BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

January 17, 2013

Holiday Inn Capitol Plaza
300 “J” Street
Sacramento, California
(916) 446-0100

10:00 a.m.

1. Roll Call.

2. Approval of the minutes of the November 13, 2012 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action regarding the adoption of a resolution extending the authorization of the Agency’s multifamily bond indentures, the issuance of multifamily bonds short term credit facilities for multifamily purposed, and related financial agreements and contracts for service. (Tim Hsu)
   Resolution 13-01 57

5. Update of Single Family Mortgage Products. (Ken Giebel)

6. Informational workshop discussing Board governance and overview of CalHFA’s organizational structure and business operations. (Claudia Cappio/Victor James/ Tim Hsu/Jim Morgan)

7. Reports:

   A. Homeownership Loan Portfolio Update .... Handout

   B. Update on Variable Rate Bonds and Interest Rate Swaps 61

   C. Report of Multifamily Bond Sale – Issuance of Residential Mortgage Bonds (Multifamily Program) 2009 Series A-6 73

8. Discussion of other Board matters.

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

10. Adjournment

11. Handouts

NOTES**

HOTEL PARKING: Parking is available as follows: (1) Limited valet parking is available at the hotel for $17.00; and (2) parking validation available at front desk for $12.00; or (3) city parking lot is next door at rates of $2.00 per hour for the first two hours, $1.25 per every ½ hour, thereafter, with a maximum of $16.00.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be March 7, 2013, at the Burbank Airport Marriott, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Burbank Airport Hilton & Convention Center
2500 Hollywood Way
Burbank, California

Tuesday, November 13, 2012
10:00 a.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

Board of Directors Present

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

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

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

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

JACK SHINE
Chairman
American Beauty Development Co.

LINN WARREN
Director
Department of Housing and Community Development
State of California

A P P E A R A N C E S

Participating CalHFA Staff

VICTOR J. JAMES
General Counsel

CARR KUNZE
Loan Officer

JAMES S.L. MORGAN
Loan Officer
Acting Chief of Multifamily Programs

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

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PUBLIC TESTIMONY

BRANDON DINON
USA Properties Fund, Inc.

GRAHAM ESPLEY-JONES
BVH Development, LLC

LILLIAN LEW-HAILER
Senior Project Manager
LEED AP
Mid-Peninsula Housing

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Table of Contents

Item		Page
1.	Roll Call	7
2.	Approval of the minutes of the September 20, 2012, Board of Directors meeting	8
3.	Chairman/Executive Director Comments	9
4.	Report of the Audit Committee Chairman	11
5.	Discussion, recommendation, and possible action regarding final loan commitment for the following projects:	
	Project Number 12-060-R/S Development: Logan's Plaza Locality: Compton/Los Angeles Units: 61	
	Resolution 12-12	13
	Motion	18
	Vote	19
	Project Number 12-050-R/N Development: Century Village Locality: Fremont/Alameda Units: 100	
	Resolution 12-13	20
	Motion	24
	Vote	24
	Project Number 12-052-R/S Development: Vintage at Stonehaven Locality: Yorba Linda/Orange Units: 125	
	Resolution 12-14	25
	Motion	29
	Vote	29

Table of Contents

Item	Page

5. Discussion, recommendation, and possible action regarding final loan commitment for the following projects: *continued*

Project Number 12-053-R/S
Development: Vintage at Kendall
Locality: San Bernardino/San Bernardino
Units: 178
Resolution 12-15 30
Motion 35
Vote 35

Project Number 12-044-R/S
Development: Villa Anaheim
Locality: Anaheim/Orange
Units: 135
Resolution 12-16 36
Motion 42
Vote 42

Project Number 12-061-R/S
Development: Coronado Place
Locality: Los Angeles/Los Angeles
Units: 41
Resolution 12-17 43
Motion 48
Vote 48

12. Reports 49

A. Homeownership Loan Portfolio Update

B. Update on Variable-Rate Bonds and Interest-Rate Swaps

C. Legislative Update

D. Update on *Keep Your Home California* Program

Table of Contents

Item		Page
7	Discussion of other Board matters	53
8.	Public testimony: Discussion only of other matters to be brought to the Board's attention	53
9.	Adjournment	54
Reporter's Certificate	. . . .	55

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BE IT REMEMBERED on Tuesday, November 13, 2012, commencing at the hour of 10:06 a.m., at Burbank Airport Hilton & Convention Center, 2500 Hollywood Way, Burbank, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

ACTING CHAIR CAREY: Welcome to the November meeting of the Board of Directors of the California Housing Finance Agency.

The first order of business is the roll call.

--oOo--

Item 1. Roll Call

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

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

MR. LOCKYER: Here.

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

MR. KELLY: Here.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATMAN PATTERSON: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Smith?

MR. SMITH: Here.

MS. OJIMA: Mr. Warren?

MR. WARREN: Here.

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Matosantos?

(No response)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 2. Approval of Minutes

ACTING CHAIR CAREY: The second item of business is approval of the minutes of September 20th.

MR. HUNTER: I'll move approval.

ACTING CHAIR CAREY: It's been moved.

MR. WARREN: Second.

ACTING CHAIR CAREY: And seconded.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: The minutes have been approved.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 3. Chairman/Executive Director Comments

ACTING CHAIR CAREY: I'd like to just take one moment to announce that I'm appointing Russia Chavis to the Board's Compensation Committee, which is chaired by Mr. Gunning. And Mr. Shine and I are the other two members on that committee.

Thank you, Ms. Chavis, for agreeing to do that.

MS. CHAVIS: You're welcome.

ACTING CHAIR CAREY: And with that, I'll turn the meeting over to our Executive Director.

MS. CAPPIO: Great. Good morning.

I have a few items of note.

First, our TCLP, the Temporary Credit Liquidity Program, through U.S. Treasury, was extended for two years or three years -- 2015. So that is, all the agreements are signed and done. That was good to get completed.

Moody's, one of our rating agencies, has extended their review now for up to 90 days, which means we will be expecting a review early next year, or a final rating early next year.

As for the Governor's Reorganization Plan status report, both HCD and CalHFA worked on a project implementation document. We submitted that to Business, Transportation and Housing. It's under their review now. And from there, they will go -- all those PIDs will go into the Governor's office for their review and consideration. We expect that to happen within the next few weeks.

I'm not sure whether we'll get a chance to review any comments that BT&H had, but that's the procedure going along, is that it has gone to BT&H, and now will get forwarded to the Governor's office.

The last item is that CalHFA was included in two recent audits of the Bureau of State Audits.

The first one had to do with the adequacy of databases in state government; and the second one was a review of the disbursements and results of both Prop. 46 and Prop. 1-C.

We are included in those audits. They had no findings or material significant comments for us, but we were included in them.

They are -- if you would like to look further, they are on the BSA Web site.

That's it.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 4. Report of the Audit Committee Chairman

ACTING CHAIR CAREY: With that, we will move on to the report from the Audit Committee chairman, Mr. Smith.

MR. SMITH: We met this morning to go over the audit. And it was a very good audit from the staff standpoint. We had no significant findings.

