to go through them. If there's an internal candidate who wants to be considered for this job, they'll go through the process.

MR. SHINE: What does that mean? Are you saying "for instance" or that's the case?

CHAIR COURSON: No, I said if there is. If somebody from CalHFA, one of the senior people there, wants to apply, wants to be considered for Terri's job, they would go through the process.

MR. SHINE: Is there anybody in the room here who has any knowledge at all that that may be the case?

CHAIR COURSON: Yes.

MS. JAVITS: I just want --

MR. SHINE: Who?

MS. JAVITS: I just want to ask, maybe it's not relevant to that. Who in the Agency would be positioned properly to staff this process for the Board?

CHAIR COURSON: We have an HR person that's on contract. Would she be --

MS. PARKER: The problem right now is we don't know -- we don't have an HR director.

CHAIR COURSON: Right. We have a contractor.

MS. PARKER: We have a person who is filling that job on a contract. And we have a couple of staff people who -- that is an area where we don't have anybody. We're really just struggling.

If you wanted us to find somebody to hire, we could do that. But I would say that we've got somebody right now.

CHAIR COURSON: Let's come back to that. Let's think about what staff support we need first. One -- the first thing we have to do -- which I hope we could do today is, if anybody's got names of potential executive recruiting firms that we would be contacting and asking them to make a proposal, I'd like to have -- it would be nice to have at least two or three when we get a proposal.

MR. SHINE: Have any of our sister or brother organizations, or whatever you want to call it, used recruiters? And if so, were they successful?

(Looking at Ms. Parker) You know a lot of these people because you're with them at various things during the year, other housing finance authorities.

If it was me, I'd call all my buddies in the agency business and see what they've done and who they've used and who they've been happy with and who they haven't. It gives you a quick list of who to eliminate and who to at least consider to get to first base, anyway.

MS. JAVITS: There are several firms that -- there are firms that specialize in California recruitment, which is a little different market; and there are firms that specialize in national recruitment, and there are some firms that have a better reach on housing, and there are some firms that have a better reach on public sector.

So, I mean, there are a variety of --

MS. PARKER: Well, the answer to that question --

MS. JAVITS: I know that --

MS. PARKER: -- because I'd like to put this on the record.

Jack, I have not done anything.

MR. SHINE: No, I didn't say you had. I didn't say --

MS. PARKER: You said, have you talked to any of your buddies who --

MR. SHINE: I said -- no, let me rephrase that.

You know a lot of these people. I'm not saying you've done anything now.

But what I'm saying is, if we're trying to establish a protocol, and your question, Mr. Chairman, is, do any of us know any of the recruiting firms, I'd look at Terri and say, "Well, you know all the other people who run various other housing finance agencies. The ones that you know, couldn't you call and ask them if they have a suggestion?"

MS. JAVITS: I would slip in there just to say -- I think this kind of goes back to the previous question I asked -- I think my own view would be that we need a staff person from CalHFA who is involved, not Terri. I mean, it's not really Terri's job to help us figure out the various -- there are many elements of this -- which search firms to look at, how to put the job description together, the criteria for it, the vetting.

And my own thought on that is that we need somebody with the Agency -- or somebody -- we need a staff person to help us with precisely that kind of thing.

MR. SHINE: Right. But I wasn't suggesting -- I wasn't even thinking of that issue. I was only thinking about the answer to John's question --

MS. JAVITS: Right.

MR. SHINE: -- which is, do you know any search firms?

MS. JAVITS: Yes. No, I mean that.

MR. SHINE: If it was me, I would go to all the other housing finance agencies that I knew and say, "Hey, we're looking for somebody. Can you think of anybody" --

MS. JAVITS: Yes. I'm just suggesting somebody other than Terri could make those calls, and probably should.

MR. SHINE: Well, that may be.

CHAIR COURSON: I'm going to call them myself.

First of all, Terri has been asked, and we've talked to really -- and I think for her own benefit -- to recuse herself from the process.

MR. SHINE: All right.

CHAIR COURSON: Now, the question you asked of her, we've talked about. Because I have called the NCSHA, which is a trade association for housing finance agencies, I've called them and asked.

MR. SHINE: That's good, that's good.

CHAIR COURSON: The better contact probably -- we're not getting luck back there -- is one of our bond counsels, who knows HFAs.

MR. SHINE: Absolutely.

CHAIR COURSON: For example, Connecticut at this time is going through a search for an executive director, and he is going to get me the name of that firm, because they've gone through it, I think they've selected theirs. And he can get me in touch with their -- my peer there who made the selection. And so I think those things -- that piece I've been working on.

MS. JAVITS: Yes, I mean, so I could certainly suggest several firms. I know several firms, but --

CHAIR COURSON: I think it's important that we look at it -- here's the logistics: We're not, by the next board meeting, which is July the 12th or 13th --

MR. HUGHES: 17th.

MS. OJIMA: The 17th.

CHAIR COURSON: -- we're not going to be prepared to go to the Board and say, "Here's who we recommend as the search firm."

MS. JAVITS: Right.

CHAIR COURSON: We're not going to be there.

MS. JAVITS: Right.

CHAIR COURSON: I would hope by that period of time we've made some requests for proposals out there, got them working, but we're not going to have them back.

So I'd like at least by the next Board meeting, to be able -- my recommendation is, we go to the Board and say, "Here's what we've done: We've met, and the Compensation Committee has requested proposals from the following three or four" -- or whatever number -- "firms.

"If there's anybody here who has a firm that's not on this list, that you feel very strongly we should request a proposal from, speak now or forever hold your piece."

Then the next piece is, we're not going to have time to wait until the next board meeting, 60 days later, to make the choice of who is going to be a search firm. And so under our charter, the way we've set it up, we're supposed to get the Board to approve it.

I would assume that the Board could take action, that they would seek the authority to approve and enter into that and select a search firm without a Board meeting.

If they choose not to do that, they'd better be prepared to have a special board meeting because we're going to have to make that decision soon, and it won't wait 60 days.

MS. JAVITS: Would that also include a dollar amount and budget --

CHAIR COURSON: Yes. Enter into the contract.

MS. JAVITS: -- authority to enter into the contract?

CHAIR COURSON: Select and enter into the contract would be what they'd do.

MS. JAVITS: Okay, so we need to --

CHAIR COURSON: So my goal for the next meeting is to have identified and have a request for proposal.

And I want to go back to your question.

So having said that, staff-wise, what do we need?

MS. JAVITS: Somebody has to write something that can be sent out.

CHAIR COURSON: Somebody's got to put out a --

MS. JAVITS: Right.

CHAIR COURSON: Working with myself or Tom, so we can give them sort of the specs; but somebody's got to write it out and get it out, requesting a proposal, "A."

MS. JAVITS: Yes.

CHAIR COURSON: "B," we'll get them back in, but we'll get them back in and share them with us.

And so we're going to need some support of -- then once we select one, Tom's legal group is going to need to draft a contract for signature.

MS. JAVITS: Yes.

CHAIR COURSON: Once we approve, and approve the contract -- so it's going to be a little hit and miss as to what we need, but there are going to be times where we need somebody to assist us.

MS. JAVITS: Yes, I think we'll need somebody fairly consistent.

MR. SHINE: Are you talking about staff now or are you talking about members of the committee?

CHAIR COURSON: No, no, staff.

MS. JAVITS: Yes, because then we'll select and there will be back and forth.

CHAIR COURSON: Who could write a request -- if we pretty well spec'ed out, which I think we can, fairly simply, who can write a request for proposal?

Who writes them now in the Agency?

MS. PARKER: The program area for whatever -- if it's an I.T. project, the I.T. folks do it.

MR. HUGHES: The legal group that’s down there, too.

MS. PARKER: Yes, the legal group.

MS. JAVITS: I think we need one person to staff this process. And it should be somebody from the HR side. I mean, there are going to be multiple issues along the way, managing confidential information, having sensitivity to that, understanding how to work with the Board. I don't want it to be --

CHAIR COURSON: Yes, either that or I can say even from the legal side, HR is just a problem right now.

