BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Tuesday, November 12, 2013

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

10:00 a.m.

1. Roll Call.

2. Approval of the minutes of the April 23, 2013 Board of Directors Special meeting and September 12, 2013 Board of Directors meeting 1

3. Chairman/Executive Director comments.

4. Report of the Audit Committee Chairman. (Ruben Smith)

5. Discussion, recommendation and possible action regarding final loan commitment for the following projects: (Jim Morgan/Ruth Vakili/Nanette Guevara/Stephen Beckman)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
13-040-R/N	Villa San Pedro	San Jose/ Santa Clara	100

A. **Resolution 13-15** 143

NUMBER	DEVELOPMENT	LOCALITY	UNITS
13-037-M	Mountain Breeze Villa	Highland/ San Bernardino	168

B. **Resolution 13-16** 165

9. Discussion of other Board matters.

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

11. Adjournment

12. Handouts

NOTES**

HOTEL PARKING: Cash @ $10.00 per car, per entry, pay at gate with no in and out.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be January 14, 2014, at the CalPERS Headquarters, Sacramento, California.

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

SPECIAL MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

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

Reported by: DANIEL P. FELDHAUS
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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

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

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

JANET FALK
formerly Vice President of Real Estate Development
Mercy Housing

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

MATTHEW JACOBS
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

JACK SHINE
Chairman
American Beauty Development Co.

A P P E A R A N C E S

Board of Directors Present
continued

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

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Participating CalHFA Staff

VICTOR J. JAMES II
General Counsel

JAMES S.L. MORGAN
Acting Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel

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Public Testimony

DAVID MADRIZ
California Housing Advocate

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

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

--oOo--

Item 1. Roll Call

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

MS. OJIMA: Thank you.
Ms. Falk?

MS. FALK: Present.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

(No response)

MR. HUNTER: Mr. Jacobs?

MR. JACOBS: Here.

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

MS. CHAVIS: Here.

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

MS. CARROLL: Here.

MS. OJIMA: Ms. Patterson?

(No response)

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Smith?

(No response)

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Here.

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Matosantos?

(No response)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

CHAIR CAREY: Good.

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Item 2. Chairman/Executive Director Comments

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

I will defer and turn the microphone to our

Executive Director.

MS. CAPPIO: And I will hold my comments until the next item.

CHAIR CAREY: Great.

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

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

MS. CAPPIO: Good morning.

I appreciate the opportunity to meet with the Board today.

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

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

To begin, I want to be clear that we are not expecting any type of formal action today but, rather, comments, concerns, suggestions, and questions about what we've outlined in the staff report.

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

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

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

We have gone into that in lurid detail. And given the general constraints and established statutory frameworks that CalHFA works within, we need to make sure that the Board has an opportunity to review and consider these issues and give us feedback.

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

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

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

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

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

Once we have sign-off on a Governor's office reorg. proposal, we will be back to the Board for final review and confirmation.

Now, onto the issues.

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

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

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

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

Secondly, we've been keenly aware that CalHFA's financial and operational independence has to be maintained in this effort. Our principles as outlined in the September 2012 staff report are that CalHFA will remain completely self-supporting; that the Board will continue to administer the Agency with primary budget and financial responsibilities; that CalHFA, so as to remain and retain its financial effectiveness and integrity, will continue to be responsible for critical decisions that affect the performance of the Agency, namely, those that have to do with debt obligations and attracting new capital; and that the Executive Director will continue to be appointed by the Governor for a five-year term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the end of the day, what I will note to you, though, is that as recommendations come up through those working groups, they will be vetted independently by HCD or CalHFA. So in other words, if there is a loan and CalHFA has a loan in the deal and HCD has a grant or subsidy in the deal, hopefully, that final deal will be agreed upon, and then separately acted by you as the Board or me as the Executive Director, if it's less than $4 million; and similarly, through the HCD process, which they have a loan and grant committee, ultimately signed off on by the Executive Director.

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

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

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

With that, that ends my presentation.

But I would be glad -- Chair, I don't know how you want to do this, maybe take them one by one -- the issues one by one, and see if there's any concerns or discussion about them.

CHAIR CAREY: Will that work?

MR. GUNNING: Yes.

CHAIR CAREY: Okay, sure.

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

Secondly --

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

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

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

Do you see that changing in any way?

MS. CAPPIO: No. That would remain an HCD function.

CHAIR CAREY: Okay, great.

MR. GUNNING: Mr. Chairman?

CHAIR CAREY: Yes, Mr. Gunning?

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

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

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

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

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

And I believe that those walls, once we are working together regularly, particularly as a unified executive team, will be breaking down. This is about breaking down silos and working better together.

Does that help you?

MR. GUNNING: It's getting there.

MS. CAPPIO: Okay.

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

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

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

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

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

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

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

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

If we merged, that would be a factor we'd have to deal with; and definitively, that would potentially affect our ratings with the bond-rating agencies.

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

MS. CAPPIO: Yes.

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

So how do they do it?

MS. CAPPIO: They're statutorily established differently.

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

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

And as opposed to HCD, which is funded by way of grants or Propositions 1C and 46. And they are also controlled through the General Fund statutorily, and are subject to all of the State regulatory requirements with regard to appropriations of staffing, and also those limitations imposed by outside forces with regard to grants, the source of revenue that they receive.

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

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

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

(Ms. Patterson entered the meeting room.)

MR. JAMES: In New York, what they did was they integrated, or more collaborated, between five or so entities. They've put them together, but they still remain separate in their financial obligations, their financial operations. The City of New York's Housing Finance Agency is still a separate entity. And they have a shared CEO, but they don't share financial statements. And they have shared administrative services, some of the personnel services and other basic administrative services. But they otherwise remain separate to ensure the integrity of, I guess, the confidence of the capital market with regard their bond issuances. I presume that's their policy decision for doing so.

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

And so the capital market looks at our ability to manage our risks in our financial structure and our capital structure generally as an entity. And to the extent that that would be as is pointed out in the memo that Claudia has prepared, to the extent that that would be politicized in some way with regard to the traditional state budgeting process, it would make it unsettled and, thus, not have the stability that the capital market wants and needs.

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

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

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

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

MR. JACOBS: Right.

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

And to the extent that that is interfered with in some way, it would make it problematic for an auditor to reach the findings that we meet those auditing standards which satisfy our indenture requirements.

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

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

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

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

MR. JAMES: Right.

MR. JACOBS: Just to make it clear.

MR. JAMES: Right, right.

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

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

We will continue to apprise -- we can

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

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

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

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

MR. GUNNING: Yes.

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

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

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

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

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

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

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

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

So Louisiana didn't work.

What was the other example?

MR. JAMES: New York.

MR. GUNNING: New York?

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

MR. JAMES: Yes, New York has remained separate in its operations. Its financial and operational -- it has remained financially and organizationally separate as an operation, as an ongoing concern from that entity that it is a part of.

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

MS. CAPPIO: I think that's safe to say.

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

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

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

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

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

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

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

MS. CAPPIO: Yes, absolutely.

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

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

MS. CAPPIO: Yes. I mean, I -- believe me, that's been apparent.

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

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

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

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

Right now, some meetings remind me of interplanetary gatherings. But there is a -- you know, there's a lot of opportunity here. And it's interesting, because the more that we've joined together and really gotten down into the weeds, I think the more common ground there is.

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

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

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

CHAIR CAREY: No names used?

MS. CAPPIO: Right, exactly, so we keep everyone safe.

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

The lead entity was CalHFA, and we went merrily along. And then we ran into some concerns and issues regarding rent levels. And that's where the cultures basically -- there was tension, because from HCD's point of view, the maintenance of maintaining those lower rent levels, even though they hadn't been raised in years, even to where they could be, was more important than -- that that was the most important value, where we wanted to make the deal work, and wanted to underwrite in a manner where the deal would be viable to our investors and to the nonprofit entity.

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

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

MR. MORGAN: I will be succinct.

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

MS. CAPPIO: The theoretical example?

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

So those calls come in.

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

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

MS. CAPPIO: I also think that one of the hidden advantages of working more closely together, is that the nonprofit and other sponsors of affordable housing, there will be one entity or a working group responsible for that project. And we could have a similar set of expectations and communications; and they can't pit one side against the other. There will be a common set of information needs and other kinds of standards that will be applied, so everyone will know what the other one is doing, which has distinct advantages as well. Because as we have gone into the examples that haven't worked so well, that has been a key concern, that the other entities that were involved in the deal didn't know exactly what was happening, and it was fairly critical information.

Do you have other questions?

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

And I really commend you for pursuing that line.

MS. CAPPIO: Thank you.

So if we can --

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

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

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

And one of the ways in which we got to best practices is we adopted a set of multifamily lending guidelines. So whether it is our lending component or whether it is our grant component, we marry those funds together, and we are able to leverage several millions of dollars, in that it went to our governing boards, and there was a standardized set of multifamily guidelines. So whether it's administration of a grant or the administration of a loan, we had, you know, certain underwriting guidelines in that set of common -- and that's how we established our best-practices model. And it has worked quite well.

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

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

CHAIR CAREY: Thank you.

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

We've touched on this a little bit, but CalHFA resources obviously need to be spent on CalHFA activities. And the main details in this is that systems need to be set up accordingly by both CalHFA and HCD. We're just beginning to get into the guts of this. But we don't think it is insurmountable. It will be more work initially. But once the systems are established, it will be much like administering another program that we have from time to time -- for instance, KYHC, where we bill separately. We have to bill back, or CalHFA gets reimbursed, and vice versa.

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

MS. CAPPIO: I think it's statutory. It is statutory.

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

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

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

CHAIR CAREY: Okay, great. Thanks.

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

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

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

MR. JAMES: No.

CHAIR CAREY: It's a neutral reaction?

MR. JAMES: Correct.

CHAIR CAREY: Okay, great.

MS. CAPPIO: And I will note to you, just in case you didn't read it, that in the last rating write-up we got, they complimented the management team. So they've known about this. And I've reported on it during conference calls and in person for at least a year. They know what's happening. They get the packets. And we will continue to have that kind of communication with them.

CHAIR CAREY: That's good.

And you're right.

MS. CAPPIO: Exactly.

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

MS. CAPPIO: It's been big.

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

MS. CAPPIO: Yes.

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

CHAIR CAREY: Yes?

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

MS. CAPPIO: Oh, well, we will be changing cabinet secretaries soon.