There were some minor issues that we discussed related to the audit; and those related to just some misstatements in how we, for example, book our REO sales. And that resulted in a $4 million correction, which is really insignificant, given the numbers we're dealing with. And it was just the way, the timing of when it was booked. So that was one minor item.

The other minor item is how -- it was a cash flow issue of when we get federal funds in, we've got to -- by federal rules -- pay them out within three days, three business days. And I think we're doing seven to 11 days, which is not bad, when you think about it. But nevertheless, it's an issue that we need to deal with, and we're coming up with ideas to do that.

The third issue was the derivative borrowing, which we had last time as well, which is just a correction in terms of a misstatement.

Those are the minor issues that came up in the audit.

Overall, the audit went well. And, again, there was no major issues. It was an unqualified audit.

If there's any questions from the rest of the Board members, I'll be open to hear them, and the staff is here to respond to them as well.

ACTING CHAIR CAREY: Any questions or comments?

(No response)

ACTING CHAIR CAREY: I would just say, I think it was positive to hear the report and have effectively gone through a transition of audit firms. I think it affirms the responsibility of the Board in due diligence. And I appreciate the work of the Committee.

Thank you for the report.

MR. SMITH: Thank you.

--oOo--

Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for: 12-060-R/S Logan's Plaza, Compton/Los Angeles

ACTING CHAIR CAREY: And now we have some projects, which has been a rarity in recent years. It's great.

And with that, we're on Item 5. And we'll move through these projects one at a time.

And the first one is Logan's Plaza.

MR. MORGAN: Thank you, Mr. Carey, yes.

These are the last six projects for the Agency's 2012 New Issue Bond Preservation Loan Program.

Carr Kunze is the loan officer for Logan's Plaza and Century Village. He will be presenting those two loans. And yours truly will be presenting the last ones.

So we'll start off with Carr Kunze.

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

Just one quick change to the notes. The investor entity has been changed to R4 Capital, a Limited Liability Corporation.

Logan's Plaza is a 61-unit senior project located in Compton. It is a hundred percent Section 8, save for the two new units that are being added, converted and added to it.

It was originally built in 1963. And a few pictures -- I kind of jumped ahead -- of the existing property.

The community room, a typical kitchen for the property.

This is one of our earliest projects that were financed by CalHFA, originally financed in 1977. And as I said, it was built in 1963.

This development will be achieving a 17 percent energy savings. And it will have also some ADA improvements be made to it, some life-and-safety improvements. Particularly, I note in those regards is being brought up to market with the addition of a heat pump. Therefore, heating and air-conditioning being added to the units. Very important to this senior population, and I think a very worthwhile improvement.

In addition -- well, all together, there are some $54,000 per unit in rehabilitation being done to the property, a sizable sum, but representative of a property that was originally built in 1963.

It has some good locational advantages, including access to buses, transportation, a medical center nearby, groceries, pharmacy.

There will be no permanent displacement. There will be temporary relocation that is being accomplished in phases. Six units at a time. Five weeks each.

The market analysis for the development shows good, continuing support with a growing senior population in the market area.

Amongst the upgrades that are being performed are: Windows being upgraded to a low "E" window. Additional insulation. Improved security. Attic insulation. A cool roof, as that's characterized. Solar PV power to the common areas. Kitchen and bath improvements, of course. Hot water, solar. And then, as I mentioned, air-conditioning via the heat pumps and heating via the heat pumps, as well as modernization of the elevators.

The permanent loan underwrites that an 81 percent loan-to-value, to the restricted value of the property.

The rents to the development are at -- and these would be the TCAC rents -- are some 60 percent -- I'm getting myself turned around here. The TCAC rents are less than 80 percent of the market rents.

This development is having the advantage of Section 8. Section 8, of course, is just below the market -- some 95 percent of market.

I think that substantially concludes my comments on the development.

ACTING CHAIR CAREY: Questions on this project? Comments?

Yes, Mr. Gunning?

MR. GUNNING: Well, what is the staff looking for, from the Board, in terms of these projects? Is it just an awareness or comments or…?

MS. CAPPIO: I'm thinking that if you have any concerns about how the structure of the loan is set up, any aspect of the project as we have presented it to you, now is your chance before we call the question about having you approve the loan.

I mean, you are the fiduciary parents of these loans. So I would move thoughtfully.

ACTING CHAIR CAREY: Okay, no questions?

(No response)

ACTING CHAIR CAREY: Okay, I think it's true with all of these, I think it's remarkable that we are able to reposition these projects, bringing phenomenal energy savings, improvements, maintain this affordability. I think it fulfills the role of the Agency pretty nicely.

MS. CAPPIO: And in an era where there is not much new money, I think the emphasis on preservation and rehabilitation is critical so that we can preserve the affordable housing stock in California.

MR. SMITH: I assume that this is one of those deals that if we didn't do this, the life of this project would not be long.

MS. CAPPIO: It would be limited.

MS. BOATMAN PATTERSON: So the affordability is extended how long now? Until twenty- -- from 2019 --

MR. KUNZE: An additional 20 years now on the Section 8 affordability and --

MS. BOATMAN PATTERSON: Okay.

MR. MORGAN: 17 years on our loan.

MR. KUNZE: -- and 17 years on our loan, right.

MS. BOATMAN PATTERSON: Okay. Beyond the 2019, which it was supposed to originally expire?

MR. KUNZE: That's correct, right.

MS. BOATMAN PATTERSON: And this project hasn't been rehabbed since 1977?

MR. KUNZE: It may have had a few minor

improvements to it, but --

MS. BOATMAN PATTERSON: But not a major --

MR. KUNZE: -- not a project improvement.

MS. BOATMAN PATTERSON: But not a major rehab?

MR. KUNZE: That's right.

MR. WARREN: Just a question, Carr.

I'm assuming the HAP contract is subject to annual appropriation. Is that fair?

MR. KUNZE: That would be my understanding. It's an annual appropriation, but it's a 20-year contract that is being renewed -- being requested to be renewed.

MR. WARREN: Okay.

ACTING CHAIR CAREY: Before we entertain a motion, I would open this up to public comment.

If there is anyone in the public that would like to comment specifically on this project, I'd ask you to indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we do have a resolution in front of us.

MR. GUNNING: Do you need a motion, Mr. Chairman?

ACTING CHAIR CAREY: We need a motion.

MR. GUNNING: So moved.

Resolution 12-13.

MR. HUNTER: Second.

MS. CAPPIO: -12.

ACTING CHAIR CAREY: 12-12, sorry. 12-12. Moved and seconded. Roll call, please.

MS. OJIMA: Thank you. Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Mr. Boatman Patterson?

MS. BOATMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

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

ACTING CHAIR CAREY: Thank you.

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Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:
12-050-R/N Century Village, Fremont/Alameda

ACTING CHAIR CAREY: And the next project is Century Village Apartments in Fremont.

MR. KUNZE: Thank you.

Century Village is a property that is located right in the high-tech corridor or area.

And you'll see some aerials there of the property in Fremont, and a close-up to the property.

It is a 100-unit family project. Again, existing CalHFA portfolio loan.

This one is achieving a rather phenomenal 44 percent increase in energy efficiency.

Again, this will include substantial modernization for the units, some $62,500 worth per unit of rehabilitation work that is going into the property.