MS. JAVITS: It could be, from the legal side. But I think one consistent --

MS. PARKER: Here's what we would suggest. Here’s what Tom and I would suggest to you. Victor has probably -- he is the best person, I think we would both agree.

MR. HUGHES: Victor James is the deputy general counsel.

MS. PARKER: He is in our legal shop. He also has -- he's done all of our -- he's been the one to do the work in the hiring practice of legal law. He would be the one, for example, that would write this contract that we would be handling.

CHAIR COURSON: Okay.

MS. PARKER: And because of the work that he has done on the HR side, he is probably the most knowledgeable person for that process.

CHAIR COURSON: He sounds good.

MS. PARKER: Then in addition, what I would suggest to complement that, I would ask Steve -- I don't know how much Kris O'Daly might be able to help from a support-staff standpoint, in that sense, those two people be somewhat identified as someone you have contact with them.

MS. JAVITS: That will help a lot.

CHAIR COURSON: Well, and Kris was my ex-administrative assistant, so she --

MR. HUGHES: I'm sorry, I was going to say, by way of background, Victor is a labor and employment attorney. He was a partner at Littler Mendelson, a major labor law firm, and that is his entire background. He's always worked very closely on the HR side.

MS. JAVITS: He sounds excellent.

CHAIR COURSON: What is Victor's last name?

MS. PARKER: James.

MR. HUGHES: Victor James.

MS. PARKER: I think that may give you the most consistency of a task that you need to do.

CHAIR COURSON: I think that's great.

If it's okay with you all, when I get downtown in the next few days, I'll make sure I meet with him, and we can all meet and make sure we get him up to speed.

MS. JAVITS: Well, it would be -- I don't know if this is something you would do, or you would do with them; but I would assume you would be bringing to the July meeting a time-line with the steps, the phases laid out.

CHAIR COURSON: Yes, we can work on all that.

MS. JAVITS: That’s great.

CHAIR COURSON: So do we have some -- do you want to think about firms you might suggest that we want to --

MS. JAVITS: I put on the table Morris & Berger.

CHAIR COURSON: Do you have contact information you can --

MS. JAVITS: Yes.

CHAIR COURSON: If you could send me any contact information you've got.

MS. JAVITS: Sure.

CHAIR COURSON: One that I have uncovered that has done a lot of public finance and mortgage -- well, let me -- financial institutions, public finance, and mortgage, is actually here in San Francisco. It's an international firm, Heidrick & Struggles. And that practice, the woman who heads that practice for them, for the West, is here in San Francisco. And Heidrick & Struggles is clearly one of the top search firms, and that might be a possibility.

MS. JAVITS: Great.

CHAIR COURSON: She took over the practice of the fellow, Peter Hall, that retired about four or five years ago, and she is right here in the city. Very good. Heidrick & Struggles, you won't go wrong with them.

Those two names, the big names, you won't go wrong with them.

MS. JAVITS: Yes. There are two others that are East-Coast-based that I can send you also that I have experience with.

CHAIR COURSON: If you could send me the contact info for that.

MS. JAVITS: Sure.

CHAIR COURSON: Jack, if you could come up with any. I've got the Heidrick & Struggles.

And then maybe what we'll do is --

MS. JAVITS: Do you want to ask the other Board members, just by e-mail, if they have suggestions, or not?

CHAIR COURSON: I'd rather wait until the Board meeting.

I'd hate to get this e-mail going with all that.

MS. JAVITS: Right, I understand.

CHAIR COURSON: Terri, I asked you the question before, and your sense was that the firms we've used to fill the McManus and Braunstein jobs maybe weren't up to the level for this?

MS. PARKER: Well, we went through numerous firms, and we started out with, you know, California-based firms. And I'm trying to remember because this goes back so far, that I think when we first started three or four years ago, that we were using somebody who was kind of like the top person at a major firm that had gone out and started their own organization. And then they just weren't working out. And then the uniqueness of particularly the director of Multifamily, which is a -- you know, we ended up having to recommend to us that there were recruiters who worked in that area were kind in the North Carolina area. That's kind of how we got that direction.

I don't know whether or not for this position -- I think what you're talking about doing is -- I'm trying to remember if there was one other big company -- some of them have more from the days when we've used them. So if somebody has some more current information, that would be better.

CHAIR COURSON: My only concern -- I've seen most all the resumés that were worth anything on the jobs we've recruited. And I'm not sure the ones we've used -- I agree with you, I just -- they're at a different level than what we're looking at. We really are looking at a --

MS. JAVITS: I would talk to NCSHA. I think that's a great suggestion.

CHAIR COURSON: Yes, I will, I have that call in. And I think really Howard Zucker who is the fellow that is our bond counsel, knows as much, if not more, than the NCSHA. He’s in all of the states, and he’s out there looking for --

MS. PARKER: John, one other thought. In California, I don’t know whether or not Stan Dirks.

CHAIR COURSON: I’d like to call -- Stan is our other bond counsel.

MS. JAVITS: Good

CHAIR COURSON: I think I could call Stan.

MS. JAVITS: And just given the time may be a little short, I just wanted to press ahead with maybe a couple of other things that you've already mentioned.

So I'm wondering, would it be possible to bring to the Board meeting, just to try to –- because obviously expediting things is going to be important, the job -- the basic job description that exists; and then perhaps even from just yourself, to put forward a draft idea of what criteria might be for the position, so that Board members could react to that, perhaps after the Board -- I don’t know -- in the context of the Board meeting or after the Board meeting? Just so that ---

MR. SHINE: Are you thinking of that in terms of having that part of the RFP?

MS. JAVITS: I'm thinking that once we select a firm -- I mean, we're going to have to give the firm something, but it doesn't have to be all that at all.

But I just think if we're going to be delegated after the July meeting the authority to enter into an agreement with a firm and then we're going to have to move forward with the firm, we need to use the July meeting as the time to get any feedback on the job.

CHAIR COURSON: What my thought would be is we take the RFP that we craft, is what I would take to the July board meeting, because the RFP will have a job description as part of that.

MS. JAVITS: Okay.

CHAIR COURSON: We'll have our outline of --

MS. JAVITS: Criteria.

CHAIR COURSON: -- criteria.

MS. JAVITS: Okay.

CHAIR COURSON: And we just sort of take a dummy, if you will, or a blank RFP and say, "Here is what we're identifying for the search firms are going to be the basic structure of the job and the qualities we're looking for."

And what I would do -- what I would suggest is if -- I'm going to co-opt Terri back into this -- but if Terri and myself and Victor would sit down -- I mean, we've got a job description, we've got several things she's put together over the years -- and sit down and sort of talk through this and get him to come up with a draft.

Tom, can we circulate then a draft RFP document to the Compensation Committee for their comments back to Victor?

MR. HUGHES: Certainly documents can be circulated. And again, to the extent that someone is collecting comments to form a consensus between this committee, it does fall within the Open Meeting laws.

MS. JAVITS: I would just suggest that you go ahead and do it, bring it to the group, bring it to the Board meeting.

CHAIR COURSON: Well, it will be out by that time.

MS. JAVITS: As a member of the committee, I would delegate my authority.

I mean, because the idea here is just to have enough on paper that we get a good sense whether or not a search firm is capable of searching. That's not the final job description, nor is it the final description of qualifications.

CHAIR COURSON: Okay. Well, and if, in fact -- and Terri, would you be willing to sit down with Victor and me, and we'll pull the stuff you've done before, plus talk about them? I mean, who better to talk about the qualities, I mean, between Terri and myself, to sort of say, "And here's the qualities we're looking for, here's the key qualifications we're looking for, background."

MS. JAVITS: It's just a draft. And you put on there it's a draft.

MS. PARKER: I want to serve the Board in any way I can.

CHAIR COURSON: Well, we can do that. We can do that.

MS. PARKER: So whatever -- I want to try to -- if you ask me, just ask.

CHAIR COURSON: I'm asking.

MR. SHINE: So are you talking about going to the next Board meeting with, "A," the decision on the structure of the search group, whether it's a compensation committee or an appointed committee; and, "B," a request for proposal that contains within it the basic parts of the criteria that we need to have someone capable of doing in order to fulfill the job?