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

MS. CAPPIO: It will be the same one.

MR. GUNNING: Okay. Not…

MS. PATTERSON: Do we have a problem?

MS. CAPPIO: Thank goodness.

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

MS. CAPPIO: There's an acting executive director, Randy Deems --

CHAIR CAREY: Right.

MS. CAPPIO: -- who is the chief deputy director.

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

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

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

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

MR. JAMES: Yes.

CHAIR CAREY: And who is that CEO employed by?

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

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

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

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

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

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

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

CHAIR CAREY: Yes?

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

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

And so I just throw that out there. Under California law, there is the ability for municipal governments to create joint powers authorities. And one of the purposes of those, kind of, is to provide a staffing entity, so to speak, that would be able to provide those services.

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

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

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

Staffing is another huge area where CalHFA, by virtue of this board having the authority to set its staffing levels, can decide if we need -- our current staffing, our current allocation, I think, is in the neighborhood of 340 or something. If you decided we needed 350 because we have this huge demand on loan servicing, you could say -- we could come to you and ask for that authority, and you could grant that.

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

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

MR. JAMES: Right. That's right.

MS. CAPPIO: Like furloughs.

CHAIR CAREY: Exactly.

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

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

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

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

MR. JACOBS: Right.

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

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

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

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

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

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

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

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

MR. SHINE: Or not. Or not.

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

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

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

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

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

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

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

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

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

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

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

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

CHAIR CAREY: Right.

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

So I remain fully committed.

CHAIR CAREY: Are there other questions or thoughts?

(No response)

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

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

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

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

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

MS. CAPPIO: Yes, that's correct.

CHAIR CAREY: And will be complete as part of the May Revise or…

MS. CAPPIO: Likely not. But I can't say.

We are on a journey here.

CHAIR CAREY: Right.

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

CHAIR CAREY: Okay.

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

Thank you.

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

MS. CAPPIO: Two weeks.

CHAIR CAREY: Two weeks.

Thank you.

MS. CAPPIO: Thank you.

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Item 4. Discussion of Other Board Matters

CHAIR CAREY: Any other Board matters?

(No response)

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Item 5. Public Testimony

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

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

Yes?

MR. MADRIZ: Can I make a comment?

David Madriz from California Housing Advocates.

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

So I see that as a way the Governor, as telling these two agencies to expand housing for Californians for not only high-income people, but also for low-income people. And I'm eager to see this merger.

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

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

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

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

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

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

Thank you very much.

CHAIR CAREY: Thank you.

And I think regardless of structure or process, we all share the goal of increasing opportunity for affordable housing for all Californians.

Is there anyone else who wishes to address the Board?

(No response)

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Item 6. Adjournment

CHAIR CAREY: Seeing none, then we are adjourned.

(The special meeting of the Board of Directors concluded at 11:01 a.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 29h day of April 2013

____

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

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, September 12, 2013
9:30 a.m.

Reported by: DANIEL P. FELDHAUS
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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

ANNA CABALLERO
Secretary
Business, Consumer Services & Housing Agency
State of California

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

JANET FALK
formerly Vice President, Real Estate Development
Mercy Housing

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

MATTHEW JACOBS
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

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

A P P E A R A N C E S

Participating CalHFA Staff

SHERYL ANGST
Housing Finance Specialist
Single-Family Lending Division

THOMAS O. FREEBURGER
Assistant General Counsel
Legal Division

KENNETH H. GIEBEL
Director
Single Family Lending

TIM HSU
Director
Financing Division

VICTOR J. JAMES II
General Counsel
Legal Division

MISTY MILLER
Public Records Officer *and* Privacy Program Coordinator
Legal Division

JAMES S.L. MORGAN
Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel
Legal Division

RICK OKIKAWA
(Interim) Programs Administrator

JACKLYNNE RILEY
Acting Director
Administration Division

THERESE VOLK
Project Manager
Information Technology Division

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BE IT REMEMBERED that on Thursday, September 12, 2013, commencing at the hour of 9:42 a.m., at the Holiday Inn Capitol Plaza, 300 J Street, Sacramento, 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 CAREY: Okay, I'm going to welcome everybody to the September 12th meeting of the California Housing Finance Agency Board of Directors.

Our first order of business is roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Here.

MS. OJIMA: Ms. Whittall-Scherfee for Mr. Deems?

MS. WHITTALL-SCHERFEE: Here.

MS. OJIMA: Ms. Falk?

MS. FALK: Here.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Here.

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

MS. CARROLL: Here.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Here.

MS. OJIMA: Mr. Shine?

(No response)

MS. OJIMA: Mr. Smith?

(No response)

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Matosantos?

(No response)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

CHAIR CAREY: Thank you.

I would like to take a moment to say that we are very honored and privileged to have the Secretary of Consumer Services and Housing here today.

Thank you for joining us.

MS. CABALLERO: Thank you.

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Item 2. Approval of Minutes of May 9, 2013, Board of Directors Meeting

CHAIR CAREY: The next item of business is approval of the minutes of May 9th.

And if someone would make a motion --

MR. GUNNING: So moved -- I'll make a motion to approve the minutes.

MS. OJIMA: Thank you.

MS. PATTERSON: Second.

CHAIR CAREY: A motion and a second.

Roll call, please.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Abstain.

MS. OJIMA: Thank you.

Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Approve.

MS. OJIMA: Ms. Falk?

MS. FALK: Yes.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Abstain.

MS. OJIMA: Thank you.

Mr. Jacobs?

MR. JACOBS: Yes.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Yes.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: The minutes have been approved.

CHAIR CAREY: Thank you.

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Item 3. Chairman/Executive Director Comments

CHAIR CAREY: Next, we'll simply turn this over to our Executive Director for comments.

MS. CAPPIO: Thank you, Chair.

Good morning. And I'd also like to echo a warm welcome to Secretary Caballero.

We also need to give Janet and Matt an official congratulations, as they were officially confirmed in the summer.

CHAIR CAREY: All right.

(Applause)

MS. CAPPIO: And I just have a new brief items.

On July 1, it became official that CalHFA was integrated into the new Business Consumer Services and Housing Agency. We've hit the ground running and have been having a good time. We've had to hit the ground running because of the various legislation floating around. And it's great to be in a new agency. And I look forward to effectively working together.

The Homelessness Policy Academy continues to run. We had another summit of the statewide stakeholders at the end of July. And we continue to focus on three fronts:

First, how to increase access for the homelessness -- the chronic homelessness, into permanent supportive housing. And that really looks at why there are barriers right now, and also what else we need to provide with permanent supportive housing in order to effectively serve the chronic homeless folks.

Improving and retooling crisis intervention, the crisis response system. Not necessarily the State intervening in that, but what are the most effective ways to do that, and how we coordinate intervention at the local level. Because, as you know, many of these chronic homeless people, unfortunately, go into emergency rooms frequently, get picked up by the police; and so there is a drain on resources that could be used in a more effective way.

And finally, increasing access to tools that are conventionally available, including Social Security, Disability, and Medi-Cal. So, again, we look at resources that could be applied to more effectively giving them the intervention and safety net that they need.

The next and final summit for this program will be at the beginning of November. And I will follow up with the Board on our final recommendations and findings.

Lastly, the housing cost study continues to be, I will say without hesitation, a thorn in my side but necessary work.

We met with the Advisory Committee in July. And the study has been drafted. We're responding at this point to following up on some questions and concerns that came out during that meeting. And I expect a draft to be published and distributed sometime within the next 30 to 45 days.

And that's it.

Thank you.

CHAIR CAREY: Thank you very much.

Any questions?

MS. FALK: I have two.

MS. CAPPIO: Sure.

MS. FALK: The first one on the homeless study, could you refresh our memories as to who was part of that summit?

MS. CAPPIO: Oh, sure. California was one of four states that were chosen for basically a technical assistance grant for the substance-abuse and mental-health services at the federal level, part of HHS. And we've been working since January. And we basically invited a broad list of stakeholders, including local homelessness providers, policy people, Department of Corrections, Department of Health Care Services. So there's a number of people from the State -- Cal-Vets. And we've been trying to broaden the participation as much as possible because we're looking for the most effective means to intervene.

It's a joint effort with our sister agency at Housing and Community Development. And there is a great person, Cindy Cavanaugh, who has been leading the effort.

So that's what's going on.

MS. FALK: Okay, great.

MS. CAPPIO: Oh, and you had a second one?

MS. FALK: Yes. Can you give us any preview of the cost study?

MS. CAPPIO: I can safely say there is something in it for everyone to hate.

There are -- I think the data is taken from tax-credit projects. So we have over 400 actual examples and analysis of tax credit projects over the last ten years. And I can't give you any findings because it's still in administrative draft. But I think there will be stuff to follow up on that will get us toward better practices. And I can't -- I really am very eager to share it with the Board because I really want to make sure that the follow-up for that is what really matters to me.

CHAIR CAREY: Okay, thank you.

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Item 4. Report of the Chair of the Compensation Committee; *and*

Item 5. Discussion, recommendation, and possible action adopting a resolution changing the name of the Compensation Committee and to amend the provisions of its Charter

CHAIR CAREY: Okay, next, we have a report from the chair of the Compensation Committee, who is Michael Gunning.

MR. GUNNING: Thank you, Mr. Chairman.

The Compensation Committee, if you know or happen to know that we had a packet at the last Board meeting about what the Committee does and what it's supposed to do. And that's principally the annual review of the Executive Director.

Fortunately -- or unfortunately -- the word *"compensation"* sets off a lot of red flags. I got my calls from my friends in the Legislature, asking what are we doing, what compensation are we considering.

In the past, it was used to determine compensation levels for the employees. Since then, it really is about the annual evaluation of the Executive Director.

But with that in mind, the members of the Committee -- Peter, Jack, and I guess it was Russia, but she is no longer there -- decided we ought to change the name. And so I think Victor has prepared a mock-up of the changes we made -- it's Number 137 in your packet -- to "Executive Evaluation." So you see it there.

And then subsequently, within the document there are some additional changes that we thought were necessary. Specifically, under Number 7, what we were thinking is, if there was a need to look at compensation, it would be at the directive of the Board. So the Board would say, or felt like it's time to take a look at the compensation level and then the Committee would be so directed.

So we wanted to make that clear here.

And then I guess, Victor, the other changes were cleanup to make the document flow well.

MR. JAMES: That's correct, Mr. Gunning.