Some of the issues that are being addressed in this rehabilitation will be dry rot, mold repair, and remediation. They will be adding photovoltaic solar for the common areas and solar hot water. They are creating some additional community space within the property.

There will be double-pane windows. Increased wall and attic insulation. Again, installation of heat pumps with system. And water-saving features are also being incorporated throughout the property.

There will, again, be no permanent displacement of the residents. There will be temporary relocation. The developer is going to be accomplishing this in two phases, and taking half of the property at one time, rehabilitating it, bringing in -- the tenants back into the housing, and then doing the second half.

Again, a property with very good access to schools, transportation, and services.

This is a project that is going to extend affordability in an already very tight 98 percent occupancy rental market in the high-tech area.

The rents, again, on this development, the TCAC rents are about 70 percent below market -- of the market rents, 30 percent lower.

And the permanent loan is being underwritten at some 65 percent loan-to-restricted-value.

That concludes my presentation on Century Village.

ACTING CHAIR CAREY: Thank you.

Questions?

MR. WARREN: So the project is receiving the benefit of a discount in rate for the energy efficiency.

Are the efficiencies translated into reduced operating costs? And if so, what's your general sense as to how the operating costs have been reduced because of the energy requirements being put on the property?

MR. KUNZE: I think there might be a little bit of reduction, perhaps, in the tenant's benefit insofar as the solar. Solar hot water. But there will be then really a benefit to the common charges of the solar voltaic. So not a very real substantial reduction, but there is some.

MR. WARREN: Okay, so the --

MR. KUNZE: I have Lillian Lew-Hailer of the borrower.

Did I miss anything, Lillian, in that regard?

MS. LEW-HAILER: No, I would say that most of the fixture-related energy efficiency matters that we're taking benefit of the tenants. So, for example, we're taking heat lamps out of the bathrooms and we're replacing them with energy-efficient fans. That's just going to be less on the tenant's utility bill.

The common measure -- so that the photovoltaic will be related to the common light load, we are increasing some of the lighting on the site to provide better security, so there's a little bit of a balance there. And then where we anticipate greater savings is with the solar thermal system, to augment the central hot-water system, boilers that are in each building. So we haven't really quantified what we think the savings will be. That's something that we usually do, post. But there will be some operating savings to the property.

MR. WARREN: And just one other question, Carr, I think through all of these presentations, and that is the evaluation of seismic risk.

So is there a percentage now that the Agency is looking at as far as an acceptable level of seismic risk?

And maybe it's a question for you, Jim, but…

MR. MORGAN: Yeah, Linn, we offered the opportunity for the borrowers to seek a seismic waiver. And based on the Agency's conditions, that there is a probable maximum loss of 20 percent or less. And out of all the projects, only three sought waivers, and had met our requirements for seismic or for earthquake insurance waiver, so…

But there is a -- we do have our seismic-study requirements that were provided to third-party seismic reviews, and we're able to meet the threshold on some of the projects, not necessarily this one.

But the option was to seek -- if they wanted to seek the waiver, it was incumbent upon them to obtain the seismic study and see if it would meet our requirements of a 20 percent probable maximum loss, or less.

Otherwise, earthquake insurance is continued. These are portfolio deals. They all have earthquake insurance currently. And if they wanted to reduce that operating cost and they chose to seek a waiver, they could. Otherwise, earthquake insurance continues.

MR. WARREN: Okay, thank you.

ACTING CHAIR CAREY: Other questions?

(No response)

ACTING CHAIR CAREY: Well, once again, this is an opportunity for the public to have input on this decision. If there is anyone who would like to make a comment, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-13 in front of us.

MR. HUNTER: I'll move adoption of Resolution 12-13.

ACTING CHAIR CAREY: It's been moved.

MR. GUNNING: Second.

ACTING CHAIR CAREY: And seconded.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-13 has been approved.

ACTING CHAIR CAREY: Okay, thank you.

--oOo--

Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:
12-052-R/S Vintage at Stonehaven
Yorba Linda/Orange

ACTING CHAIR CAREY: We'll move on to Vintage

Stonehaven Apartments in Yorba Linda.

MR. MORGAN: Thank you.

Vintage at Stonehaven in Yorba Linda is a USA Multifamily Development project. It's a 125-unit senior project in Yorba Linda. Acquisition rehab in the amount of $13,650,000, and permanent loan amount of $13,650,000 as well.

The project is located about 1.1 mile north of the Riverside Freeway, Highway 91.

And the amount of approximate rehab is about $25,000 a unit. This project also is implementing energy efficiencies to the tune of about 33 percent in increased energy efficiencies, which equate to a 35 basis-point discount in the interest rate.

Rents here in the northern part of Orange County/Yorba Linda are 42 to 58 percent below market. This project has an 81 percent loan-to-value.

This project, Linn, qualified for a seismic waiver. The probable maximum loss on this was 9 percent.

And there are two corrections to this write-up. The borrower, after we had gone through the analysis of the acquisition rehab area, and in trying to obtain an audit and a good cost certification, has requested, and we agreed, to amend on page 134, that the acquisition rehab period be for an 18-month period in order to be able to complete the construction and to complete the audit and costs in a significant amount of time. And so that would correlate into a 15 and a half year term.

Also, too, on page 138, under the management agent, USA Multifamily Management, that paragraph, "Approximately serves 32" should be "70" projects, and the units of "3,500" should be "10,000." I just wanted to make those corrections for the record.

With regard to the scope of rehab, $1.9 million is to the units in the building. There will be upgraded HVAC, windows, Energy Star appliances, and upgraded electrical and plumbing.

USA will also be the contractor for this project.

And for this project as well, there is limited affordable housing stock. This project -- in this area, there's been two affordable housing project permits issued in the last 25 years, and one of them, which is Vintage at Stonehaven. So definitely a needed commodity in the area.

That concludes my presentation.

MS. BOATMAN PATTERSON: I have a couple questions.

MR. MORGAN: Sure.

MS. BOATMAN PATTERSON: So this is a newer project than we saw for preservation.

So this is about a 15-year-old project.

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: And it had 15 years of affordability left in it.

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: And so how much more affordability are you going to get in it? Is it --

MR. MORGAN: Well, just with the tax write-off, it will be 55 years.

MS. BOATMAN PATTERSON: So an additional 55 years above that?

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: Okay, and when you all underwrite these, the useful life of the rehab that's going into it, do you match the useful life with the terms? Or how do you -- what's the minimum useful life in the rehab that you ask for?

MR. MORGAN: Usually, it's 25 to 30 years, minimum, economic life.

MS. BOATMAN PATTERSON: Okay.

MR. MORGAN: This loan has a balloon payment of 17 years. But usually, we're underwriting full amortization, 25, 30 years of economic life.

MS. BOATMAN PATTERSON: Okay.

ACTING CHAIR CAREY: Other questions? Comments?

(No response)

ACTING CHAIR CAREY: Okay, this is an opportunity for the public to make comment. If there's anyone wishing to comment on this project, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-14 before us.

MR. WARREN: I'll move approval, Mr. Chair.

ACTING CHAIR CAREY: Thank you.

MR. HUNTER: I'll second.