CHAIR COURSON: Yes. But I also felt that we would go ahead and have sent out requests for proposals from --

MR. SHINE: Before the meeting?

CHAIR COURSON: We don't have to. It’s just that time is burning.

MR. SHINE: I'm not taking a position. I'm merely asking the question.

CHAIR COURSON: No. I was thinking about if we identify two or three companies that we think are capable and people who we've asked to submit proposals to go ahead and send them out, and say to the Board that the Compensation Committee identified these firms and we've sent them out.

It doesn't mean we have to take them. If somebody says, "That's the worst firm I've ever heard in my life," we don't have to take them; and then ask at that point if there are any others. Or we can wait.

MR. SHINE: There are people who feel, I suppose, that nothing should be done if the Board doesn't say “Do it.” There are others who will say, “Well, do it, and if we don’t like, we'll change it later.”

It's a matter of who you're thinking of and the attitudes that might be brought to the table. And I just mention it for whatever it’s worth.

MS. JAVITS: Yes, it's two-and-a-half weeks, I think, to get that done and to have that in front of them with the names of the firms that we would like to circulate, that's adequate.

And I am not attending this next board meeting, I just want you to know that. So I won't be there.

MR. SHINE: Is it your intention to take these minutes of this meeting and circulate them back to us? Or when you send out your notice of the meeting to the Board, to send out these minutes to the Board? So when the Board comes to the meeting, they have at least an inkling of what's going on?

CHAIR COURSON: Yes, these are public minutes.

MS. JAVITS: Yes.

CHAIR COURSON: So these will be --

MR. SHINE: So this would be in time, to get them to the Board in time --

CHAIR COURSON: Yes.

MR. SHINE: -- and give them more than a day or two to read them before they come to the meeting.

CHAIR COURSON: These minutes will be included in the Board book that goes out the normal ten days before the Board meeting. And at the same time then what

I'm hearing is, we'll put together a draft RFP, and that will be distributed to the Board.

MS. JAVITS: Yes.

CHAIR COURSON: We will also at the meeting talk about the firms that we're suggesting, and see if there's any others, or if any of the ones that we're suggesting that anyone has heartburn over; and then immediately following that meeting, send those out and seek the Board's authority for the Compensation Committee -- slash, assuming we're the search committee -- for the search committee to select and enter into a contract with one of those.

If they choose not to see that authority, then they have just scheduled a special board meeting at the call of the Chair.

MR. SHINE: I think it's very nice of you to suggest that we send out the minutes and the draft RFP, and in the agenda, the discussion items we're going to have, one of which is going to be a discussion regarding the final decision of the Board as to the structure of the search committee. And then it's all there -- everybody sees it and they come to the meeting knowing exactly what they're going to be looking towards in terms of discussion. There's no secrets, there's no surprises, and nobody can walk away from the meeting feeling that they haven't been informed.

MS. JAVITS: I heard you suggest a third piece that would go to the Board at this meeting, which was sort of the phases and time-line for what's going to happen next.

CHAIR COURSON: Yes.

MS. JAVITS: And if we can get --

MR. SHINE: Like a strategic plan?

MS. JAVITS: -- a little more information about the confidentiality issue and sort of the process with the Governor's office and be as clear as possible about what we intend there. You know, I just think that would be helpful for the other Board members.

CHAIR COURSON: Okay, I'm going to go back and make sure we've got it.

For the next board meeting:

We're going to have the minutes of this meeting.

We are going to have a draft RFP.

We're going to have a list of potential firms.

MR. SHINE: Preliminary draft list.

CHAIR COURSON: We're going to have a time -- sort of process, slash, time-line.

MS. JAVITS: Draft.

MS. PARKER: And I would presume that that would include the first recommendation you made for my --

CHAIR COURSON: I'm getting there.

MS. PARKER: Okay, I'm sorry.

CHAIR COURSON: I didn't put that, but I've got it --

MS. PARKER: All right.

CHAIR COURSON: -- process and time-line.

And then the action items, I guess, would be to authorize the search committee to distribute the request for proposals and authorize the committee to select and enter into a contract.

MR. SHINE: Yes.

CHAIR COURSON: And then the third action item -- and I don't know, Terri, if this is one and -- Tom, I don't know if this is one and the same or not -- is, as set forth in the minutes, the Compensation Committee is recommending that the Board go on record supporting the extension of Terri's term 60 days beyond its expiration.

MR. SHINE: That's a separate item on the agenda.

CHAIR COURSON: Yes, it is.

MS. JAVITS: Action item.

CHAIR COURSON: Those are action items.

I'm just thinking of the action items -- those are the action items.

MS. JAVITS: There's one more, which is the designation of a search committee.

MR. SHINE: We just did that; didn't we?

MS. JAVITS: I don't believe that was on your action-item list.

CHAIR COURSON: I've got two things.

In the package will be minutes, draft RFP, a list of potential firms, and the process time-line.

MS. JAVITS: Yes.

MR. SHINE: Oh, excuse me, you're right.

CHAIR COURSON: The action items are:

The 60-day extension. And I think we'll deal with that one -- that's probably sort of part of this discussion but a separate action item. That's one.

Two is the search committee.

MR. SHINE: Structure.

CHAIR COURSON: And the third is authorization to distribute the RFP.

And the fourth is authorization to enter into a select and contract.

MR. HUGHES: One clarification, I think, just so the Committee understands how this operates. Technically, it's not an extension of the term, because

I don't think that's the way it is --

CHAIR COURSON: Okay, we'll get that language right for the meeting.

MR. HUGHES: But what it is, as I read the statute -- and I believe the Governor's Appointments Office has the same read, but we'll have to make sure -- that in connection with the sitting person -- well, actually, if the Governor -- if the term expires and the Governor does not do anything for 60 days, the office will be deemed vacant.

CHAIR COURSON: What I'd like you to do, Tom, is you send it to me, there's a section of the statute that says this, and I would like to put that in the Board book, along with the resolution that we can act on.

MR. HUGHES: Right.

CHAIR COURSON: There's a piece of the code that says this.

MR. HUGHES: I think what to ask is, just to clarify it, is that the Governor not appoint anyone within the 60 days after the expiration of the term.

MS. JAVITS: The two pieces that I don't think were included so far in these notes.

One is clarification of the confidentiality issues related to the search itself. You know, sort of what do we need to do, what are the best steps we can take to permit that kind of confidentiality.

And then the last, I think, is, do we need some sort of authorization to proceed with at least the initial stages of the search?

You're asking for authority to enter into the contract with the search firm, but then there are probably additional steps that the Committee may need to take, i.e., finalizing the job description and the criteria for the position.

MS. PARKER: Maybe to ask it differently, what do you want to have -- or I don't know if you know the answer -- what do you want to have accomplished to come back to the Board and say at the November Board meeting?

MS. JAVITS: The September Board meeting.

MS. PARKER: I'm sorry, the September Board meeting. And then you've got a July, September, and November Board meeting.

MS. JAVITS: Right.

I would think by September, though, there may be some things that would need to be done.

CHAIR COURSON: We want to have some candidates.

MS. JAVITS: Right.

MR. SHINE: Yes.

MS. JAVITS: But I'm just saying, it's probably important for transparency’s sake to let the Board understand that in addition to entering into the contract with the search firm, there would be finalization of the job description --

MR. SHINE: And to implement it.

CHAIR COURSON: Well, that's going to be part of the process.

MS. JAVITS: -- et cetera, you know.

CHAIR COURSON: They will see that when they see the process.

MS. JAVITS: Yes, that’s right.

CHAIR COURSON: And the process is going to show that we're going to finalize the job description, it's going to show that we're going to review resumés as submitted.

MS. JAVITS: No, you're right.

CHAIR COURSON: It's going to show that the Committee is going to meet, and we'll have to have a meeting and decide -- and review candidates and reduce to a number that we want to interview. And then we're going to do some interviews.

MS. JAVITS: Yes, yes.

CHAIR COURSON: So it should all be there.

The job description itself, I'd like to have pretty well finalized. I mean, I'd like what is in the

RFP, I think, will be pretty much what it is.