MR. GUNNING: There's also a copy in here that is actually the one without the edit. So that's the next copy.

So the recommendation today from the Committee is that we accept these changes, rename the Committee, and the subsequent changes therein.

CHAIR CAREY: Are there any questions? Any questions from Board members?

(No response)

CHAIR CAREY: I think we're trying to strike a comfortable balance between the practicalities of the issues, the Agency, and the statutory authority of the Board. And I think this does that.

This is an action that the Board proposed.

So if there's anybody from the public who would like to comment on this particular issue, this would be the time to do so. Please indicate if you'd like to comment.

MR. JAMES: I'm sorry, Mr. Chair?

CHAIR CAREY: Yes?

MR. JAMES: Just for my clarification, we're also dealing with Item 5, as well as -- both Items 4 and 5?

CHAIR CAREY: Yes, I'm sorry.

MS. CAPPIO: One is the report, and one is the resolution.

CHAIR CAREY: Yes.

MS. CAPPIO: Okay.

CHAIR CAREY: I'm sorry, yes, the resolution would enact the change that Mr. Gunning described.

(No response)

CHAIR CAREY: Seeing none, we would accept a motion for the resolution.

MS. FALK: So moved --

MR. HUNTER: I'll move the motion.

CHAIR CAREY: It's been moved.

MS. FALK: Second.

CHAIR CAREY: Second?

Okay, roll call, please.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Thank you.

Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

MS. OJIMA: Resolution 13-10 has been approved.

CHAIR CAREY: Thank you.

MR. GUNNING: Thank you, guys.

CHAIR CAREY: And so this committee shall henceforth be known as the "Executive Evaluation Committee."

And as this is my last Board meeting as a member of the Board, and I sit on that committee, and to keep things moving, I've asked Janet Falk if she would be willing to join that committee in my place; and she has graciously agreed.

MS. CAPPIO: Thank you.

CHAIR CAREY: So she will be now a member of that committee.

Okay, with that, now, we are about to enter into our closed session.

We have three items to discuss in the closed session. The specifics of the statute which permit us to enter into the closed session are listed under each of the three next items on the agenda.

And so with that, we'd ask the room clear; and only the reporter will stay with us to take brief notes on the discussions.

(The Board of Directors met in executive closed session at 9:54 a.m.)

Item 6. Closed session under Government Code section 11126(a)(1) to evaluate performance of a public employee; ***and***

Item 7. Closed session under Government Code sections 11126(a)(1) and 11126(b) to consider the appointment of a Programs Administrator; ***and***

Item 8. Closed session under Government Code section 11126(e)(2)(B)(i); significant exposure to litigation against the state body (one potential case)

(The Board of Directors completed meeting in executive closed session at 11:28 a.m.)

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CHAIR CAREY: Okay, we are back in open session to consider the three items listed on the agenda, as specified. And there were no actions taken in the closed session. There were no actions, so there are no actions to be reported out.

And with that, we'll move on to Item 9.

--o0o--

Item 9. Discussion, recommendation, and possible action adopting a resolution to appoint a Programs Administrator

CHAIR CAREY: Claudia?

MS. CAPPIO: Board Members, this is a recommendation via Resolution 13-11 to appoint a programs administrator for the Agency. And under that position, that will encompass Asset Management, Multiple-Family programs, Single-Family programs, and Portfolio Management -- Single-Family and Portfolio Management.

We have done some strategic thinking in the last few years, and believe that such a reorganization and a consolidation of what used to be a number of other senior managers makes sense for the Agency now, from my perspective, particularly, to build the bench. And we are recommending that the individual who has served in that position in an interim capacity, Rick Okikawa, be appointed.

So the resolution before you basically outlines why we're doing this and that Rick is qualified. And I request that you adopt this resolution, and that he carry on and become permanent programs administrator.

CHAIR CAREY: We need a number for the…

MS. CAPPIO: Do you know what the upper limit is?

MR. JAMES: The upper -- $210,000 is the upper limit.

MS. CAPPIO: Okay, so that's the upper limit of your authority.

MS. PATTERSON: But that's the blank -- that's the number that goes in this blank?

MS. CAPPIO: Yes.

CHAIR CAREY: Yes. It's the preapproved upper limit of that range.

MS. CAPPIO: Via your previous board actions.

CHAIR CAREY: Previous actions, yes.

MR. JAMES: For the director of Multifamily?

MS. CAPPIO: Right.

CHAIR CAREY: Any questions from Board members?

(No response)

CHAIR CAREY: This is an opportunity -- if there is anyone in the audience who would like to address the Board on this specific item, please indicate.

(No response)

CHAIR CAREY: Seeing none, we have Resolution

13-11 in front of us.

MR. HUNTER: I'll move approval of Resolution 13-11.

CHAIR CAREY: Motion.

MS. FALK: Second.

CHAIR CAREY: And a second.

MS. OJIMA: Thank you.

CHAIR CAREY: Okay, roll call, please.

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

MS. OJIMA: Resolution 13-11 has been approved.

CHAIR CAREY: So that's approved and reflective of what I think we all feel is a very positive decision here.

MS. OJIMA: Thank you.

CHAIR CAREY: Congratulations.

(Applause)

MS. OJIMA: I'm sorry, Ms. Patterson?

MS. PATTERSON: Yes.

MS. OJIMA: I have lines all over the place.

Thank you.

CHAIR CAREY: All right, JoJo is kind of new at this, so…

MS. OJIMA: I'm just overwhelmed because I'm so sad, missing him after today.

--o0o--

Item 10. Discussion, recommendation, and possible action adopting a resolution authorizing the Executive Director or her designee to negotiate & enter into a contract for Single Family replatforming services

CHAIR CAREY: Moving on to Item 10.

And do we have two people?

MS. CAPPIO: Yes, Therese Creamer will take this item. She works with I.T.

CHAIR CAREY: Great. Welcome, Therese.

MS. VOLK: Good morning. My name is Therese Volk.

MS. CAPPIO: Excuse me.

MS. VOLK: I'm from the Information Technology Division. I am the software development manager, and have been with the Agency for many, many years.

Today, I'm bringing forward agenda Item Number 10 for you.

Earlier this year we came before the Board, and we explained that the current single-family computer system, both the hardware and software technical platform, it's obsolete and at capacity. We requested funds in the budget to bring in a vendor to provide a new platform for the existing system.

The Board responded and approved the funds.

Subsequently, the Agency sought a vendor to provide for the design, development, and implementation of a software solution. The expected cost of the project is a one-time cost of $1.5 million over two fiscal years. The necessary funds have already been approved as part of the current fiscal-year budget.

Today, I'm requesting Board approval of Resolution 13-12 to allow the Agency to negotiate and enter into an agreement with the selected vendor.

CalHFA needs to replace the existing

single-family system for a variety of reasons. The current system is fragile. It was built in a technical environment that is not sustainable. It's also very old. It was built 20 years ago. And in computer times, that's very, very old.

The current system is also at capacity, which restricts the ability of the Agency to quickly adapt to changing business needs, such as new loan products or secondary marketing capabilities.

The current system is obsolete. It doesn't incorporate current information technology best practices. It doesn't even have a mouse interface.

And finally, the current system is marginally responsive. Information is not easily available to management to effectively make reporting or analysis for business decisions.

The objectives of this single-family re-platforming project are to move the existing system to a stable and modern technical environment that is consistent with CalHFA's technical standards and operations. It will improve business operations and efficiencies, and provide the flexibility necessary to be responsive to change. It will allow us to integrate our loan processes across business functions, and improve information quality, integrity, and timeliness for all stakeholders.

And finally, it will allow us to improve services to our customers.

To meet these objectives, the project used the Agency's procurement best practices process to identify the best system solution and vendor for this project.

To summarize the procurement and selection process that was followed, an RFP was released to five vendors. And as part of this RFP, it also included the contract, the proposed contract.

One vendor expressed interest and submitted a proposal. That vendor is Public Consulting Group, PCG.

That proposal was evaluated. A vendor interview was conducted, which included interviews with the key staff who would be working on the project. The references were checked, and a recommendation decision was reached.

Based on the outcome of the procurement and selection process, it's been determined that PCG offers a comprehensive solution to meet the needs of the Agency. It appears capable of successfully completing the project. It appears to be a financially stable company, with a strong client list, and 25 years' experience with similar technology consulting projects.

It offers significant value at a reasonable price, and successfully completed a similar project with CalHFA in 2009, when we re-platformed our fiscal services system.

The proposed project schedule would have the project beginning next month, in October. It would take an estimated 12 months before we could go live in October 2014, and the warranty period complete and final solution acceptance period would finish in May 2015, which would be the end of the contract. And the proposed one-time costs are $1.5 million.

So today, we're coming before you, asking the Board to approve Resolution 13-12 to allow the Agency to negotiate and enter into a contractual relationship with PCG for the design, development, and implementation of software and services that will result in a single-family solution on a new technical platform that would meet Agency needs.

I ask your approval.

Any questions?

CHAIR CAREY: Questions?

Sure, Matt.

MR. JACOBS: Is there any possible crossover use with our sister agency for any programs they're operating?

MS. VOLK: I think that might be a better question addressed by Claudia.

MS. CAPPIO: There is single-family homeownership activity at HCD. It's very small. We've done an initial reconnaissance of that.

Maybe I could ask Rick to come up quickly and -- there wasn't a lot of crossover at the time; but we are not adverse to looking at that as we move forward with consolidation.

MR. JACOBS: Or at least in the contract, to get a license.

MR. OKIKAWA: Correct. When we did an initial reconnaissance, there were approximately around 2,000 single-family loans by HCD which are being serviced. And their primary down-payment assistance, I think, were Joe Serna loans.

There could be future need for some kind of a joint computer system, and I think --

MS. CAPPIO: We certainly could look at that and make sure that we're not omitting any future opportunities.

MR. OKIKAWA: Right.

MS. WHITALL-SCHERFEE: I think currently most of the HCD programs, the local governments -- they get the funds, and they do it at the local government level. They make loans to homeowners and service them. So most of the HCD single-family loans are existing. They've been there for a long, long time. And it's not an active part of our portfolio.

MS. CAPPIO: And if I could add, or ask Therese, is it -- it's expandable. This system could conceivably be --

MS. VOLK: It is. Essentially, we're just recoding everything, from a UNIX-based, Cobalt-like system, although it's not Cobalt, to a Microsoft SQL-server world. And from that, we will continue to add on as new loan programs are good -- it easily ties in with everything else we do, which is also the Microsoft SQL server world.