ACTING CHAIR CAREY: It's been moved and seconded.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MR. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye?

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-14 has been approved.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 5. Discussion, Recommendation, and Possible Action regarding Final Loan Commitment for: 12-053-R/S Vintage at Kendall, San Bernardino/San Bernardino

ACTING CHAIR CAREY: Moving on to Vintage at Kendall apartments in San Bernardino.

MR. MORGAN: Yes, Vintage at Kendall. The same developer, USA Multifamily Properties is the developer.

This loan is a $10,580,000 acq. rehab, again, with the same permanent loan amount.

178-unit senior project in San Bernardino. This project will have a restricted 20 units for MHSA, which is the Mental Health Services Act, which will cover tenants. They'll be reserved for previously homeless or at-risk homeless mentally ill tenants.

This subsidy, the MHSA permanent loan in this project is for $2,339,720.

In the write-up, we have a loan term of 20 years for the MHSA loan. That permanent loan term will be 55 years, to be coterminous with the TCAC regulatory agreement. So there is a correction there.

Also, too, the same corrections that I had in that previous write-up, on page 156. This will be an 18-month construction interest-only, term 15-and-a-half-year permanent loan.

And the same corrections on page 160 with regards to the management agent. 70 market-rate developments representing 10,000 units, and not 3,500. I just want to get those corrections out there.

This one would qualify for a 25 basis-point discount with its 20 percent energy savings. Again, the majority of the rehabilitation, about $23,000 a unit, is to the building and the units, with a significant part in the HVAC upgrade.

This project also, too, has a -- its loan-to-value is 82 percent loan-to-value.

We have reserved for a senior project $500 per unit per year as part of the debt service.

This project, too, also qualified for a seismic waiver.

And for rent levels -- for the MHSA rents, these are rents that are 30 percent of SSI. So for this particular project, it would be $184 a month for those 20 units. And because of that deep subsidy, we had a part of the MHSA program is the Capital Operating Subsidy Reserve, which we've built in at approximately a million dollars, a million dollars-plus, to subsidize those additional service costs.

So if you incorporate those rents compared to market rate, just those rents below are 75 percent below market.

And that concludes my presentation.

I'll show you some pictures. I'm trying to be multi-coordinated, and failing.

ACTING CHAIR CAREY: Great.

Questions?

MR. HUNTER: Are there current vacancies? How are the MHSA --

MR. MORGAN: Yes, they're going to roll. The average vacancy here is 8 to 10 percent. So as they turn over units, they'll reserve those units for the MHSA tenants. And they will only put MHSA tenants in as the vacancies come up.

ACTING CHAIR CAREY: Other questions?

MR. WARREN: Yes. And for this project, who is the service provider to handle the MHSA residents?

Or is there a service plan in place to deal with the at-risk tenants?

MR. MORGAN: Yes, there is. Let me see my write-up.

I thought I had the MHSA -- there is a service provider, I just don't happen to have the name of who is providing that service.

MR. WARREN: Perhaps the borrower can comment.

MR. DINON: Brandon of USA Properties.

The supportive service provider is Agewise Support Services. They work with San Bernardino Department of Behavioral Health to provide specifically senior assistance to the homeless. So they've paired us up with that provider, and we also have our social services provider that will provide services to the entire project. So we will get double coverage of services. And there is also a senior volunteer group, that consists of 11 to 17 seniors in the community that will come out and assist and provide service to those residents as well.

MS. BOATMAN PATTERSON: Is the service plan part of a requirement under the regulatory agreement, that that continue in place that they have a service provider?

MR. DINON: Correct. As part of the MHSA, which is program and application funding.

ACTING CHAIR CAREY: Brandon, could we have your last name for the record?

MR. DINON: Brandon Dinon, D-I-N-O-N.

ACTING CHAIR CAREY: Thank you.

Other questions?

MR. WARREN: Just to be clear, on the financing, so, of the two million plus MHSA, half is approximately for operating subsidy and half is the capital contribution. Is that how it's breaking out, Jim?

MR. MORGAN: It's a permanent loan for $2,339,000 and a capital operating subsidy --

MR. WARREN: On top of that?

MR. MORGAN: Yes.

MR. WARREN: So what's the total MHSA contribution for the project?

MR. MORGAN: About 3.3.

ACTING CHAIR CAREY: Other questions? Comments?

(No response)

ACTING CHAIR CAREY: This is an opportunity for public comment. If anyone in the audience would like to comment on this particular project, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-15 before us.

MR. HUNTER: I'll move adoption of 12-15.

MR. GUNNING: Second it.

ACTING CHAIR CAREY: It's been moved and seconded.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MR. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATHMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-15 has been approved.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for: 12-044-R/S Villa Anaheim, Anaheim/Orange

ACTING CHAIR CAREY: And we will move on to Villa Anaheim apartments in Anaheim.

MR. MORGAN: All right, another senior project. 135-unit senior project in Anaheim, California. Acquisition rehab amount is $11,500,000. The permanent loan is $9 million.

This also has a current loan with Century Housing which will be paid down from $4,755,000 to $909,599.

This project itself was also -- on page 178, is going to be an 18-month, interest-only term for the construction period, and then 15 and a half years for the permanent-loan period.

The project is 100 percent affordable, rents 18 to 40 percent below market.

This project also has a ground lease with the Centralia School District that is built into its operating budget. So the base lease is -- at an annual cost of about $203,000 a year. It has a base lease of $136,000. It's adjusted annually based on the HUD annual adjustment factor and based on a percentage of net cash receipts. So it equates to about $200,000 a year out of operating.

The amount of rehab for this project is $36,000 a unit. The gut rehab of the interior units in the building is about $1.6 million. The building itself is $2.3 million, with about $696,000 for the roof.

There has been some termite infestation, so we have a 15 percent hard-cost contingency to cover whatever testing that's done, and anything that arises.

This project has had approximately about $750 million worth of work the last three years, to upkeep with the termite damage on a going-forward basis.

And with this -- and this project also, too, a 73 percent loan-to-value. $500 per unit per annum on the replacement reserve.

And this one, Linn, also has a seismic waiver.

The relocation is also $282,000 for relocation for tenants.

ACTING CHAIR CAREY: Questions?

MS. BOATMAN PATTERSON: The regulation -- the regulatory term is extended. There was 16 years left. And so is it an additional 16? Or is it going to --

MR. MORGAN: 55.

MS. BOATMAN PATTERSON: 55?

MR. MORGAN: 55, yes.

ACTING CHAIR CAREY: Other questions?

MS. CARROLL: So on the ground lease then, what is the remaining term after the loan payoff?

MR. MORGAN: Yes, it's being rewritten, at least 55 years. It could go up to 90.

As it exists, it has a 90-year loan term. And as it exists, it's the "no later of 30 years or the payoff of the CalHFA loan," which will be taking place.

So they're currently meeting with the board, the school board district. And 55 years is being recommended. But currently, it goes up to 90 years on the current lease. But 55 years is being recommended.

MS. BOATMAN PATTERSON: Okay, so that loan is contingent upon the ground lease going concurrent with that loan?

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: So that we don't have an issue of the ground lease expiring?