MS. JAVITS: I have found in past searches that it is very useful for the search firm to obtain some input on that.

CHAIR COURSON: Well, that's fine.

MS. JAVITS: And I think particularly in light of the dynamic with the Governor's office, it could be useful for the Governor's office to be privy to the criteria for the position, or at least have input into it.

CHAIR COURSON: Yes. I mean, I look at it for the search.

I mean, the Board can change job descriptions anytime they choose, and have from time to time.

(Looking at Ms. Javits) You won't be at the meeting.

What do you all -- I don't know -- well, you'll see, it's all part of the Board --

MS. JAVITS: Yes.

CHAIR COURSON: Okay. I'd still like to get the draft RFP out to you to take a look at.

(Looking at Mr. Hughes) There's no way we can do that?

MR. HUGHES: No, I think we can send the draft RFP out.

Let me work on that.

CHAIR COURSON: All right. I'd just like you -- of all the things that we -- we know everything else, but that's one piece --

MS. PARKER: And how is that any different than you asking, you sent out for the Board members -- you asked them to respond to a list of items that you've had for their consideration. Isn't that similar?

You had sent out a draft of items for the Audit Committee to look at, and then --

MR. HUGHES: Well, yes. My read of the law is that what I would call "non-substantive items," like picking meeting dates or agenda, that's okay. It's deciding substantive matters within the jurisdiction of the body. And where this fits, who knows? But that's the issue.

CHAIR COURSON: I guess my only point is, when I look at all these different items, we pretty well, I think, have a meeting of the minds on everything.

The one document, really, which is the key, is to look at this RFP. That's the main -- I mean, the time-line will be the time-line. I thought we all in our own minds pretty well understand what that's going to be. But this RFP is very important.

And I don't feel comfortable coming to the

Board with an RFP, even though we've got Terri's input and Victor's and Tom's and so on, without you all having been here and listen to this, take a crack at it, take a look at it.

MS. JAVITS: Well, I would just suggest that that document be clearly marked "draft," and that you're coming to the Board to request their input on it.

And given that, if it's -- you know, we as members of this committee can also provide you with that kind of input.

In that I'm not going to be at the meeting, can I send written comments?

CHAIR COURSON: Yes.

MS. JAVITS: Since I won't be at the meeting, can I -- what is the best way for me to convey my --

MR. SHINE: E-mail.

MR. HUGHES: What we've done in the past, I think we did this with Morris, was when he couldn't make a meeting, he gave me written comments that I then brought to the meeting.

MS. JAVITS: Perfect. So I will do that.

MR. HUGHES: You can do that. That's permissible.

MS. JAVITS: And I think that should allow for ample input.

CHAIR COURSON: I just want to make sure that I have your input.

MS. JAVITS: Right.

MR. HUGHES: One thing -- I know that every time I say something it only complicates things, but the issue of confidentiality, just to make sure we're talking about the same thing, I do think there is a possibility, as I discussed earlier, to hold closed sessions to meet with candidates and review their potential appointment or employment.

It's not necessarily the same thing as confidentiality as to the documents that are generated in this process.

The Public Records Act governs that. And while personnel things may be an exclusion, I would have to go back and see whether these particular documents are. I don't know whether all the -- for example, the resumés and so forth -- are exempt from disclosure under the PRA.

MS. JAVITS: It would be valuable to know.

MR. HUGHES: I'll need to go back and look at that. I just hadn't thought of that before this meeting, so I don't know. But we'll get an answer on that.

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Item 4. Discussion and possible recommendation to the CalHFA Board of Directors regarding the development of compensation policies and procedures

MS. JAVITS: Did you want to deal with the other item on the agenda?

CHAIR COURSON: I don't. If you feel so compelled, Carla, to deal with it, I will see that --

MS. JAVITS: No, no. I just wanted to ask the Chair.

CHAIR COURSON: Let me -- the other item on here is, we started at one point after we finished with the compensation work with Watson Wyatt, we came across at the end the process that was recommended that we put together -- we really don't have policies and procedures for job evaluations and performance evaluations and salaries and so on. And we came across the policies and procedures that are used by PERS. And I think the ones that were on the Committee at that time -- I know the ones -- we really thought they were terrific; they thought they were very, very good -- and they really are -- and thought it was a good template for us to use.

And so the committee went so far as to make a determination to go to Watson Wyatt, who have done our comp work, and did a request -- gave them a proposal --

the request for proposal, what would they charge us. And as I recall -- I know we got a proposal, and they said, "Well, if you want us to do them, here's what we'll do. If you want us to do them from scratch, we're going to charge you this. If you really want us to take the CalPERS ones and work off of those as a template and adapt them to your purposes, then the cost is less."

And I got that, we got that in writing. And then all of the other compensation issues got boiling, and I made the decision just to pull it back. The last thing we needed was to worry about policies and procedures when we couldn't figure out how to get approved salaries implemented.

So I think we're back at some point to that process again. But I'm not -- I think right now, as much as I'd like to that, I'd like to get this going first before we take that on.

MS. JAVITS: Great.

CHAIR COURSON: I just think it's --

MS. PARKER: Maybe also for the record, to say that the Board met last time and adopted a business plan that we included consideration for salaries.

If you'll notice when this agenda was sent out, along with the documents, that the item was eliminated, including discussion of performance evaluations.

I've pulled that, just from the standpoint of wanting to wait, given the way things are with the State, to have any discussions of bonus programs or compensation increases to a time that's probably not in the middle of the broader confusion and context of budget crisis, et cetera, et cetera. And so that will be something I will wait and come back and talk to the Compensation Committee, seek advice from counsel to bring the Compensation Committee from the Department of Personnel Administration, but probably more than likely in the early to middle fall.

MS. JAVITS: Okay.

CHAIR COURSON: And the other thing that was withdrawn was the discussion about bonuses. If you'll recall, we talked about bonuses, and both of those were redacted. So we'll see what happens after the budget gets done and where the Administration is and everybody is at that point.

MR. HUGHES: If I may take about 30 seconds or 60 seconds, perhaps. Under the prior agenda item on the policies and procedures, I just wanted you to know, I did put in the Board package a memo, a brief memo, about the conflict-of-interest situation that the general counsel, myself or any other general counsel, would have.

And by statute, I'm the Board secretary and the attorney for the Board. And in previous Compensation Committees, I addressed the general State conflict-of-interest statutes. But the attorney has an additional level of conflict issues mandated by the Rules of Professional Responsibility.

In the past, I've recused myself from participating under those rules.

I think the essence of what the memo says is that there is a potential conflict to the extent that I have to advise the Board or the Committee on matters that could affect my own salary.

So I think the Committee and ultimately Board needs to provide some explicit direction -- I think it's a waivable conflict. But I think the Board has to take some sort of action to determine what the role of the general counsel in this process should be, if any.

And, again, just to put it on the record, I think the Board and the Committee has the option of using -- in this case me as general counsel, it has the option of hiring an outside person, it has the option of using a staff person, it has the option of seeking opinions on whether there are conflicts. They're all open to you.

I just think the policy should clarify what the role should be in light of the Rules of Professional

Responsibility.

CHAIR COURSON: I'm not sure what you said, but let me ask a question.

MS. JAVITS: I am going to have to excuse myself.

CHAIR COURSON: I have one simple question: Why do you think there would be a conflict in the process of a search for a new executive director?

MR. SHINE: No.

MR. HUGHES: No, this was under the item.

The immediate reason for putting it on the agenda was the incentive and compensation. But I do think it needs to be incorporated into the policies and procedures when those are done.

CHAIR COURSON: Oh, okay.

MR. HUGHES: Because otherwise, every general counsel is potentially conflicted out, and I think it needs to be addressed.

CHAIR COURSON: I am operating in my ostrich mode today. I'm only dealing with what I'm seeing right there at the bottom, and nothing else.

MR. HUGHES: I wanted to make sure it was clear on the record, because I have a duty to disclose this.

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Item 6. Adjournment

CHAIR COURSON: Okay, we are adjourned.

MS. JAVITS: Thank you.