MS. WHITALL-SCHERFEE: And to the extent that we might go into that area, we, of course, would be interested in continuing the conversation with CalHFA on all systems.

MS. VOLK: We'd be happy to work with you.

MS. CAPPIO: And you are also on a SQL server, Windows SQL server?

MS. WHITTALL-SCHERFEE: Right now.

MS. VOLK: A lot of their operations, I believe, are also on Oracle. Yes, it is actually different.

MS. WHITALL-SCHERFEE: Yes, it is Oracle. It's not SQL.

CHAIR CAREY: Not SQL?

MS. WHITALL-SCHERFEE: Not SQL.

CHAIR CAREY: Other questions?

MR. HUNTER: Not that it's all that shocking, but did you get any feedback from the other four vendors as to why they chose not to submit a proposal?

MS. VOLK: No, we did not get any feedback. A few just sent an e-mail saying they weren't interested in working with us at this time. It was probably too small of a project for them to get that interested in it.

One actually called me to chat, but I think he was more of a salesman. And I think he was just really looking to get into the contract with us. They just really weren't that interested in it.

CHAIR CAREY: Janet?

MS. FALK: So given that you only have one bid, which is always a little concerning to me, do you feel like this is a reasonable price because you don't have anything to compare it to?

MS. VOLK: We do feel this is a reasonable price. This is actually what's in line with what we pay for the fiscal services re-platforming in 2009 to 2010. That would be calendar years, not fiscal years.

It took approximately 12 to 15 months, I'm not sure exactly how long it took. And it was approximately the same cost, and the same group. And many of the same -- the key people who worked on that project, many of them are still with the company. And we interviewed them last month, and they will be working on this project also. So they have a history with us of success.

CHAIR CAREY: And the experience with that project was positive?

MS. VOLK: Yes, it was.

CHAIR CAREY: Any other questions?

Yes?

MS. PATTERSON: So this is just a reso, kind of formatting kind of question.

So in your "whereases," you had that you expect it to be 1.5; but down below the line, where you actually get the authority, you don't have "an amount not to exceed 1.5."

So are you anticipating -- do you want that flexibility so that you can negotiate the contract? Because if it's one-point -- I don't -- I'm just trying to get, what's your parameter?

MR. JAMES: Correct, 1.5 is what we expect this -- not to exceed 1.5 is what we expect this to be.

MS. PATTERSON: Okay.

MR. JAMES: Candidly, if we could negotiate a price that's something less than that --

MS. PATTERSON: Less than that.

MR. JAMES: -- great.

MS. PATTERSON: Right.

MR. JAMES: Part of the practical problem here is that we've been through this RFP process. And then because it exceeds a million dollars in a year, we have to bring it before the Board for approval.

MS. PATTERSON: Right.

MR. JAMES: But that doesn't mean that we can't further negotiate. We will.

MS. PATTERSON: Okay.

MS. JAMES: But not only is our expectation to get it below 1.5, but we're also actually asking in that second --

MS. PATTERSON: Uh-huh, that she can negotiate change orders up to 7 percent at a time?

MR. JAMES: 7 percent.

MS. PATTERSON: I get that.

So does that mean it would be 7 percent over the 1.5 --

MR. JAMES: Yes.

MS. PATTERSON: -- and that's the max?

MR. JAMES: Yes.

MS. PATTERSON: Okay.

MR. JAMES: That would be the maximum authority the Board is giving us, is 1.5 plus the 7 percent. And my math isn't that great, so…

MS. PATTERSON: Okay.

MS. CAPPIO: Do you want to clarify language, or --

MS. PATTERSON: Well, I would like to see "an amount not to exceed 1.5" in section 1. But I do want you to have the flexibility to provide at least 7 percent of the contract over the 1.5, to consider change orders. So I think --

MR. JAMES: Okay, so what it can read, I think, is: "The Executive Director and/or her designee is authorized to negotiate and execute a contract with Public Consulting Group for the design, development, and implementation of software product, meeting the needs of the Agency, not to exceed 1.5."

MS. PATTERSON: Okay.

MR. JAMES: Does that work?

MS. PATTERSON: Yes.

And I would move staff recommendation with that change to the reso.

MR. JAMES: I'm sorry?

MS. PATTERSON: I would move staff recommendation.

MR. GUNNING: I'll second.

CHAIR CAREY: So we have a motion and a second with an amended resolution.

Okay, well, this is an opportunity, if there's anyone in the room who would like to comment specifically on this action, please indicate.

(No response)

CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

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

CHAIR CAREY: And let's get it done. It's pretty frightening.

--o0o--

Item 11. Discussion, recommendation, and possible action to modify Resolution 96-20 to further clarify the Predevelopment Loan Program

CHAIR CAREY: Okay, moving on to Item 11, the Nonprofit Predevelopment Loan Program.

MR. MORGAN: Good morning.

We're here to talk about the Predevelopment Loan Program for nonprofits. I handed out some resolutions that the memo references for your reference point, if needed.

Given the fact that the last time we had a predevelopment resolution and structure back in '95-96 and given the fact that there has been an incredible amount of interest in our Preservation Loan Program, some of the small- to mid-size nonprofits have inquired within about our Predevelopment Loan Program.

And so in researching with our friends in Legal, we went back and looked at the resolution, and moving forward, decided that we wanted to update the context of that Predevelopment Loan Program. And that's what you have in front of you.

The proposal references the changes within those previous resolutions from increasing the loan amount from $250,000 to $500,000; removing an allocation requirement, a set-aside of $2.5 million, and replacing that with a maximum aggregate of $500,000. Basically, ten $500,000 loans outstanding at one time.

Reduce the non-refundable loan fee from 1 and a half to 1 percent, and replace these variable-rate indices. I know that it references "11th District cost of funds." I remember that when I was with the savings and loan industry. Those are just outdated and no longer applicable. And replacing that with a fixed interest rate based on the current market conditions.

Prohibit these predevelopment loans to acquire land, which was an allowable use in '95 and '96.

Allow the option to secure these predevelopment loans by real estate and personal property. So we can go -- if the project is in an existing deal in our portfolio and they are seeking to recapitalize and refinance, we can secure the predevelopment loan with a deed of trust on that property, or we can secure the loan with a deed of trust on another property the developer may have; or we may look at doing corporate or individual guarantees, and look at their financial statements, look at the net worth, look at what we can do as far as financial strength. Or the last choice could be unsecured. But those would be the four options.

The unsecured option is not the most strongest option we like, that's for sure.

And then also to amend the source of funding from our HAT funds to non-HAT funds.

And that is the proposal that we have in front of you today.

MR. OKIKAWA: Mr. Chairman, Members of the Board, I'd like to add a couple things here.

Back in '96 -- '95 and '96, which we do have those attachments of the original resolutions and the memorandums -- what we originally did this predevelopment loan for, was mainly for acquisitions. And, of course, as things have changed and the needs have changed, we're trying to modify that.

But if you notice the $2.5 million annually, that is tied to the HAT funds, or Housing Assistance Trust Funds, which is our unencumbered assets. And the major reason for this update is because we want to free those Housing Assistance Trust assets. And part of that will be brought out, I think, in Tim's presentation a little bit down the road.

And what we were doing is funding through non-HAT funds. And I just want to make that point in terms of what we originally had thought is, those loans were from HAT funds, and they were appropriated each year, $2,500,000. Now, we're looking at cumulatively $5 million. So no more in the budget $2,500,000 for the HAT funds.

CHAIR CAREY: Questions from Board Members?

MR. JACOBS: Is there a provision to extend this? Because to do a project in Los Angeles, it needs EIRs. 24 months is not --

MR. OKIKAWA: Yes, there is. And they're two-year periods, with permission by the Executive Director, approval by the Executive Director to extend. So we do have that. That was in the '96 amendment -- that was in the '96 resolution. And we want to continue that with this resolution. And it should be in here.

MS. FALK: Why do you want to change it to prohibit acquiring land?

MR. OKIKAWA: I couldn't hear you, Janet. I'm sorry.

MS. FALK: Why did you want to make a change to prohibit acquiring land?

MR. OKIKAWA: I think Jim could better address this.

But originally, when we did a lot of these, we did many options to purchase. In allowing those options, those were very risky. And we thought we'd more focus on the soft costs.

And, Jim, do you want to talk a little bit more about that?

MR. MORGAN: Yes. For this type of developer, it's a very limited balance sheet. We've received in the last 12 years, two predevelopment loan applications and they were very -- they were for small developers that were looking for -- like, your EIR studies, permit, architectural, and engineering cost, bonding fees, those type of items.

And word of mouth gets out, and we're now the CalHFA land loan program. We were just trying to focus on the need, and the need that we see was more for predevelopment costs and not necessarily land.

And land being speculative, and a lot of focus on land and land values, we just wanted to steer away from that, and not just have, you know, $500,000 -- it could be a half million dollars land, a loan for the piece of land, that may sit there for a year, two years, three years, while you're trying to go through that development process.

MS. FALK: That's true with the predevelopment costs, too.

MR. MORGAN: Right. But on the predevelopment loan side, it is a requirement that you have to use CalHFA as your lender as well. So, I mean, where the deals that we've seen to evaluate for request have almost all -- both of those deals have been -- and the new inquiries as well -- have been on just predevelopment cost.

We just felt it was a more secure -- a safer way not to do predevelopment loans on land acquisitions.

CHAIR CAREY: Jonathan?

MR. HUNTER: Yes, I just wanted to make sure I understood how this fits into the deal, because it caught my eye that you only do predevelopment loans on a project that you're doing a main loan on.

So basically, this tool is primarily a tool to get some cash in the hands of the developer during the development phase, before the loan closing of construction or permanent financing.

Is that what you're doing?

MR. MORGAN: That's correct. Like, for example, one of the inquiries we have is a very small developer out of Humboldt County; and to write a check out of their cash of $30,000 is virtually impossible.

This deal that they are talking about is in our portfolio. It's in Year 29 of a 30-year term. There's only a hundred thousand dollars outstanding on the balance. We feel comfortable securing that with a deed of trust, and helping them out with those predevelopment costs as they go through us and the Preservation Loan Program due-diligence process.

CHAIR CAREY: Tia?

MS. PATTERSON: Did I hear you say you had two applications last year?