MR. MORGAN: That's right. And we forward it to the developer, to forward to the School District our board write-up and documentation.

Everything seems in place, yes.

ACTING CHAIR CAREY: Other questions?

(No response)

ACTING CHAIR CAREY: This one is a legally nonconforming use, I notice.

Are there risk issues to be taken into account with a project that's a legally nonconforming use? I mean, I would stand typically in that case, if a significant percentage of the project were destroyed, it couldn't be rebuilt.

MR. MORGAN: Yeah. If it's 51 percent of the project, it couldn't be rebuilt.

And, obviously, there is a risk to that. But we haven't really -- we look at that, and at the end of the day, what we have in reserves, insurance coverage -- whatever the resources were to build it. But I don't -- other than going for a conditional use to improve the density, it hasn't been an issue. It doesn't mean it **is** an issue.

ACTING CHAIR CAREY: The other thing I noticed is that the relocation conditions are a little bit different.

And I was puzzled by the -- if a tenant chooses to move out during the work, that they'll have to sign a new lease in order to return.

Am I reading that correctly?

It's on page 180.

MR. MORGAN: I don't think they have to sign a new lease. That's just a --

MS. CAPPIO: There's a representative here.

MR. MORGAN: Oh, Graham.

MR. ESPLEY-JONES: I'm Graham Espley-Jones. I'm the developer.

I think there is an impression, and probably true for older developments, that in every case that scenario would probably be the case, that if a tenant were to move out, they would need to sign a new lease when they moved in with the other developer.

ACTING CHAIR CAREY: Did you say, if they chose to relocate because of the work being done in the unit, they would have to sign a new lease to move back in?

MR. ESPLEY-JONES: Their lease will be in abeyance during the term of the renovation period. Upon move-in to the project, they will be recertified. And during that process, a new lease will be signed.

ACTING CHAIR CAREY: It seems to me as discouraging someone to exercise a right to relocate during the rehabilitation.

MR. ESPLEY-JONES: They will be offered the option to utilize either on-site relocation or off-site relocation. In the event that the off-site relocation is elected -- it's tenant-elective, if they choose to utilize that, that election, the process would be that the tenant would be required to sign a new lease when they reoccupy the project.

MR. GUNNING: Instead of staying.

MR. WARREN: Some clarity here. I had thought, under the Uniform Relocation Act, that nothing would impair their ability to come back --

MR. ESPLEY-JONES: Correct.

MR. WARREN: -- and reoccupy that unit.

And so what you're saying is, there will be a new lease, but let's say a credit check is done and it comes back poor. Would they have the ability then to reoccupy that unit in spite of the credit check situation?

MR. ESPLEY-JONES: Correct.

MR. WARREN: And there's no impairment --

MR. ESPLEY-JONES: There is no impairment --

MR. WARREN: -- is what we're trying to get at.

MR. ESPLEY-JONES: -- to their tenancy, correct.

MR. WARREN: All right. Mr. Chairman, I think that's what the crafters used, "no impairment to return" other than a new lease.

ACTING CHAIR CAREY: Thank you.

Any other questions from the Board?

(No response)

ACTING CHAIR CAREY: This is an opportunity, if anyone in the public would like to comment on this action, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-16 before us.

MR. WARREN: I'll move approval. I'm sorry.

MR. HUNTER: It's somebody else's turn.

I'll second.

MR. WARREN: I apologize, Mr. Chairman. I was a little slow there.

MS. OJIMA: Mr. Warren, and Mr. Hunter is second.

ACTING CHAIR CAREY: Okay, we have a motion and a second.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

(No response)

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-16 has been approved.

ACTING CHAIR CAREY: It is nice to serve on a board where the height of tension is waiting for a motion to be made.

--o0o--

Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for: 12-061-R/S Coronado Place, Los Angeles/ Los Angeles

ACTING CHAIR CAREY: And with that, we'll move on to Coronado Place in Los Angeles.

MR. MORGAN: All right, Coronado Place is a 41-unit family project in Los Angeles in the Westlake District of Los Angeles, just right off of Wilshire Boulevard. Just one mile from the 110, the 101, and the 10 freeway.

This project is a 1917, almost over a hundred-year-old building that serves residents at 35 percent area median income and below.

The acq. rehab loan is for $6 million. The permanent loan is for $1.91 million. Part of the proceeds of this loan will pay off a LAHD CDBG loan grant that's matured for $495,000.

Also, too, it's subject to loan assumptions of $180,000 from LAHD, a million dollars -- $1,001,975 of loan assumptions from CRA-LA, and also a seller take-back of $2,209,670.

This also has a 100 percent HCD California Housing Rehabilitation Program - Rental component, CHRP-R. And currently, HCD approval is required to modify the CHRP-R increases and rent levels for Coronado Place.

This process has begun. And, CalHFA, HCD, and the borrower, Deep Green Affordable, are still in discussions and talking about the rent increases and levels. But it is subject to that approval.

This loan had matured with CalHFA on June 1st, 2009. It was a balloon payment that has been allowed to pay for the last three, almost four years, and in desperate need of rehab. So we're able to step in with a preservation loan program and provide over $68,000 a unit. A total of about 2.7 in rehab. Half a million dollars -- almost half a million dollars is for the elevator. Over $320,000 for windows and brick facade to keep up with the historic preservation value and meet City of Los Angeles requirements.

This one also has a hefty hard-cost contingency of about 15 percent of $347,000. It also has received an energy savings due to its -- a discounted interest rate due to its implementation of energy efficiencies, a 25 basis-point discount.

This one has a very good loan-to-value at 37 percent.

The TCAC dollars, the tax credit dollars on this is $1.07. And for this project, as far as the developers, leaving in 77 percent of its deferred fee in the project.

So at the end of the day, this is the deal that sets precedent for what we're here for, for our Preservation Loan Program.

So with that, I'll take questions.

MS. CHAVIS: In terms of the loan that's going to be transferred from CRA-LA to LAHD, where is that in the process? And does the Department of Finance need to approve that loan transfer?

MR. MORGAN: A very good question.

So this loan was set for the Governance Committee on October 29th and set for oversight on November 3rd. The Governance Committee was canceled; thus, not an oversight.

So the new Governance Committee is set for November 29th, with an oversight on December 3rd, five days' notice period with the Department of Finance, then we have clearance.

From our experience with the Department of Finance, and also in talking with LAHD, as long as there's no cash-out, it's just a loan assumption, it tends to go through those five days smoothly, with no objection.

So that does put us up to a barrier -- not a barrier, but very close -- a day or two before funding of our New Issue Bond, and we're aware of that.

So we're asking for if a -- if the Governance meeting is going to be prior to November 29th -- which they're attempting to do -- to please let us see that item.

ACTING CHAIR CAREY: Other questions?

MR. WARREN: Just a comment on the HCD loan, Mr. Chairman.

The timing issue here, is AB 1699 was passed, and it's effective January 1st. The guidelines are not finalized yet. But that said, in anticipation of those being finalized early next year, and take advantage of the legislation, I believe the pro formas have been modified to reflect that, and we're supportive of that. I believe there is an amended resolution to that effect, which would basically say that HCD needs to look at this, or something along those lines.