(Proceedings concluded at 6:16 p.m.)

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REPORTER'S CERTIFICATE

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand on the 1st day of July 2008.

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

State of California

M E M O R A N D U M

To: Board of Directors **Date:** July 1, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE
HOME MORTGAGE REVENUE BONDS 2008 SERIES G, H AND I

On May 6, 2008, the Agency entered into purchase contracts for the delivery of \$300,000,000 of bonds under the Home Mortgage Revenue Bond indenture (HMRB). The bonds are federally taxable and were issued in three series. The Series G and Series H bonds have fixed interest rates and the Series I bonds were issued as variable rate securities. Interest rates on these bonds were also set on May 6th. 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 with Dexia Credit Local, a Belgian bank with its domestic headquarters in New York City. As you may recall, the Agency executed two private placements of bonds without the assistance of an underwriter in 2007. 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 G and Series H bonds without experiencing swap and liquidity related risks normally associated with the hedging of variable rate bonds.

The Bonds were issued as part of the debt restructuring plan that was presented to the Board at their March meeting. Of the \$300 million bonds issued, 31%, or \$92.85 million, were refunding bonds used to redeem auction rate securities and VRDOs that were performing poorly. The remaining 69%, or \$206.65 million, was issued to provide financing for eligible mortgage loans under the Agency's Home Mortgage Purchase Program. In connection with the economic refunding, \$92.85 million aggregate principal amount of prior mortgage loans and cash assets were transferred to the Series I Bonds. The prior mortgages consisted primarily of 30-year loans with interest rates ranging from 4% to 7%. The Agency expects that the new money proceeds will be used to purchase newly originated loans and together with the transferred loans will bear interest at a weighted average rate of approximately 6.35% per annum. In addition, $11.3 million will bear interest at a weighted average pass-through rate of 6.03% per annum. The new money proceeds and transferred cash assets will provide loans to over 370 new homeowners.

The Agency transferred portions of existing interest rate swap agreements with several counterparties totaling $69,385,000 to the 2008 Series I Bonds. The swaps were transferred as part of the economic refunding and also to enable the Agency to reduce the amount of excess interest rate swap balances under the HMRB Indenture. Additional details of the transferred Swaps are outlined in the attached summary.

SUMMARY OF THE BONDS

BOND SERIES	2008 G	2008 H	2008 I
Par Amount	$50,000,000	$100,000,000	$150,000,000
Type of Bonds (Tax-exempt)	FIXED (term bonds)	FIXED (term bonds)	VARIABLE (term bonds)
Tax Treatment	TAXABLE	TAXABLE	TAXABLE
Maturities	8/1/2025	8/1/2020	8/1/2042
Credit Rating Moody's S&P	 Aa2 AA-	 Aa2 AA-	 Aa2 AA-
Initial Interest Rate	6.00%	4.95%	4.038*
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	May 6, 2008	May 6, 2008	May 6, 2008
Closing	May 14, 2008	May 14, 2008	May 14, 2008

- Initial rate thorugh 7/31/08. The Series I bonds are Index Bonds that will reset quarterly and pay interest equal to Six-Month LIBOR plus 130 basis points.

SUMMARY OF THE SWAPS

	SWAP #1	SWAP #2
	Series I	**Series I**
Notional Amount:	$52,385,000	$17,000,000
Fixed Payer Rate:	7.11%	6.195%
Floating Rate Basis:	100% of 1-month LIBOR	100% of 1-month LIBOR
Reset Frequency:	Weekly	28 days
Transfer Date:	6/13/08	5/14/08
Hedge Pricing Date:	7/12/2000	3/13/02
Maturity Date:	8/1/2022	2/1/2014
Counterparty:	Lehman Brothers Derivative Products Inc.	Bear Stearns Financial Products, Inc.
Transferred from HMRB Series:	2000R	2002E

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State of California

M E M O R A N D U M

To Board of Directors **Date:** July 2, 2008

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE
HOME MORTGAGE REVENUE BONDS 2008 SERIES J AND 2008 SERIES K

On May 15, 2008, the Agency delivered $300,000,000 of bonds (the "Bonds") under the Home Mortgage Revenue Bond Indenture (HMRB) to Banc of America Securities LLC. The Bonds were issued as tax exempt fixed rate bonds. The Bonds were issued in two series, HMRB 2008 Series J and HMRB 2008 Series K. The 2008 Series J bonds are insured by FSA and are rated Aaa/AAA by Moody's and Standard & Poor's respectively. The 2008 Series K bonds are not insured. Additional details of the Bonds are outlined in the attached summary.

The Bonds were issued to provide financing for eligible mortgage loans under the Agency's Home Mortgage Purchase Program. The Agency expects that $237 million of the loans purchased with the proceeds will bear interest at a weighted average rate of 5.92% per annum and will be amortized over 30 years, $17.4 million will bear interest at a weighted average rate of 6.59% and will be amortized over 40 years, $20.4 million will bear interest at a weighted average pass-through rate of 6.77% per annum and will be used to purchase mortgage backed securities backed by 35-year, 5-year IO loans and $25.2 million will bear interest at a weighted average pass-through rate of 5.95% per annum and will be used to purchase mortgage backed securities backed by 35-year, 5-year IO loans The Agency expects to be able to provide homes for over 1,200 families with the proceeds.

SUMMARY OF THE BONDS		
BOND SERIES	J	K
Par Amount	$79,525,000	$220,475,000
Type of Bonds (Tax-exempt)	Fixed (serial bonds)	Fixed (term bonds)
Tax Treatment	AMT	AMT
Maturities $79,525,000 on $220,475,000 on	8/1/2009 - 8/1/2018	8/1/2023, 8/1//2028, 8/1/2033 & 8/1/2038
Credit Rating Moody's S&P	Aaa AAA	Aa2 AA-
Interest Rates	3.375% - 5.125%	5.30%, 5.45%, 5.55% & 5.60%
Insurance Provider	FSA	N/A

State of California

M E M O R A N D U M

To: Board of Directors **Date:** July 2, 2008

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 $5.6 billion, 65% of our $8.6 billion of total indebtedness as of July 1, 2008.

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	$3,732	$635	$4,369
MHRB	129	892	100	1,121
HPB	0	35	75	110
DDB	0	0	0	0
Total	$131	$4,659	$810	$5,600

As shown in the table above, our "net" variable rate exposure is $810 million, 9.44% 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 $810 million of net variable rate exposure ($555 million taxable and $254 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 $625 million (six month average balance as of 2/29/08) 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 $625 million is a balance sheet hedge for the $810 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 $5 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 $719 million of LIBOR-based debt. As a result, the $625 million of other Agency funds invested in SMIF effectively hedges approximately 87% 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 140 "fixed-payer" swaps with fourteen different counterparties for a combined notional amount of $4.6 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 has allowed us 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 swap notional amounts.

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

	Tax-Exempt	Taxable	Totals
HMRB	$3,110	$625	$3,735
MHRB	894	0	894
HPB	35	0	35
TOTALS	$4,039	$625	$4,664

The following table shows the diversification of our fixed payer swaps among the fourteen 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	Notional Amounts Swapped (*$ in millions)*	Number of Swaps
Bear Stearns Financial Products Inc.	Aaa	AAA	$ 806.4	15
			289.7*	8*
Citigroup Financial Products Inc.	Aa3	AA-	697.6	20
Merrill Lynch Capital Services Inc.	A1	A	639.8	18
Merrill Lynch Derivative Products, AG	Aaa	AAA	639.6	29
Lehman Brothers Derivative Products Inc.	Aaa	AAA[t]	485.0	21
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AAA	336.2	7
			313.5 *	5 *
AIG Financial Products Corp.	Aa3	AA-	314.1	9
JP Morgan Chase Bank	Aaa	AA	211.0	7
Bank of America, N.A.	Aaa	AA+	206.8	5
Morgan Stanley Capital Services Inc	Aa3	A+	136.7	2
BNP Paribas	Aa1	AA+	88.0	2
UBS AG	Aa1	AA-	50.9	2
Dexia Credit Local	Aa1	AA	27.3	2
The Bank of New York	Aaa	AA-	25.0	1
			$4,664.4	140