MR. MORGAN: No, two applications in 12 years. It's not like they are -- you know, my experience here --

MS. PATTERSON: Okay, this isn't a real robust program.

MR. MORGAN: Yes, yes. But given the change -- yes, it's not something that it's high-volume, yes.

MS. PATTERSON: Okay, so this is just a small program that goes to help supplement preservation, kind of recapitalization --

MR. MORGAN: Exactly.

MS. PATTERSON: -- so that you can help out the developer.

MR. MORGAN: Jump-start.

MS. PATTERSON: It's not like a big --

MR. MORGAN: No.

MS. PATTERSON: And you want to basically delegate this down to the Executive Director at $250,000?

MR. MORGAN: The way the resolutions are set up, that delegation has already been given to Claudia.

MS. PATTERSON: Okay.

MR. MORGAN: We have our senior loan committee. We do have a formal process that we go through for recommending approval.

MS. PATTERSON: Okay.

MR. MORGAN: That was the second resolution that 96 -- is it 96-20? -- because they were bringing $51,000 predevelopment loans to the Board for approval.

MS. PATTERSON: Yes, okay.

Move staff recommendation.

MR. JACOBS: Second.

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

Any further discussion?

(No response)

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

(No response)

CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Yes.

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

CHAIR CAREY: Okay, thank you, gentlemen.

--o0o--

Item 12. Update of Single Family Loan Products

CHAIR CAREY: We are moving on to an update of the single-family loan products.

MR. OKIKAWA: Mr. Chairman, Members of the

Board, I'd like to take a quick moment to thank you for your support, and to tell you that I'm honored and excited about serving this Board in my new capacity. So thank you.

CHAIR CAREY: Great.

MR. OKIKAWA: Since there are so many -- a little technicality here, excuse me.

I'll continue.

Since we have new Board members -- we also have people here that we've presented before with a little more familiarity -- we'd like to do a little bit introduction of ourselves before we start the presentation.

And you obviously have had plenty of me.

So I'll skip me and go on to Ken and Sheryl.

MR. GIEBEL: Okay, so we'll go quickly today for you.

Single-family lending has been really busy since -- all summer. And we're really going to get busier and we're going to keep going, probably until the spring, with some of the things you've seen before. But I just wanted to let you know what's going on in the first two months of the year because we have been busy.

And then Sheryl is going to present to you, because of some legislation that was approved, an energy-efficient CalHFA, FHA energy-efficient program. So we'll take you through that quickly.

Okay, just to let you know, as of July 1st, prior to the introduction of the TBA single-family products, we put in the new underwriting requirements on the CHDAP loans. So just to let you know, for July and August, the CHDAP loan volume went down to 45 percent once we put those in.

So we believe that we'll be at about 50 percent. So last year, we did six thousand -- what --

MS. ANGST: 6,200.

MR. GIEBEL: -- 6,200 loans.

We will probably be about half of that. Those are only on CHDAP stand-alones, okay.

So these changes that we put into effect July 1st cause about a half -- 50 percent drop in our CHDAP volume.

Okay, you've seen these before, and were very instrumental in getting these done.

Just some other things we've been working on:

We do have an MCC, a Mortgage Credit Certificate program. We are picking up steam on that program. We have four times the reservations in July and August, than we had in July and August last year. We continue to see that number go up.

We do, however -- I wanted to let you know, we expect about $29 million of the 2011 MCC allocation to expire at the end of the year.

All right, that's -- we have plenty of MCC money for '12 and '13 allocation, but we just wanted to make you aware.

Our special programs: Our goal was kind of interesting. We thought we'd collect $20 million in the fiscal year. We've collected $14.4 million: 6.4 from HELP, 8 from RDLP. We probably, as of today, are probably about at 15.2.

We have an interest forgiveness program out there through December 31st that seems to be working, as people are working through with the OF on their ROPs. More of that seems to be coming in, and they're paying off.

So we have six more loan modifications underway right as I speak. And the junior loan subordinations, those are CHDAPs, old School Facility Fee loans, some CHAPs. We've done 86. That volume is dropping because interest rates are going up.

But also, with the market turning around a little bit, people are starting to look -- to move up in homes.

So just to let you know, thanks to Di, she pushed this through without any resistance, and did it very quickly. It was a great job.

We removed the deed restriction -- it was AB Bill 984 -- a deed restriction on our down-payment assistance program, which was a big issue for HUD/FHA, which could have shut down our program. So that is no longer an issue on our down-payment assistance loans.

We also, at the same time for future consideration, got approval to fund at closing, which we couldn't do previously.

And right now, we do have a waiver from -- the HFAs have a waiver from HUD. And we are going to continue to use that because it saves us a lot of time and staffing resources. And also, which we will talk about a little bit more in length, we can do the grant now for the energy-efficient mortgage program.

I just wanted to update you and let you know that -- and just give you some numbers here, because it's -- like I said, we've been busy.

We introduced -- announced on August 16th the TBA FHA programs. We do have reservations, and we do have loans. It started the 26th of August. Just to let you know, we held six kickoff events -- and, JoJo, do you want to hand out the toolboxes? -- in six cities across the state.

There were 629 loan officers, mortgage brokers, and realtors that attended in September and October -- are you okay down there?

Come on up.

We have eight events that we will participate in, that attendance will be 13,000 at those six events, and we have speaking roles at each one of them. And we use these *(pointing)* to kick off the program. And they will be passed out at all six events.

And we have 12 trainings scheduled August, September, and October; and that we'll reach 733 people. All told, by the time the end of October, we will have talked to 15,000 people about these programs.

And just to let you know, we have 74 CalHFA-approved -- you can take those. We have more, too.

CHAIR CAREY: We thought maybe they were lunch.

(Laughter)

MR. GIEBEL: Had I known.

Poor planning by the Marketing Department.

CHAIR CAREY: They're great.

MR. GIEBEL: We have 74 lenders. Fifty-five of those lenders are approved by our master servicer, U.S. Bank.

As of a minute ago, we have lenders that are doing the program. We hope to get all 55 up and running. And U.S. Bank says they want to be a retailer, so we'll see. It would be nice to have our master servicer do our program.

Just to take you through this, the FHA, what we're calling CalPLUS, is the first mortgage with a 3 and a half percent ZIP loan, the zero-interest down-payment loan. We are paying for that with about a 50-basis-point markup on the first mortgage.

Interestingly, I think all -- all the loans we have right now are FHAs with CHDAPs.

Extra-Credit Teachers Program, the Deferred Payment Forgivable Interest, we will have an article in the CalSTRS publication in the fall. So we are marketing that.

And now Sheryl is going to talk to you about the energy -- of our proposed CalHFA FHA Energy-Efficient Program. This is to let you know, since the legislation was approved, what the program would look like. And then we'll have a resolution in November for you to consider.

MR. OKIKAWA: Real quick -- thank you, Ken.

What Ken was trying to give an update, as we promised in our May board meeting, we'll continue with the update on the premium-plus program.

Now, as well here, we're looking at the Energy

Efficient Mortgage, which we love to have Board feedback, and so we can prepare a final for November.

And so I know Ken skipped his little introductory remarks about his background.

But maybe, Sheryl, you can tell a little bit about yourself. Thank you.

MS. ANGST: Good afternoon.

My name is Sheryl Angst, and I am a Housing Finance specialist in the single-family lending division. I am product development, secondary marketing. I have been the project manager on the last three projects that went out live. And I have twenty-five years of experience in the private sector before coming to CalHFA about six years ago.

Basically, what we're going to do is, we're going to use the same TBA format that we used for the CalPLUS loan, and we're going to price these loans through the TBA market. We're going to premium-price them, so that we have extra money. And like we're doing with the ZIP, except for that ZIP is now going to be a grant. The grant is going to be specifically for the use in Energy Efficient Mortgages.

This will help the low- and moderate-income borrowers with their energy-efficient home repairs as part of an FHA-insured program. The cost of the improvement and the estimate of the energy savings must be determined by a Home Energy Rating System, or HERS, or an energy consultant.

FHA currently limits the amount of the improvements that may be financed as follows: It basically is at least 5 percent of the value of the property, 115 percent of the median area home value, or 150 percent of the conforming Freddie Mac sales-price limit.

And from experience, most of it ends up being 5 percent of the value of the property.

FHA does allow the final loan amount to exceed the FHA maximum mortgage limit by the amount of the energy-efficient improvements. So they are basically doing a 5 percent home-improvement loan on top of the purchase money first.

The CalHFA Energy-Efficient grant, EEM grant, is not included in the CLTV, and the maximum CLTV may exceed 103 percent if they use a CHDAP loan with it.

CalHFA's Energy-Efficient Mortgage grant will allow the borrowers to complete additional home improvements up to the maximum allowed under the HERS report. It allows the borrower to piggyback on the existing FHA Energy-Efficient Mortgage, and it provides additional energy-efficient improvements, reduces the tax, utility bills, improves the comfort of the home, and improves the value of the home.

It can be combined with the CHDAP or an ECTP and with the MCC program. It cannot be used with the CalPLUS mortgage.

This is a basic sample of how the program will work.

We're using a $200,000 sales price or appraised value. The maximum Energy-Efficient Mortgage is $10,000, or 5 percent of the value.

The HERS audit report shows that there's repairs needed at the home: new windows, doors, weather stripping, $7,000; attic insulation of $3,000; and a new HVAC system, about $6,000. The total energy-efficient improvements needed to that home is $16,000. The maximum FHA energy-efficient amount is only ten, which leaves a deficit of $6,000. That's where we come in, offering the grant to the borrower for the $6,000.

Now, the maximum amount of the grant will be the lesser of $8,120, which is 4 percent of the maximum -- 4 percent of the loan amount, or the actual cost of the repairs.

At closing, an escrow account is established, and they will deposit that $6,000 grant into escrow. It will be held there for the improvements. Once the improvements are made, they are released, and the contractor is paid. They cannot exceed 90 days.

And we're going to follow the actual compliance and underwriting guidelines already approved by the Board in May.

MR. GIEBEL: So that's basically the outline of it. We're adding a grant to the FHA grant, to give them even more, up to about 9 percent.

CHAIR CAREY: That's great.

Questions? Comments? Thoughts?

(No response)

CHAIR CAREY: It looks good.

Please, go ahead.

MS. CABALLERO: If I could.

How would somebody access these resources? Would they come in as a regular mortgage applicant?

MR. GIEBEL: Yes.