So just where we're at, you know, we're getting a little ahead of ourselves. But staff will be working on this with CalHFA and resolving this very shortly. So we should be in good shape.

ACTING CHAIR CAREY: And it's all in the family.

MR. WARREN: Yes.

MR. HUNTER: I noted that there's a 30 percent increase in the tenant rents.

Do we have any sense of how that's going to impact the current tenants?

MR. MORGAN: Yes, with a 10 percent increase per year for the next three years, based on unit -- or based on tenant certifications, maybe one tenant would be displaced. Maybe one for income purposes.

ACTING CHAIR CAREY: Other questions or comments?

(No response)

ACTING CHAIR CAREY: There is a revised resolution, which is available in the back of the room. I think all the Board members have it up here.

But before we move to that, if there is anyone in the audience who would like to address this item, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have a revised Resolution 12-17.

(No response)

ACTING CHAIR CAREY: Reports?

MR. HUNTER: I'll move adoption of 12-17.

ACTING CHAIR CAREY: Thank you.

MR. GUNNING: Second.

ACTING CHAIR CAREY: And the tension builds.

Thank you.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.
MS. OJIMA: Mr. Hunter?
MR. HUNTER: Aye.
MS. OJIMA: Ms. Carroll?
MS. CARROLL: Aye.
MS. OJIMA: Ms. Chavis?
MS. CHAVIS: Aye.
MS. OJIMA: Ms. Boatman Patterson?
MS. BOATMAN PATTERSON: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Mr. Smith?
MR. SMITH: Aye.
MS. OJIMA: Mr. Warren?
MR. WARREN: Aye.
MS. OJIMA: Mr. Carey?
ACTING CHAIR CAREY: Aye.
MS. OJIMA: Resolution 12-17 has been approved.
ACTING CHAIR CAREY: Thank you.

--o0o--

Item 6. Reports

ACTING CHAIR CAREY: Any particular information to share on the reports?

MS. CAPPIO: Just at the dais, we do have reports on the latest numbers from the KYHC program. We are getting some traction from the revisions to the principal-reduction portion of that program. And I would be glad, or Di would be glad to address any questions or comments.

ACTING CHAIR CAREY: Questions or comments on the reports?

Yes?

MR. GUNNING: No, I wouldn't mind just an update on *Keeping Your Home.*

MS. CAPPIO: Sure.

ACTING CHAIR CAREY: Sure.

MR. GUNNING: It seems like we're being successful. And I would like to give Di a chance to gloat.

ACTING CHAIR CAREY: Di, would you be willing to give us a brief update on *Keep Your Home*?

MS. RICHARDSON: Good morning, Mr. Chairman, Members.

Things are going very well. You know, I don't have new program changes to announce to you. We made the changes that we talked about at the last meeting.

And, you know, servicer participation is really picking up. I think I've got more than 40 servicers currently participating in the Principal Reduction Program now.

Still really working on the big five. I do have verbal commitments from each of them. The situation with them is, it's a resource issue. They have to request the resources to make the changes to their technology platforms. I have been told that those are in progress and that those are moving along.

I actually was hoping to have Bank of America fully on board before we met today. But I think we're pretty close with them. We're discussing a few little fine points, but I'm confident that that will happen soon.

Chase, Wells, Citi, they're all making very positive noises in talking to us almost every day.

Fannie and Freddie, as you know, came out with their new guidance, and they're being very helpful in working with new servicers and helping them explain how they expect that process to work with their loans, which has been really good. And it's actually been really helpful with us, to help us get some of the second-tier servicers to sign on for the program.

NACA just finished their *Save the Dream* tour here in California. And we've several loans that are currently in our pipeline now from that.

There's a big *Hope Now* event on December 4th. And we'll expect to see another big swell from that.

We've got several marketing -- you know, we've always got several marketing things going on.

I'm going to sort of pat myself on the back, and let you know that we did win an award at the NCHSA conference for our tireless and innovative marketing efforts, you know, leaving no stone unturned.

I'm happy to answer any specific questions that you have.

ACTING CHAIR CAREY: Any questions?

MR. GUNNING: Congratulations.

MS. RICHARDSON: Thank you.

ACTING CHAIR CAREY: Great. Very positive.

One thing I noted in the reports, it looks like a dramatic reduction in REO properties.

MS. CAPPIO: *(Nodding head.)*

ACTING CHAIR CAREY: To what do you attribute that?

MS. CAPPIO: Well, you could give it a couple of spins. But it is one data point that says people are back in the market, investing again. So our inventory is down.

Without those data points being connected in any way, I can't go beyond that. But, yes, it is dramatic. And we're taking it as a sign that people are -- and I'm going to say people, because who knows who is investing? There's various theories about who is investing. But that is a very big change in the last eight months.

And in addition to that, they're all above the appraised value -- or nearly all above the appraised value.

ACTING CHAIR CAREY: Great.

MS. CAPPIO: So people are looking to reinvest in the housing market. A good sign.

ACTING CHAIR CAREY: Yes, having other people own is a good thing.

MS. CAPPIO: Yes, exactly right.

--oOo--

Item 7. Discussion of other Board matters

ACTING CHAIR CAREY: Okay, *Other Board Matters*?

(No response)

--oOo--

Item 8. Public testimony

ACTING CHAIR CAREY: With that, this is an opportunity for anyone in the public to address the Board on a matter that's not on the agenda.

If there is anyone who wishes to do so, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, I will

mention that we have $10 parking stickers for anybody parked in the parking lot.

MS. CAPPIO: Just take one.

ACTING CHAIR CAREY: Just take one. They're very tempting.

--o0o--

Item 9. Adjournment

ACTING CHAIR CAREY: And with that, we are adjourned.

(The gavel sounded.)

(The Board of Directors meeting concluded at 11:01 a.m.)

--o0o--

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 28th day of November 2012.

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

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State of California

M E M O R A N D U M

To Board of Directors **Date:** January 7, 2013

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: EXTENSION OF ANNUAL MULTIFAMILY BOND RESOLUTION 12-02

Resolution 12-02 approved by the Board on January 19, 2012, authorized the Agency's Multifamily Bond Indentures, the issuance of Multifamily Bonds, Credit Facilities for Multifamily purposes and related financial agreements and contracts for services. A new Financing Resolution for this purpose is normally submitted for Board approval in January of each year. This year, the Agency has determined that it would be best to address these types of resolutions at a later Board meeting so that the financial authority can be reviewed in the context of 2013-14 program priorities.

The authority granted to the Agency by the Board in Resolution 12-02 to issue Multifamily Bonds and to undertake certain other actions expires on February 16, 2013. The Agency has determined that it may need the authority granted in Resolution 12-02 after February 16, 2013 but before a new Annual Resolution is approved by the Board. Therefore, the Agency is requesting an extension of Resolution 12-02 to 30 days after the date on which is held the next meeting of the Board of Directors in 2013 at which a quorum is present.