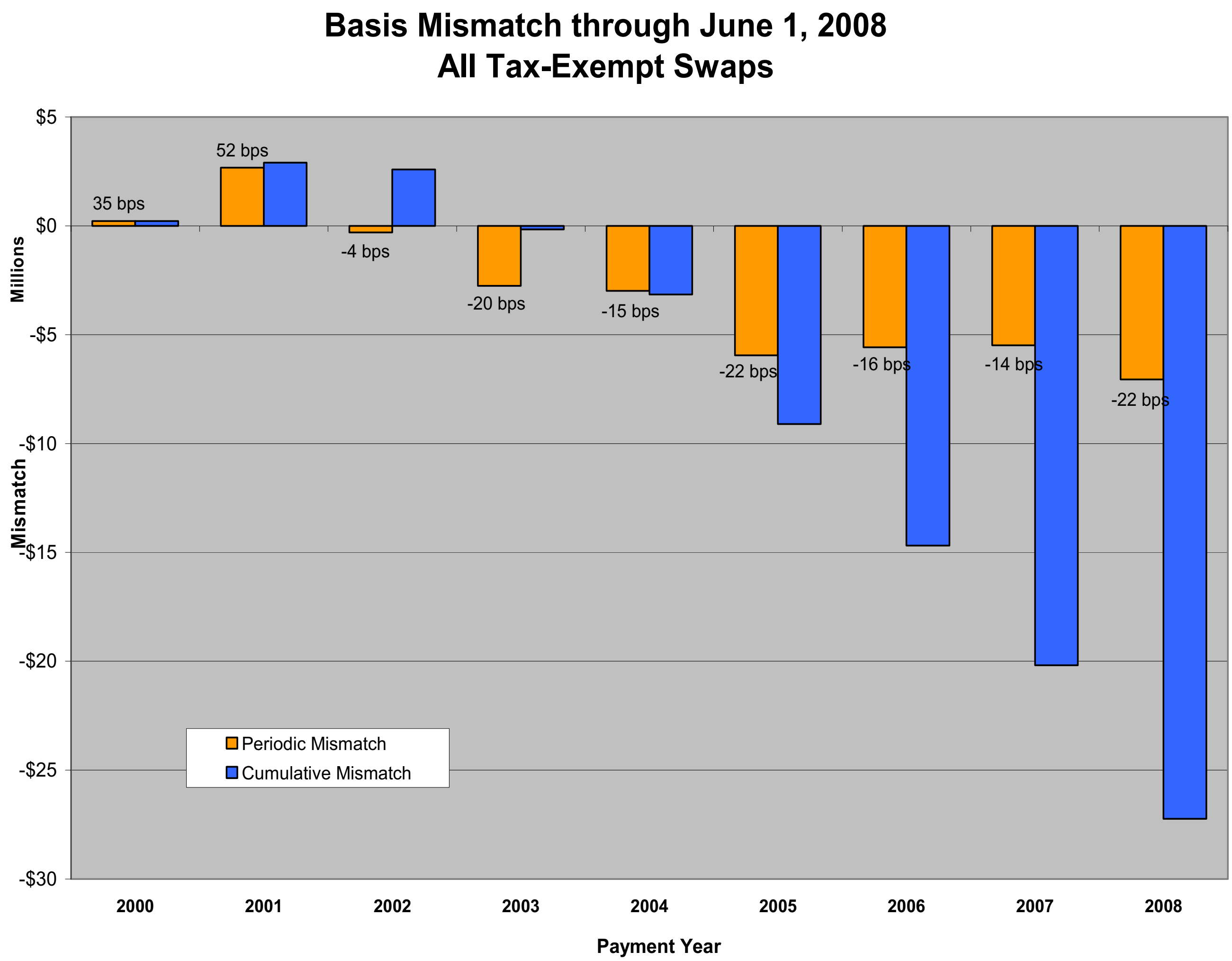
* *Basis Swaps (not included in totals)*

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 February 1, 2008 semiannual debt service payment date we made a total of $13.6 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.

BASIS RISK AND BASIS SWAPS

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. Basis mismatch for our 2008 bond year (August 1, 2007 – July 31, 2008) has been primarily due to the collapse of the auction rate securities market and the impact of bond insurer downgrades on variable rate demand obligations. Auction rate securities account for 65% of the total mismatch and insured variable rate demand obligations have accounted for 35% of the total mismatch for 2008. We have responded to the market disruption by refunding many of the under performing auction rate securities and insured VRDOs the past few months. Some periodic divergence was expected when we entered into swaps. Over the lifetime of our swaps we have experienced more than $25 million of additional interest expense due to this basis mismatch. However, we have since mitigated much of this risk by changing our swap formulas. The earliest swaps entered into utilized a floating rate formula 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 afforded great savings with minimal basis risk compared to fixed rate bonds when the average SIFMA/LIBOR ratio was steady at 65%. Short-term interest rates can be volatile and as short-term rates fall, the SIFMA/LIBOR ratio tends to increase. When short-term interest rates rise the SIFMA/LIBOR ratio usually falls to the theoretical ratio of one minus the marginal federal income tax rate. The SIFMA (Securities Industry and Financial Markets Association) index is the index used to benchmark tax-exempt variable rates. The following table displays the SIFMA/LIBOR ratio for the past eight years.

Average SIFMA/LIBOR Ratio			
2001	67.7%	2005	72.5%
2002	77.9%	2006	67.6%
2003	85.4%	2007	69.1%
2004	81.7%	2008 to date	75.6%

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 $603 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	$1,819	$0	$1,819
62% of LIBOR + 25bps	567	0	567
3 mo. LIBOR + spread	0	432	432
SIFMA – 15bps	444	0	444
Enhanced LIBOR [1]	313	0	313
Stepped % of LIBOR [2]	290	0	290
65% of LIBOR	260	0	260
1 mo. LIBOR	0	183	183
97% of SIFMA	77	0	77
SIFMA – 20bps	59	0	59
63% of LIBOR + 24bps	50	0	50
6 mo. LIBOR	0	44	44
60% of LIBOR + 21bps	35	0	35
64% of LIBOR	26	0	26
63% of LIBOR + 30bps	25	0	25
SIFMA – 5bps	16	0	16
64% of LIBOR + 25bps	13	0	13
61% of LIBOR + 21bps	11	0	11
TOTALS	$4,005	$659	$4,664

[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%.

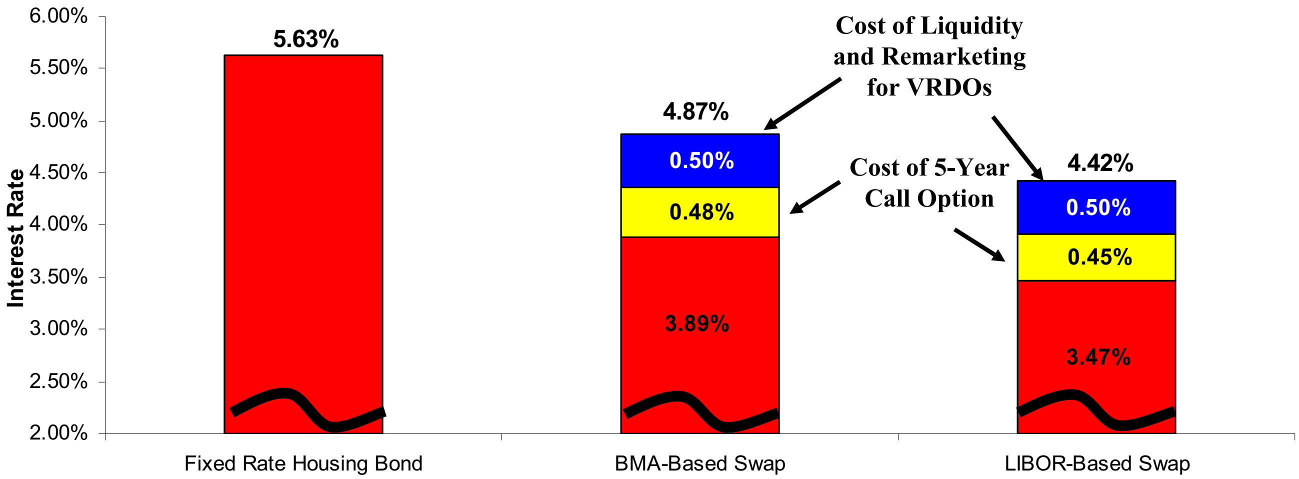
RISK OF CHANGES TO TAX LAW

For an estimated $3.5 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 $262.4 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 $3.8 billion, 44% of our $8.6 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 121 basis points. Even though current market conditions provide significant debt service savings for issuers willing to accept variable rate debt and tax-related risks, the financial markets are extraordinarily challenging. After discussing current market conditions, the Board and Agency staff has determined that issuing greater amounts of fixed rate debt is the preferred course of action to better balance our debt portfolio and lessen the economic impact of market events. 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 June 25, 2008)