MS. ANGST: Yes. Through the lender.

MR. GIEBEL: Through the lender.

And we, obviously, will have to train our loan officers once we put the product in the system. They'll have to load it because it will be a little bit different than the FHA program they have. So that takes anywhere from 30 to 60 days for them to get the product into their systems. That's what we're going through now on the TBA products.

So that leads to the next step. As I said, we will bring this back to you --

MS. CABALLERO: I have one further question.

CHAIR CAREY: Ken, we have another question.

MR. GIEBEL: Sure.

MS. CABALLERO: Will we have a list of providers that -- a preferred list of providers, for example, that can do these kinds of projects?

MR. JAMES: Ken, why don't you explain how we reach out to our lenders, who in turn reach out to our potential borrowers?

MR. GIEBEL: Well, I think I quickly mentioned, Secretary, that we do lender trainings, we do two webinars to let our loan officers -- or anybody who signs up for them. And our lenders know the product is available, here's how it works.

I think what you're talking about, who would do the work?

MS. CABALLERO: Correct.

MR. GIEBEL: We will have a list of people. There's not a lot of them. That's one of the issues that FHA is having.

There's one person who's in Oregon, right?

MS. ANGST: There's several.

MR. GIEBEL: There's several. But there's one person who specializes in this, and is actually doing some of the work for the existing FHA loans in Sacramento, because this area in the state does the best of using those loans. But FHA is very excited for us to partner with their loan so they can do more of these.

CHAIR CAREY: I'm sorry, to do which work?

MS. CABALLERO: To do the Energy Efficiency work. I just wanted to --

CHAIR CAREY: Actual energy improvements?

MS. ANGST: Yes.

MS. CABALLERO: Because if I decided I wanted to put some energy improvements on, it's a jungle out there. You just don't know how to get a good-rated system, and whether they're going to be able to do a good job. And I'm just wondering if somebody is refinancing their --

MS. ANGST: Well, the HERS auditors, which is actually they're contracted with FHA, they actually go out, they have to inspect your home. And there is one here in Sacramento, there's a couple in L.A.; that when they actually inspect the home, they will work with you and contract out the work to actual people.

MS. CABALLERO: Okay, got it. Okay.

MR. GIEBEL: And just the other thing that we're working on with Finance and Legal is, we are working on a conventional mortgage product. And in November, we will have that proposal for you to look over. We need to work with a bunch of people to get that done.

So there is a need for that, especially in the higher-cost areas.

CHAIR CAREY: Just out of curiosity, are you saying that only some HERS raters will be able to do this, or that all HERS raters will be able to do this?

MS. ANGST: All HERS raters are able to do it. There's some that specialize and really work with FHA. And they actually work, as far as helping you hire the contractors, get the bids, making sure that all the work is completed on time. Because you only have a 90-day window with FHA to get the work completed. Otherwise, anything left in escrow at the end of 90 days is actually applied towards the principal balance.

CHAIR CAREY: But we won't be limiting who people can use?

MS. ANGST: I apologize?

CHAIR CAREY: But we won't be limiting who people can use, right?

MS. ANGST: No, no.

CHAIR CAREY: Okay, gotcha. Good.

MR. GIEBEL: Okay, well, any additional questions?

(No response)

MR. GIEBEL: Thanks for the opportunity to update you.

CHAIR CAREY: More exciting stuff.

MS. CAPPIO: It's good.

MS. ANGST: Thank you.

MR. GIEBEL: Thank you.

CHAIR CAREY: It's good, yes.

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Item 13. Update on proposed capital/liquidity allocation

CHAIR CAREY: Okay, next up on the agenda is an update on capital/liquidity allocations.

Tim?

Any particular sport today, Tim?

MR. HSU: I do have something. You just have to wait.

Good afternoon, Mr. Chairman and Members of the Board.

On to something a little bit easier than the Energy Efficiency FHA-insured loans.

Today, being Peter's last Board meeting, as I thought about the presentation, I want to really do something that looks back on some of the things that we've done in the last four or five years. I thought I would look deep in the archives of the Board presentations I made.

And my last sports reference for you, Peter is, let's go to the videotape here.

So I found something that I thought is a nice, simple encapsulation of some of the things that we sort of endured together in the last four to five years.

Is it up yet?

UNIDENTIFIED MAN: No.

MR. HSU: Well, I think you had the presentation in front of you. I'll go ahead and proceed.

So back in March of 2008, we made a presentation to the Board entitled "Recalibrating CalHFA's Risk Profile."

And what this chart is showing here is that it has some blue bars and some maroon bars. And what you see here, is that CalHFA -- CalHFA's capital structure, back in the early 2000s and late nineteen-nineties, was predominantly a fixed-rate capital structure. We rely on fixed rate to finance our lending activities.

And as you can see throughout the early two thousands, we transformed, slowly but surely, into a variable-rate capital structure.

And back in 2006, we reached the higher -- or the nadir, depending on your view here -- we reached our highest leveraged capital structure position in 2006, which had about 90 to 91 percent of variable-rate bonds on our a balance sheet.

And from 2006 to 2008, we did take several opportunities to de-leverage. And then we ended up, prior to the financial crisis -- at the start of the financial crisis, we had about 30 percent of fixed-rate bonds; or said another way, 70 percent variable-rate bonds.

I'm sorry that this is not coming up.

And then next -- so on the next page -- the next page, on page 3 I'm on now, so we -- back in 2008 -- again, this is all prior to Lehman Brothers in September 2008. So we actually had the foresight, and also the courage and the chutzpah to suggest to the Board that we would actually try to attain a capital structure that was split 50-50 between fixed-rate bonds and variable-rate bonds by a mere four years. So from 2008 to 2011, in that four years time, we were hoping to move to a capital structure that was half-half.

Well, what did actually happen?

If you flip to page 4 -- what actually happened is that we didn't quite reach that 50 percent milestone in 2011. We did reach it a year later, in 2012. But that's really not the story. The real story here is that how we actually reached that milestone was something that we never really expected.

Instead of issuing a lot of fixed-rate bonds which financed the lending business in that four- to five-year time frame, we ended up issuing very few bonds, that financed very little lending activities.

So if you look at the gap between Chart 3 and Chart 4 for that 2011, instead of having $9 billion of bonds, we only had about $6 billion of bonds. And that gap, or that $3 billion gap between what we thought we would do and versus what we would end up with a shrinking balance sheet, I think that that gap, in some way, is a very simple and non-sugar-coated encapsulation of what we lived through in the last four to five years.

But fear not, that's not how I'm going to send you off. That's not the note that I think you deserve.

Because instead, I think CalHFA today, it's like a phoenix rising from the ashes. We have, as you have just heard, launched a single-family program over the summertime. And over the spring time frame, we launched our Multifamily Preservation Program. And believe it or not, we have been telling the Board for about two years now that we've been negotiating with B of A on this transfer of servicing, in which they were doing horrible servicing, we wanted to get the servicing back so we can tie more loans to Di's *Keep Your Home California* funds. And we actually executed that deal two weeks ago.

CHAIR CAREY: All right.

(Applause)

MR. HSU: We actually got the signed documents back from B of A. There's stories to be told about that, too. But we have signatures. That means this thing is going to get done.

So there are just a number of positives that are happening that leads me to believe, and I think most people believe, that we are definitely on the rebound.

And as we talked about -- if you will flip to page 5 now, we also, on a credit front, for the very first time, have had annual reviews from the rating agencies which did not result in a downgrade. That may sound a little bit strange for someone who is just coming onto the scene; but this is a true accomplishment because if you look at page 5, you'll see that we have been downgraded sequentially year after year since 2009.

So that arrest of that fall is, to me, a beginning of something anew.

So to be sure, the note I would like you to leave with, Peter, is that we are like a phoenix rising from the ashes.

CHAIR CAREY: All right.

MR. HSU: And if you flip to page 6 -- again, I apologize about not having these slides -- if you flip to page 6, we've talked about the collateral risk being in a much, much, much better position than it once was.

You can see on this chart, on page 6, that at our highest point, we were posting about $132 million to our counterparties. And that, to be sure, represented at that time about 50 percent of the cash and securities that we had on hand. So it's a significant amount of money that we have posted to our counterparties.

And today, we're posting closer to about $50 million, which is closer to about 20 percent of the cash and securities we have on hand.

So that particular risk is very, very, very, very -- I would like to emphasize -- much better controlled and under -- much better contained -- in such ways that, you know, I can sleep again, and not waking up, week after week, fearing what the next marching call would be.

And on page 7, this is a chart I showed at the March Board meeting. And I think this is also a very nice way to see how far we have come.

This is a histogram, which is a distribution of the weekly swap valuations and collateral postings that we have experienced over the past two years. So you can see, just for example, that if you look on the right-hand side here, which has the green columns, and the left-hand side, which was the blue columns -- so the right-hand side columns are representing the valuations against us on a weekly basis. So you can see that under the $320 million to the $335 million category, that there were about 28 occasions in which our valuation fell in that category.

And you can see that on a collateral posting basis, if you look at the $95 million to $110 million category, you can see there were about 40 times in which we're posting about $95 million to $110 million.

So when you look at this and you realize where we've been, if you look at where we are now, which is being pointed out here through these arrows, where we are in terms of valuation, is about the $200 million to $215 million category. And you can tell that this is on the very, very low end of this histogram distribution.

And even if we were to shock our swap valuation by 50 basis points, we're still only climbing up two notches, to two categories, if you will, but still well in the lower end of the distribution.

And the same story goes for the collateral posting. You can see that we're posting in this lowest category, the lowest bucket here, between the 50 to 65 bucket. And even if we were to shock by 50 basis points, we'd stay in that same bucket.

So this idea that the collateral posting risk is definitely behind us is a point that can allow us to pivot in terms of how we manage your liquidity.

And if you go to page 8 now -- are we up?

UNIDENTIFIED MAN: Yes. Kind of. The mouse is not working, but I've got it.

MS. HSU: Okay, so on page 8 -- if this is working, I'll just keep going.

So on page 8, this is a chart that I've shown previously to highlight the four different risks that we really are facing, both at the General Obligation level and also at the Special Obligation level.

And as we talked about before, in large part, these non-bond assets that we have -- I made a typo here, this non-bond asset box should say "$286 million in cash and securities." We've been using this $286 million in cash and securities to really, in large part, manage our collateral posting risk. And all the swap related risk is something we've been worried about and concerned with, and thus managing our cash and securities positions carefully to meet that risk.