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RESOLUTION NO. 13-01

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY EXTENDING RESOLUTION NO. 12-02 AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE OF MULTIFAMILY BONDS, CREDIT FACILITIES FOR MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, rehabilitation, refinancing or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, on January 19, 2012, the Board adopted Resolution 12-02 authorizing the Agency's Multifamily Bond Indentures, the Issuance of Multifamily Bonds, Credit Facilities for Multifamily purposes, and related financial agreements and contracts for services;

WHEREAS, the authority granted to the Agency by the Board in Resolution 12-02 to issue Multifamily Bonds and to undertake certain other actions expires on February 16, 2013;

WHEREAS, Agency has determined that it is in its best interest to have the Board of Directors address the matter of authorizing the Agency's Multifamily Bond Indentures, the Issuance of Multifamily Bonds, Credit Facilities for Multifamily purposes, and related financial agreements and contracts for services at a later meeting of the Board; and,

WHEREAS, Agency has determined that it may need the authority granted in Resolution 12-02 to issue Multifamily Bonds and undertake certain other actions after February 16, 2013;

NOW, THEREFORE, BE IT RESOLVED, by the by the Board of Directors of California Housing Finance Agency, as follows:

1. All provisions and authorization provided to the Agency by Resolution 12-02 remain in full force and effect until subsequent action by the Board of Directors in regard to such matters.

2. The deadlines for issuance of bonds set forth in Sections 2. and 7. of Resolution 12-02 are extended to thirty (30) days after the date on which is held the next meeting of the Board of Directors of the Agency in the year 2013 at which a quorum is present.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 13-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January 2013, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of January 2013.

____

VICTOR JAMES
Secretary of the Board of Directors of the
California Housing Finance Agency

State of California

M E M O R A N D U M

To: Board of Directors **Date:** January 3, 2013

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AGENCY BONDS, INTEREST RATE SWAPS, AND FINANCING RISK FACTORS REPORT

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

1) Outstanding Bonds
2) Variable Rate Debt
    a) Variable Rate Debt Exposure
    b) Types of Variable Rate Debt
    c) Liquidity Providers
    d) Interest Rate Swaps
3) Financing Risk Factors
    a) Unhedged Variable Rate Risk
    b) Basis Risk
    c) Amortization Risk
    d) Termination Risk
    a) Collateral Posting Risk

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1) OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru or conduit financings which makes up an additional $435 million

BONDS OUTSTANDING
As of January 1, 2013
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$2,162	$2,063	$4,225
Multifamily	399	550	949
TOTALS	$2,561	$2,613	$5,174

2) VARIABLE RATE DEBT

a) VARIABLE RATE DEBT EXPOSURE

Over the 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 section describes the variable rate bonds 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), and HPB (Housing Program Bonds--CalHFA's multipurpose indenture, used to finance a variety of loans including the Agency's downpayment assistance loans). The total amount of CalHFA variable rate debt is $2.6 billion, 46% of our $5.1 billion of total indebtedness as of January 1, 2013.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$1,160	$875	$2,035
MHRB (MF)	375	155	530
HPB (SF & MF)	0	48	48
Total	$1,535	$1,078	$2,613

b) TYPES OF VARIABLE RATE DEBT

The following table 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 or to a third party 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	$0	$751	$1,284	$2,035
MHRB	108	0	422	530
HPB	0	0	48	48
Total	$108	$751	$1,754	$2,613

c) LIQUIDITY PROVIDERS

On October 19, 2009, the United States Treasury (Treasury) announced a new initiative for state and local housing finance agencies (HFAs) to provide a new bond purchase program to support new lending by HFAs and to provide a temporary credit and liquidity program (TCLP) to improve access of HFAs to liquidity for outstanding HFA bonds. On December 23, 2009, the Agency closed eight TCLP transactions with Treasury to replace the liquidity for $3.5 billion of variable rate bonds. The new liquidity became effective in January 2010 on the mandatory tender dates of the bonds with an initial expiration date of December 23, 2012. However, the Agency successfully negotiated with Treasury to extend the deadline for the TCLP to December 23, 2015.

The table below shows the government-sponsored enterprises (GSE) which are providing liquidity in the form of standby bond purchase agreements for our VRDOs.

LIQUIDITY PROVIDERS
As of 1/1/2013
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 877
Fannie Mae	877
Total	$1,754

d) Interest Rate Swaps

Currently, we have a total of 93 "fixed-payer" swaps with thirteen different counterparties for a combined notional amount of $2.1 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. 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	$1,379	$183	$1,562
MHRB	566	0	566
TOTALS	$1,945	$183	$2,128

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$1,194	$368	$1,562
MHRB	393	173	566
TOTALS	$1,587	$541	$2,128

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today's market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2012 semiannual debt service payment date we made a total of $42 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.

The table on the following page shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties.

SWAP COUNTERPARTIES

Swap Guarantor	Credit Ratings Moody's	S & P	Notional Amounts Swapped as of 1/1/2013 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	AAA	$ 602	34
JPMorgan Chase Bank, N.A.	Aa3	A+	525	18
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	214	7
Citigroup Financial Products, Inc.	Baa2	A-	201	8
AIG Financial Products, Corp. [2]	Baa1	A-	193	7
Deutsche Bank AG	A2	A+	182	11
Morgan Stanley Capital Services, Inc.	Baa1	A-	112	2
BNP Paribas	A2	A+	50	2
Bank of New York Mellon	Aa1	AA-	25	1
UBS AG	A2	A	13	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
Merrill Lynch Capital Services, Inc.	Baa2	A-	1	1
			$ 2,128 [1]	93

[1] *Basis Swaps not included in totals*

[2] *Swap counterparty's rating has triggered Additional Termination Event (ATE); Agency has right to terminate the associated swaps; additionally, the rating agencies no longer consider these swaps to be effective hedges see "Termination Risk" section of report*

3) FINANCING RISK FACTORS

a) Unhedged Variable Rate Risk

As shown in Sec. 2(a), the Variable Rate Debt table, our "net" variable rate exposure is $1.1 billion, 21% 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 $1.1 billion of net variable rate exposure ($629 million taxable and $449 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) $550 million (six month average balance) of non-bond indenture related funds invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest; and, ii) $541 million notional amount of interest rate swaps in excess of the hedged bonds.

From a risk management perspective, these two positions serve as a balance sheet hedge for the $1.1 billion of net variable rate exposure.

In order to estimate the "true" unhedged position to the Agency, first, the overhedged swaps were used to offset the unhedged bonds. Then, the remaining tax-exempt unhedged bonds were converted into their equivalent taxable basis. Using this conversion method, the $1.1 billion of net variable rate exposure translates to $629 million of net variable rate exposure. This $629 million is further reduced by the $550 million of funds invested in SMIF. Thus the "true" net variable rate debt, from the Agency's balance sheet perspective, is $61 million.

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.

b) BASIS RISK

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 indices, 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 relationship between the two floating rates changes as market conditions change. Some of the conditions that contributed to our extreme basis mismatch in 2009 and early 2010 were the collapse of the auction rate securities market, the impact of bond insurer downgrades, the funding of bank bonds at higher rates, and SIFMA/LIBOR ratio at historically high levels over 100% We responded to the market disruption by refunding, converting, or otherwise modifying many of the under performing auction rate securities and insured VRDOs, and we eliminated bank bonds by taking advantage of the Temporary Credit and Liquidity Program offered by the federal government.