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 $6.6 billion of prepayments, including over $1.4 billion in 2004, $1.1 billion in 2005, $504 million in 2006 and $278 million in 2007. 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 $4 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 minimal 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 July 1, 2008 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 $3.36 billion (90%) of swap notional having a fixed payer rate below the estimated net weighted average interest rate of 6.30% 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)
4/30/07	($129.3)
5/31/07	($83.2)
6/30/07*	($41.0)
7/31/07	($64.4)
8/31/07	($101.8)
9/30/07	($110.1)
10/31/07	($120.5)
11/30/07	not available
12/31/07	($224.7)
1/31/08	not available
2/29/08	($281.3)
3/31/08	($314.2)
4/30/08	($245.1)
5/31/08	($190.9)

** As reported on the Financial Statements.*

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	$20	$1,129	$3,220	$4,369
MHRB	256	0	865	1,121
HPB	0	0	110	110
DDB	0	0	0	0
Total	$276	$1,129	$4,195	$5,600

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	$801.2	HMRB
Lloyds TSB	431.3	HMRB
Bank of America	423.6	HMRB
Fannie Mae	370.0	HMRB/MHRB
BNP Paribas	259.5	HMRB
KBC	242.6	HMRB
Bank of Nova Scotia	207.6	HMRB
DEPFA Bank	182.9	MHRB
Calyon	174.5	HMRB
Bank of New York	162.9	HMRB
JP Morgan Chase Bank	154.9	HMRB
Landesbank Hessen-Thuringen	149.8	MHRB
Bayerische Landesbank	130.9	HMRB
Westdeutsche Landesbank	130.9	HMRB/MHRB
Fortis	120.0	HMRB
State Street Bank	90.5	HMRB
LBBW	60.3	HPB
CalSTRS	52.3	HMRB/MHRB
Citibank N.A.	50.0	HPB
Total	$4,195.7	

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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CALIFORNIA HOUSING FINANCE AGENCY
YEAR END PRODUCTION TOTALS AND
OPERATIONAL ACCOMPLISHMENTS

	FY: 2007-2008		FY: 2006-2007	
	Purchased	Totals	Purchased	Totals
Homeownership First Mortgages	4,792	$1.2 billion	6,436	$1.7 billion
Homeownership Downpmt Assist.	7,378	$61.5 million	9,288	$90.7 million
Loan Programs:				
CHAP	1,143	$8,042,133	971	$7,071,142
CHDAP	4,351	$35,001,434	5,363	$49,095,972
Extra Credit Teacher	339	$4,171,046	363	$4,606,455
HiCAP	1,423	$12,667,325	2,409	$26,938,108
HiRAP	48	$806,585	131	$2,402,899
Home Choice	74	$844,233	51	$553,711
Total	7,378	$61,532,756	9,288	$90,668,287
	Funded	Disbursed	Funded	Disbursed
School Facilities Fee Assistance				
Homeowners	1,410	$7.3 million	1,117	$5 million
	Processed	Totals	Processed	Totals
Single Family paid-in-full Loans	1,624	$185 million	3,302	$407 million
	Policies		Policies	
Mortgage Insurance-New Ins. Written	2,630	$730 million	3,500	$1.03 billion
Mortgage Insurance Claims - net	51	$1.18 million	3	$39,000
Mortgage Ins. Premiums Earned - net		$7.1 million		$5.7 million
	Funded	Totals	Funded	Totals
Bay Area Housing Plan (BAHP)	23	$34.8 million		
HELP Loan Program	9	$6.4 million	17	$21.8 million
RDLP Loan Program	4	$3 million		
Bond/HAT financed MF loans	33	$77.8 million	65	$237.5 million
	Loans	Totals	Loans	Totals
Modified existing MF projects	2	$15.5 million	12	$13.3 million
MBS Securities Purchased-Fannie Mae	$130 million			
Scheduled P&I and early redemption	$1.2 billion		$1.6 billion	
SWAP payments	$28 million		$32 million	
Loan Servicing				
Acquired servicing for first mortgages	1,958	11,670 Total	2,731	10,000 Total
Acquired servicing for subordinates	7,715	37,481 Total	15,351 *	30,000 Total
Payoffs/reconveyances, first loans	271		596	
Payoffs/reconveyances, subordinates	1,190		9,332 *	
Delinquency ratio at year-end, 1st loans	5.33%	as of 6/30/2008	2.68%	as of 6/30/2007
Delinquency ratio average, 1st loans	3.99%		2.23%	
Customer Care Net: fewest on-line hits	42,967	Aug 2007	40,445	Sept 2006
Customer Care Net: most on-line hits	71,032	Jan 2008	69,463	Jan 2007
Audits - Unqualified Opinions				
California Housing Finance Fund	6/30/2007		6/30/2006	
California Housing Loan Insurance Fund	12/31/2007		12/31/2006	

* FY 2006-2007 includes 6,039 CHDAP and HiCAP loans sold to, and now serviced for Fannie Mae.

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State of California

M E M O R A N D U M

To: **CalHFA Board of Directors** **Date:** 2 July 2008

From: **Di Richardson, Director of Legislation**
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

As you can guess, the big focus over the next few weeks will be the Budget. But while the Legislature works on the Budget, they could continue to act on other bills that may be pending. Attached is an updated list of bills I think you may be interested in. As always, feel free to call me if you have any questions.

Bonds

AB 842 **(Jones) Regional plans: traffic reduction.** (A-06/24/2008)
Status: Senate Appropriations Committee.

Summary:
This bill would require the Department of Housing and Community Development (HCD) to award additional points under the Infill Incentive Grant Program and the Transit Oriented Development Housing Program (Proposition 1C) for projects that are consistent with regional blueprints or general plans that will reduce the growth increment in vehicle miles traveled by ten percent.

AB 1252 **(Caballero) Housing and Emergency Shelter Trust Fund Act of 2006: Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.** (C-06/30/2008)
Status: Chaptered by the Secretary of State, Chapter Number 39, Statutes of 2008

Summary:
This bill is intended to expedite the appropriation of funds from Propositions 1C and 1B.

AB 1366 **(Portantino) CalHome Program: Building Equity and Growth in Neighborhoods (BEGIN) Program: Infill Incentive Grant Program of 2007: general plan: housing element: annual report.** (A-07/01/2008)

Status: Senate Floor

Summary:

This bill would make housing element compliance and submission of the housing element progress report a threshold requirement for funding under the CalHome Program and the BEGIN Program, both administered by the Department of Housing and Community Development.

AB 1526 **(Lieber) Housing and Emergency Shelter Trust Fund Act of 2006: Emergency Housing and Assistance Program.** (A-06/17/2008)

Status: Pending Committee Assignment in Senate

Summary:

Prior to the most recent amendment, this bill pertained to Community Care Facilities. The most recent amendments delete those provisions, and the bill as it is currently written states that Legislature finds and declares that when the voters passed Proposition 1C in 2006, it was the intent of the electorate to make capital outlay funds from the Emergency Housing Assistance Program available to emergency shelters for victims of family and domestic violence and their children on an equal basis with other emergency shelters. Although the bill was only recently amended to reflect this change, the author’s staff has indicated the bill will not be moved in this form.