But as I've been saying, since that risk is receding, and it's now much better controlled and contained, the question is that should we focus on the other risks that we have here, which also require liquidity.

So the other risk that's on this list that could also need liquidity to help it along, is this idea that the TCLP does expire at the end of 2015. And we do need to replace TCLP by the end of 2015.

As an aside from this, the sort of the thrust of what I'm trying to say, the single-family portfolio, which we've said sort of like the start of sort of these series of risks that we have, if you look at the Board reports that we submit on the single-family portfolio, you can see that things are getting much better. But I'd like to highlight two data points, if you will.

The conventional portfolio, at some point we had 1,100 REOs and now we're down to about a hundred. And we also did something at the behest of the GSEs that shows the foreclosure frequency for the year, meaning that we say, "Okay, how many loans did we start with and how many foreclosures did we have in the middle of the year?" And we'd impute a foreclosure rate.

At some point, in 2010, our foreclosure

frequency for the conventional portfolio was 10 percent. And we're projecting the annualized rate for this year will be at 3 percent.

So things are getting much, much better. And with the liquidity that we have, and not needing it to deal with the collateral posting risk, what I'd like to propose is to use it to address the next sort of risk in mind, if you will, which is how do we get rid of all of the TCLP by 2015?

So we're back up.

So on page 9 now. So page 9 is a breakdown of all the unencumbered assets that we have. And on the left-hand side of this chart is the $286 million of cash and securities that we have on hand now. And on the right-hand side is also a stack, if you will, of the unencumbered assets we have. And as we talked about previously, this stack of unencumbered loans that we have is generating cash to supplement the left-hand side, the cash and securities, on page 9.

So as stated before, we believe that we have a much improved cash position, and with also fewer unknowns.

And for some of you, you know that by suggesting that there are fewer unknowns, that's sort of like a tremendous understatement. We could do a retrospective in and of itself on the unknowns we dealt with in the last four or five years. But suffice it to say for now, that we have way fewer unknowns.

And of this $286 million of cash and securities that we have, about $53 million of that is now posted with our counterparties. And that's $16 million less than the last time when I showed you these charts back in March.

And if we were to be downgraded -- looking at the right-hand side of this chart now, if we were to be downgraded at that point in time, we would have posted $103 million instead of the $53 million. And that $103 million is actually $55 million less than the last time when I showed this to you.

So this reinforces the point that I was making earlier, that this risk of posting -- of conserving our cash for this collateral posting risk is really receding in a really, really significant way.

On page 11, using the same principle that I proposed at the March Board meeting of allocating, first, to reserve against an unexpected scenario -- so reserving against -- despite the fact that I've been saying so far that things are getting better, but just to be prudent, we still would like to reserve against the possibility of a downgrade. So the first thing that we do is that we say: Okay, if we reserve against a possible downgrade, in which we have to post $103 million to our counterparties, we've reserved against that.

And then also at the March Board meeting, I proposed that we set aside approximately two years of operating expenses, which is about $80 million. So that leaves us with about $103 million of cash and securities that we can allocate for different uses.

So if you look to the right-hand side of this chart now, if you look at the top of the stack, at the March Board meeting, we did propose using about $3 million to warehouse the single-family downpayment assistance loans that will support the single-family lending program, and about $27 million to support the multifamily preservation program. And so those two items were shown at the March Board meeting.

So the top three items, that you see on the right-hand side, are new.

So we are adding $15 million as an additional warehouse capacity for the lending programs. This could be sort of an accordion feature for either side if they need it. But we really kind of see this coming from the Multifamily side.

Some of the deals that Jim Morgan is considering are actually quite substantial in size,

$20 million or $30 million. So that's a nice accordion feature that I think that side of our lending program would appreciate.

And we also added a very small earmark, for now, of a special lending program. For now, this is merely an earmark. We appreciate the fact that many of our dollars returned in the last three or four years have come from a HELP program, which is a lending initiative that we once used to run. And that mission of the Agency, sometimes in support of less traditional initiatives, is something that that spirit continues to live with us. And this could be the beginning of us continuing to run a program similar to that, but maybe it wouldn't have the focus it once did. Perhaps instead of focusing on just purely creating housing, maybe we would do something that's an integral part of housing.

You know, the one thing that has come up recently is whether or not we could be involved in, let's say, creating a rec room in a multifamily unit that's no longer being used by people as a rec room, but turned into a community -- a primary-care center.

So that's something we'll bring back to the Board in the future, but this is just the beginning of some thought in that vein.

At the very top, we're suggesting that

$55 million would be reserved or earmarked for debt management.

And you can think of this $55 million, as it turns out, it's exactly the amount of the reserves that we have released from the collateral posting risk on the previous page.

And this $55 million is a lot of money. I mean, when you think about the $55 million, and you compare to all the things that we had below it -- the special lending, the additional warehouse, and all these warehouse lines -- it's actually bigger than all four of those things combined.

And plus the thing to emphasize, too, is that if we were to direct this money into debt management, it doesn't come back in the same way as these warehouse lines. In the warehouse lines, we can fund a loan for two months, and then when we do a debt financing against that loan, the warehouse lines would be replenished.

So that when money is used for debt management, it doesn't come back directly, or it could come back over time. But you can think that, for a moment in time, the money just kind of goes away in cash.

So why? Why the emphasis on debt management?

As I mentioned earlier, one of the real risks that we really need to start getting ready for, is the idea that this TCLP program that we have from the federal government, from U.S. Treasury, is going to expire at the end of 2015. And we need to prepare for it.

And it does seem very strange that -- what you're hearing from me is that we need to go for it. And I say to you that while this thing is going to expire at the end of 2015, it seems like we need to throw a "Hail Mary" when we're still in the third quarter. And you wonder, like, "Well, this doesn't make any sense."

And that's why I created this time-line, because as it turns out, things just takes time. And I think that's what we kind of all learn as we age.

So what you see here is the time-line of why we need to do this thing now.

And what I -- you know, this very presentation I'm giving right now is basically this box. We're updating our liquidity allocation. And then if we get any allocation for debt management, what do we do with the money?

So for now, we're thinking that we will go in there and we'll take out all the variable-rate bonds and HPB, and then we'll dedicate it for the rest of it into Multifamily III. And we are going to repeat this exercise in six months' time frame, and come back to update the Board again in March and then use more money, perhaps, to do debt management.

But what you realize quickly is that after these two activities, the fiscal cycle will end. The fiscal '13 and '14 cycle ends at the end of June 30th, 2014. And Lori and our auditors will spend the time to finish our financial statements in the third quarter or fourth quarter of next year. And that very financial statement then becomes the basis for the rating agencies to update our ratings in that winter to spring time frame of 2015.

And our aspiration, of course, is that incrementally, we're hoping that we could be upgraded to a higher rating than where we are now. So we are aspiring to a one-notch upgrade this year and perhaps a one-notch upgrade as well next year.

But after that, we will have to very quickly turn our attention to getting these better ratings and the latest set of financials outs to the banks and start soliciting interest to replace TCLP. And that will take place in that sort of spring, summertime time frame of 2015. And hopefully, all this can come together, so that some of the TCLP could be replaced by the banks by the end of 2015.

So the time is -- I wish we would have more time to throw that Hail Mary, but it seems like we just -- with the compression of the things that needs to get done before the rating agencies do for their reviews, if we have the wherewithal now -- it seems like now is the proper time to continue to restructure our balance sheet if we have the wherewithal, so that this can show up at our financial statement that comes out next year.

Let me pause here and see if there's any questions.

CHAIR CAREY: Questions?

(No response)

CHAIR CAREY: Not even Matt?

MR. JACOBS: Not even Matt.

CHAIR CAREY: Great.

MR. HSU: On to page 13.

This is something that we actually did to answer one of Tia's questions from the May Board meeting.

At the May Board meeting, as the Board was asking questions about approving the budget for the next fiscal year, I think Tia at the time had asked the question that, "Well, how do I know what actually happened this past year?" in the sense that, "How do I know that you actually had enough cash inflow to pay for all your operating expenses?"

I think at the time I had offered a fairly high-level chart I had done at some point. But then we went in, and we looked at -- one of my staff members, Dakota, spent a lot of time doing this. And we went in there and we looked at this on a month-to-month basis.

So what you're seeing on page 13 is a stack of our income to our non-bond balance sheet, meaning, that this is the part of the Agency that pays for the salaries and compensation that keeps the lights on.

So what you see here is that you're seeing that we have some income from servicing, we have some fee income that's generated over time as well, and we also have interest that gets generated from these unencumbered assets that we have.

What you see here is that if you stack up all the income, and you line it up against the operating expenses of the Agency, we actually fall short. And this is sort of a point I have made before: We do fall short on the income to operating-expenses basis.

What we do not -- where we make up the difference, though, is that if you go to page 14 -- where we make up the difference, though, is that if you put in the principal amortization, so the principal repayments and the principal prepayments from the unencumbered assets that we have, which is sort of the top -- I believe that the copies that you have, because their Xerox is a little bit hard to see -- but if you look over here on the chart, on the projection here, at the very top, the whitish bars that you see, those are the prepayments and the repayments from the unencumbered assets we have.

So some of these bars are quite large, in part, because we have been incentivizing the repayments of these HELP loans. And you can also see that over time, there's also some releases of earthquake insurance that we have set aside for condos.

So when you put in these other cash inflow elements that we have, we definitely do exceed our operating expenses.

Yes, Janet?

MS. FALK: Is this month-to-month or is this cumulative?

MR. HSU: This is month-to-month.

MS. FALK: So, for example, on Chart 13, in February, there was more income than expense.

So doesn't that extra income carry over to the future months?

MR. HSU: Right, so then on an income-to-income basis, if you will, we're short by about $10 million to $12 million. So it's not -- but keep in mind that one of the things that we are holding ourselves to, is that it's true that we look at this on a month-to-month basis and a year-to-year basis, but we do have quite a bit of cash that is set aside. This chart.

So we're not operating on a month-to-month basis, right. So we have a tremendous amount of cash that is set aside that could tide us over from these monthly fluctuations if we are, indeed, living with page 13. But what we are really living with, fortunately, is page 14, because we have these other sources of cash that comes in over time and over the months.

So as it turns out, it is true that these are month-to-month comparisons.

And on page 13, we will be short by about $10 million to $12 million. But if you look at page 14, we are actually in excess by about $20 million to $25 million.