The new Temporary Credit and Liquidity Program from the federal government and the GSEs has significantly reduced basis mismatch. As part of this process, all bond insurance was removed from VRDOs and the federal government now provides direct credit support on all CalHFA VRDOs. This has allowed CalHFA VRDOs to reset with little or no spread to SIFMA. Since January 2010, our VRDOs have reset at an average of 2 basis point or 0.02% below SIFMA, whereas in 2009, our VRDOs were resetting at an average of 106 basis points or 1.06% above SIFMA. The main risk that exists is that the SIFMA/LIBOR ratio continues to be high and as market rates rise our basis mismatch may remain higher than expected due to general market conditions.

The floating formulas of Agency swaps are usually indexed to LIBOR or SIFMA. LIBOR is the London Interbank Offered Rate index which is used to benchmark taxable floating rate debt, and SIFMA is the Securities Industry and Financial markets Association Index to benchmark tax-exempt variable rates. When the SIFMA/LIBOR ratio is very high, the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. We continually monitored the SIFMA/LIBOR relationship and the performance of our swap formulas and made certain adjustments to the formula. The following table displays the SIFMA/LIBOR ratio for the past eight calendar years.

Average SIFMA/LIBOR Ratio			
2005	73%	2009	123%
2006	68%	2010	96%
2007	69%	2011	79%
2008	84%	2012 to date	69%

The table below 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
% of LIBOR (+ spread)	$1,350	$0	$1,350
SIFMA (+ spread)	388	0	388
Stepped % of LIBOR [1]	203	0	203
3 mo. LIBOR (+ spread)_	0	102	102
% of SIFMA	19	0	19
1 mo. LIBOR	0	40	40
3 mo. LIBOR	0	16	16
6 mo. LIBOR	0	10	10
TOTALS	$1,960	$168	$2,128

[1] 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 it would pay 60% of LIBOR if rates are greater than 6.75%.

c) **<u>AMORTIZATION RISK</u>**

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. Our interest rate swaps generally have had fixed amortization schedules that can be met under a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Swap Par Options Exercised ($ in thousands)
2004	$12,145
2005	35,435
2006	20,845
2007	28,120
2008	18,470
2009	370,490
2010	186,465
2011	288,700
2012	361,975
	$1,322,645

The table below shows the speed at which the Agency's single family first mortgage loans have been prepaying for the past five years.

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

6-mo Period Ending:	PSA
Jun-2007	156%
Dec-2007	81%
Jun-2008	60%
Dec-2008	58%
Jun-2009	89%
Dec-2009	128%
Jun-2010	165%
Dec-2010	236%
Jun-2011	255%
Dec-2011	299%
Jun-2012	278%

Of interest is an $541 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the "10-year rule" of federal tax law and 2) the strategic debt management of the Agency to redeem bonds that were hedged but were associated with troubled or problematic financial partners. While some of our bonds are "over-swapped", there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. To mitigate our overswapped position, we continually 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 and by exercising the par swap options as they become available.

d) 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 "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.

TERMINATION VALUE HISTORY

Date	Termination Value ($ in millions)
6/30/11*	($253)
9/30/11	($338)
12/31/11	($330)
3/31/12	($302)
6/30/12	($324)
9/30/12	($330)
12/31/12	($294)

** As reported in the Financial Statements*

e) Collateral Posting Risk

Some ISDA agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, ratings, threshold amounts, independent amounts and any collateral already posted. Our trades are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event.

The table below shows the required collateral amounts currently posted to swap counterparties. In the past months, falling interest rates have caused the swaps to have a negative value to the Agency thereby increasing the amount of collateral being posted to the counterparties.

Swap Collateral Posting
as of 12/26/2012
($ in millions)

	JPMorgan	Goldman Sachs	BofA	BofA / Merrill Lynch	Deutsche	AIG	Total
Marked-to-Market	68.81	37.91	65.02	38.1	39.32	18.2	
Credit Support Amount	33.81	24.16	6.36	22.54	9.32	0	96.19

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State of California

M E M O R A N D U M

To: Board of Directors Date: January 3, 2013

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE
RESIDENTIAL MORTGAGE REVENUE BONDS (MULTIFAMILY PROGRAMS), 2009 SERIES A-6

On October 19, 2009, the Obama Administration announced an initiative for state and local housing finance agencies (HFAs). The initiative, which was announced jointly by the Department of Treasury, the Department of Housing and Urban Development, and the Federal Housing Finance Agency, along with Fannie Mae and Freddie Mac (the GSEs), is based on authority provided to the Department of Treasury under the Housing and Economic Recovery Act of 2008 (HERA). The New Issue Bond Program (NIBP) was designed to provide a temporary market for new single and multifamily housing bonds that HFAs issue to finance new mortgages.

The Agency previously issued its single-family NIBP general indenture, Residential Mortgage Revenue Bonds (RMRB General Indenture), in the aggregate principal amount of $1,016,440,000. Earlier this year, the Agency amended this RMRB General Indenture and the 2009 Series A Series Indenture to create two new separately secured indentures as follows:

1. One of the “walled-off” indentures, Article XIII, permitted the financing of NIBP multifamily loans with existing single-family bond allocation.

2. The other walled-off indenture, Article XIV, permitted whole loans as security for RMRB bonds which facilitated an escrow release to refund the Agency’s single-family TCLP enhanced VRDOs.

On December 12, 2012 the Agency withdrew $69,950,000 of Residential Mortgage Revenue Bonds (Multifamily Program) 2009 Series A-6 from the 2009 Series A Series Indenture Escrow Fund (as described in the above paragraph) for the purpose of financing seven multifamily loan commitments approved by the Board previously. The proceeds are invested in a U.S. Bank N.A. Repurchase Agreement which is rated P1 and Aa2 by Moody’s. The RMRB (Multifamily Program) 2009 Series A-6 bonds are issued as fixed rate bonds. The 2009 Series A-6 bonds are special, limited obligations of the Agency. Moody’s has assigned a rating of Aa2 to these bonds.

To be eligible for NIBP bonds, the loans are either insured by FHA, including loans under the FHA risk-sharing program or guaranteed by either GSE. A total of seven loans insured under the FHA risk-sharing program are financed with these bonds. These loans represent the first batch of loans approved under the Agency’s new Preservation program. Attached is a listing of the loans financed by the 2009 Series A-6 bonds.

Projects To Be Financed with Proceeds of
Residential Mortgage Revenue Bonds (Multifamily Program)
2009 Series A-6

Loans insured under FHA risk-sharing program:

Project Name	Date of Origination	Loan Balance	Interest Rate	Maturity Date
Century Village	12/12/2012	$ 15,000,000	4.85%	1/1/2030
Coronade Place	12/27/2012	6,000,000	5.00%	1/1/2030
Logan's Plaza	12/12/2012	6,500,000	5.25%	1/1/2030
Villa Anaheim	12/12/2012	11,500,000	5.25%	1/1/2030
Vintage at Kendall	12/12/2012	10,580,000	5.00%	1/1/2030
Vintage at Stonehaven	12/12/2012	13,650,000	4.90%	1/1/2030
Woodbridge Place	12/12/2012	6,720,000	4.75%	11/1/2029
Total		69,950,000		