SB 1293 **(Negrete McLeod) Joint exercise of powers: reporting and disclosures.** (A-06/30/2008)

Status: Assembly Appropriations Committee

Summary:

This bill would, among other things, require additional reporting and public disclosures by public entities that issue certain revenue bonds, including conduit revenue bonds. This bill would require entities formed under the Joint Exercise of Powers Act, and related officers, that fail or refuse to make required reports to forfeit specified amounts to the state, and would authorize, under certain conditions, the Attorney General to prosecute an action for these forfeitures.

Insurance

AB 2509 **(Galgiani) Housing finance: mortgage guarantee program.** (A-05/23/2008)

Status: Held in Senate Banking, Finance and Insurance Committee.

Summary:

This bill would require the Business, Transportation and Housing Agency to establish and administer, until January 1, 2014, the Homeownership Preservation Mortgage Guarantee Program to allow redevelopment agencies, nonprofit community lenders, and small business financial development corporations selected by the agency (administrators) to accept and approve applications for loan guarantees from borrowers, as defined, and, upon approval of an application, issue a loan guarantee to the appropriate lender to back the issuance to the borrower of a new or refinanced loan in lieu of an original loan.

Landlord Tenant

AB 725 **(Lieber) Housing: universal rental housing application.** (A-06/17/2008)

Status: Senate Appropriations Committee

Summary:

This bill would, on and after November 1, 2009, require rental housing providers that receive a loan or grant from HCD or CalHFA, or tax credits or bond authority, to utilize a universal rental housing application, to be developed by the Department of Housing and Community Development. The author is currently considering amendments which would make the bill less burdensome to state departments and rental housing providers.

Misc

AB 793 **(Strickland) Property taxation: affordable housing assessments.** (A-08/01/2007)

Status: Senate Appropriations Committee

Summary:

This bill would provide that when county assessors determine the full cash or fair market value of a property, they shall not include the amount stated in a trust deed recorded in conjunction with an affordable housing unit purchased by its occupant, when the trustor is the occupant and a nonprofit or government agency selling authority is the beneficiary.

AB 2123 **(Lieu) California Financial Literacy Initiative.** (A-05/23/2008)
Status: Senate Appropriations Committee

Summary:
This bill would establish the California Financial Literacy Initiative for the purpose of providing resources and instruction to Californians. The initiative would be administered by the Controller who would be authorized to provide, among other things, an online library of financial literacy resources and materials to be made available for all Californians. The bill would require the Controller, as resources are available, to establish and oversee the California Financial Services Corps, which would provide certain financial information to persons seeking personalized attention from individuals with financial literacy training.

Mortgage Lending

AB 529 **(Torrico) Mortgages: adjustable interest rates: notification.** (A-06/10/2008)
Status: Senate Floor.

Summary:
This bill would require the entity responsible for collecting payments of principal and interest from a borrower on a first-lien mortgage loan , secured by residential real property, to notify the borrower of specified information regarding he impact of the rate change 20 days, 60 days, and 30 days prior to an interest rate adjustment. The bill would provide that the notification requirements are satisfied if the notices is delivered to the borrower either personally delivered or by mail. As previously amended, this bill would have only have applied to loans issued between 2003-2007. That provision has been deleted with the most recent amendments, thus these provisions would now apply to all loans in perpetuity.

AB 1830 **(Lieu) Lending.** (A-06/25/2008)
Status: Senate Judiciary Committee

Summary:
This bill would expand the authority of the Real Estate Commissioner to suspend, revoke or deny the real estate license of an individual or corporation that violate specified laws or regulations.

AB 2359 **(Jones) Loans.** (A-05/27/2008)
Status: Held in Senate Banking, Finance and Insurance Committee.

Summary:

This bill would prohibit a broker, trustee, or mortgagee, or his or her agent, beneficiary, or assigns from requiring as a condition of an agreement regarding a covered loan, subprime loan, or nontraditional mortgage, as defined, that a borrower or an applicant for the loan waive any rights, duties, remedies, forums, or procedures of California law with respect to a residential mortgage or mortgage foreclosure.

SB 1055 **(Machado) Taxation: cancellation of indebtedness: mortgage debt forgiveness.** (A-04/22/2008)

Status: Assembly Revenue and Taxation Committee

Summary:

This bill would provide further conformity to federal income tax laws by conforming to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, 2009.

Special Needs Housing

SB 1175 **(Steinberg) Developmental services: regional center housing.** (A-06/02/2008)

Status: Assembly Appropriations Committee

Summary:

This bill would authorize the California Health Facilities authority to finance residential facilities for persons with developmental disabilities. The bill will be further amended before a vote is taken on the Assembly Floor. This bill, which is modeled on the Bay Area Housing Plan, would allow, but not require, CalHFA to participate.

Tax Credits

SB 585 **(Lowenthal) Farmworker housing assistance tax credits.** (A-05/27/2008)

Status: Assembly Appropriations Committee

Summary:

This bill would revise the manner in which the state low-income housing tax credit (LIHTC) may be allocated to partners in a limited liability company or a partnership, and thus, allows developers of low-income housing to sell state and federal LIHTCs to separate investors.

Veterans

AB 2670 **(Salas) Department of Veterans Affairs: qualified residential rental project programs.** (A-06/23/2008)

Status: Senate Appropriations Committee

Summary:

This bill would authorize the Department of Veterans Affairs to apply to the California Debt Limit Allocation Committee for the issuance of a private activity bond under the qualified residential rental project program.

State of California

M E M O R A N D U M

To: CalHFA Board of Directors **Date:** July 17, 2008

Bob Deaner- Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Multifamily Projects- $4 Million and Under- Approved by Senior Loan Committee

The following is a report of Multifamily projects under $4,000,000 and BAHP projects approved by Senior Loan Committee for Final Commitment.

Multifamily Projects- $4 Million and Under- Approved by Senior Loan Committee FY 2007-2008

7/3/2008

Project Name/City/County	Project Type	Developer/Project Manager	CalHFA Financing	Other Financing Sources	Date Approved
Community of All Nations Stockton, San Joaquin County	Family	Visionary Home Builders Carol Ornelas	$2,660,000.00 - 1st	N/A	11/14/2007
1 Projects			**$2,660,000.00**	**$0.00**	

Bay Area Housing Plan FY 2007-2008

	Project Address	Amount	Approval Date
1	2654 Chablis, Livermore	$1,809,000.00	8/20/2007
2	15134 Charmeran, San Jose	$1,490,000.00	9/14/2007
3	15470 La Alameda, Morgan Hill	$1,935,000.00	9/14/2007
4	1502 Constanso, San Jose	$1,490,000.00	9/14/2007
5	5486 Yale, San Jose	$1,490,000.00	9/14/2007
6	19175 Taylor, Morgan Hill	$1,700,000.00	10/17/2007
7	205 Ginger, Morgan Hill	$1,490,000.00	10/17/2007
8	1616 Corte De Medea, San Jose	$1,490,000.00	2/11/2008
9	1750 Westmont Ave, Campbell	$1,935,000.00	2/11/2008
10	5772 Dichondra Place, Newark	$1,376,000.00	3/11/2008
11	36743 Montecito, Fremont	$1,810,000.00	4/21/2008
12	8101 Meadowlark, Newark	$1,800,000.00	4/28/2008
13	1219 Sabrina, Redwood City	$1,450,000.00	5/5/2008
14	460 Bodega, Foster City	$1,450,000.00	5/12/2008
15	445 Sequoia, Redwood City	$1,450,000.00	5/12/2008
16	441 N. Milton, Campbell	$1,935,000.00	5/21/2008
17	1173 Salerno, Campbell	$1,935,000.00	5/21/2008
18	1415 Gordon, Redwood City	$1,935,000.00	5/22/2008
19	663-665 Vasona, Los Gatos	$1,720,000.00	6/2/2008
20	649 Empey, San Jose	$1,935,000.00	6/16/2008
21	895 McKendrie, San Jose	$1,935,000.00	6/16/2008
22	373 S. Henry, San Jose	$1,935,000.00	6/23/2008

22 Projects **$37,495,000.00**