So last, but not least, looking at -- those two pages we're sort of looking back, looking back at what happened in the last fiscal year. But what interests folks more, mostly, is what happens going forward.

So what we have on page 15, is the fiscal '13 to fiscal '16 outlook.

So you can see that in each of these years, we still do cover on a cash-inflow bases to the operating expenses. But that compression between the stacks and the red line is unmistakable. And I think that is something that as the phoenix rises from the ashes, is something that we can continue to build on. As these programs start getting going, the stack should get taller and taller, to cover against those operating expenses. And if they don't, you know, we may have to resort to alchemy somehow.

But there's one thought that I forgot to mention -- as I was looking at Katie -- that the last time when I presented this, Katie had asked the question that -- back to page 11 -- that, yes, it is true that I am reserving against the possibility of a downgrade. But what I'm doing here is that I am doing a one-dimensional shock, meaning, that I'm shocking the rating but not shocking the interest-rate curve.

So I think the question that Katie had at the time was that what if I had this double-shock or double-whammy.

So if you're looking at this chart, if we were to be shocked in both dimensions -- the rating and interest rates -- instead of posting 103, we would post about 135. So that 135 would well be covered by the combination of the 103 and the 80.

So that's also sort of another -- I mean, some of these sort of set-asides, you could attach a different name to them, if you will. So you could argue that in that case, some of the $80 million that's set aside for operating expenses is kind of offsetting this risk of the double-whammy, which is true.

But keep in mind that we don't really, truly -- we don't need to have exactly $80 million for that set-aside for operating expenses because, as we talked about on the following pages, we do have these monthly inflows that are coming in, that are continuing to offset our operating expenses over time as well.

So, Peter, thank you for your fearless leadership, and thank you, Members of the Board.

And that concludes my remarks.

CHAIR CAREY: Tim, just in a nutshell, on page 15, looking forward, the white part is going to continue to decline, so the focus has got to be on increasing the revenues in the colored bars there, right?

MR. HSU: Yes. The white bars are falling very quickly. As it turns out, if we go out another year, it's true that we would be -- the line kind of crosses over a little bit, by a little bit, by about $1 million to $2 million.

The white bars are representing a lot of payoffs from these HELP loan programs that we had. And the HELP loan programs are tapering off when you look out that far. So one of the thoughts that we have -- for example, to the degree that this chart continues to be meaningful -- and it should be, because an entity like ours, our fixed costs, or let's say marginal costs are not as flexible as it might be for, let's say, a private institution.

So one of the things that we could do to offset this convergence, if you will, is that some of the cash that we would use for debt management, that $55 million, when we do deploy it to redeem variable-rate bonds, we would get some mortgage loans back in return. And those mortgage loans, in turn, could generate an annuity which would bolster these stacks.

And that's why I was flipping earlier about alchemy, is that the cash that we put to work, it's not as if it would truly evaporate. We could get mortgages back that generates cash flow to offset the operating expenses. When we get those mortgages back, they become unencumbered assets of the Agency.

CHAIR CAREY: Okay, any questions?

(No response)

CHAIR CAREY: Thank you, Tim.

MR. HSU: Thank you.

--o0o--

Item 14. Discussion, recommendation, and possible action relative to the approval of a resolution approving amendments to the regulations of the Agency regarding the Conflict of Interest Code

CHAIR CAREY: Okay, Victor?

MR. JAMES: Yes. Item 14, for the Board, Misty Miller of the Office of General Counsel will present Item 14 for your consideration.

Misty, please introduce yourself.

MS. MILLER: Thank you, Victor.

Good morning -- good afternoon, excuse me, Mr. Chairman, Ladies and Gentlemen of the Board. My name is Misty Miller. I'm the public records officer and privacy program coordinator for the California Housing Finance Agency. I work in the Legal Division. I report to the General Counsel. I've been with the Agency for 11 years. I've been in the industry for 30 years. I have a bachelor's degree in English. I am a registered paralegal and internationally certified privacy professional.

Among the many hats I wear for the Agency, I am also the regulations coordinator. Hence, the Conflicts of Interest Code, which is a regulation. And I'm here to present that to you today.

Resolution 13-14 is an amendment to the

Agency's Conflict of Interest Code.

The Fair Political Practices Commission requires every state agency to have a conflict of interest code. It simply defines which employees file Form 700 and what the disclosure categories are for each employee.

The Fair Political Practices Commission also requires that state agencies periodically update their code, so the actual employee positions are matched with the disclosure categories.

So that's what this does.

We also made minor modifications to the headers and formatting in the disclosure categories, to make them easier to understand; and we added CalHFA bonds as a reportable investment.

And so that is it for the proposal, Resolution 13-14. This is a routine amendment.

Does the Board have any questions?

CHAIR CAREY: Jonathan?

MR. HUNTER: On the bonds, I assume that means if you hold the bond directly, not if you happen to be an investor in a money-market account that might have CalHFA bonds somewhere in it?

MS. MILLER: When determining whether you have to disclose a reportable investment, that would be something like a mutual fund or a money-market account or that sort of thing, it depends on what the nature of the investment is.

If it's in a diversified mutual fund, then you do not have to report it. If it's something that you're holding directly, even if it's in an IRA or in some kind of other account, you would have to report it then.

MR. JAMES: On the nature of self-directing, you could direct your purchase stock or other interests.

MS. MILLER: Correct.

CHAIR CAREY: Any other questions?

(No response)

CHAIR CAREY: We have a resolution -- well, let me ask, if there is anyone in the public who would like to address this specific item, please indicate so.

(No response)

CHAIR CAREY: Okay, we do have a resolution --

MR. GUNNING: Peter, I have a question.

CHAIR CAREY: Yes, I'm sorry.

MR. GUNNING: Item 10, building or construction contract or subcontract.

Why was that struck as a reporting item?

It's under (C) on page 5.

MS. MILLER: You're on page 163 of the Board book?

MR. GUNNING: Yes. Yes, I am.

MS. MILLER: And you're asking about Item 10, "building or construction contractor or subcontractor"? What was your question? I'm sorry.

MR. GUNNING: That was struck?

MR. JAMES: No. No, it's still there. It's listed as 10.

MS. FALK: Just read 10, the one below it.

MR. JAMES: Oh.

MS. MILLER: Oh, the part below that? Okay, I can address that.

Previously, in the Conflict of Interest Code, section Category 2 subsumed Category 3 and Category 4. Categories 3 and 4 are now separate categories, so they are no longer subsumed within Category 2.

So what's being struck right here is actually what is Category 3, below, where it says, "Interests in facilities contractors."

So the language is still there, it's just now a different disclosure category.

You'll also notice, too, that for the Board Members, you previously reported in Categories 1 and 2, now you report in Categories 1, 2, 3, and 4.

That is not increasing your disclosure; it's just that we have more categories now. It's the same disclosure.

MR. JAMES: Part of the reason -- we go back and forth with these revisions or definitions of the categories to try to make it simpler for our employees and members of the Board who have to disclose. And so that's the reason for that change and the permutation.

CHAIR CAREY: Okay, thank you.

We have Resolution 13-14 before us.

MR. HUNTER: And I'll move adoption of Resolution 13-14.

MS. FALK: Second.

CHAIR CAREY: Moved and seconded.

Roll call, please.

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee?

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Mr. Jacobs?

MR. JACOBS: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Patterson?

MS. PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

CHAIR CAREY: Aye.

MS. OJIMA: Resolution 13-14 has been approved.

CHAIR CAREY: Great. Thank you.

--oOo--

Item 15. Reports

CHAIR CAREY: Okay, the reports, are there any specific items that people want information on from the reports?

(No response)

--oOo--

Item 17. Public Testimony

CHAIR CAREY: This is an opportunity, if there is anyone in the public who would like to address the Board for any item not on the agenda, please indicate.

MS. CAPPIO: I do.

CHAIR CAREY: Yes, all right.

MS. CAPPIO: On behalf of the Board and the staff of CalHFA, Peter, we want to just thank you for your service. It's been a real pleasure. There have been the highs and the lows in the last couple years.

And we thought you deserved a really big resolution.

(Ms. Cappio presenting framed certificate to Peter Carey.)

(Applause)

MS. CAPPIO: Of course, I thought this was a myth, but it actually is a clock that I guess everyone gets. And it's part of the tradition.

CHAIR CAREY: Well, thank you.

MS. CAPPIO: Thank you so much. And we're going to miss you.

(Applause)

CHAIR CAREY: Can I open it up here?

MS. CAPPIO: Yes.

CHAIR CAREY: I see this is signed by my friend Connie. It's very nice.

This is gorgeous.

Wow, that is just beautiful. Thank you very much.

MS. CAPPIO: You bet.

CHAIR CAREY: Thank you, everybody. I appreciate it.

(Applause)

MS. CAPPIO: If anybody wishes to make any other remarks?

CHAIR CAREY: I would just say, briefly, that I won't miss the Form 700.

But, you know, this agency is remarkable. It's been a real honor to be part of it and to serve with it.

If you think back, Jonathan and I were joking about his entrance onto the Board about five years ago or so, and wondering what on earth he had gotten himself into. And there were a few years that I was on the Board that we were actually lending and it was really pretty high, and then it kind of went a little bit awry. But we were caught up.

And I think one of the things that impresses me -- impressed me so much, was that through those challenging times, nobody jumped ship, right. Everybody stuck to it. This Agency just drove through those tough waters.

And I know there were sleepless nights and great challenges; and with the Board, we have had great Board members. We have a really, really strong Board today, I think, as evidenced by the conversations we've had.

And the results of that commitment, we now have new leadership, there is a new senior team being assembled, and really exciting prospects. And as I said to someone earlier, I can't think of anything better than to hear that CalHFA is doing better in my absence than it did during my presence.

But I really congratulate you.

I thank all the Board members. You've been just great, and especially the staff and Claudia and all the folks that I've worked with. Thank you very much.

(Applause)

MR. HUNTER: So we should nominate Peter for best performance in an acting role?

--o0o--

Item 18. Adjournment

CHAIR CAREY: I think with that, we'll adjourn the meeting.

(The gavel sounded.)

(The meeting of the Board of Directors concluded at 12:58 p.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 30th day of September 2013

____

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

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa San Pedro
San Jose, Santa Clara County, CA
CalHFA # 13-040-R/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 100-unit family apartment complex known as Villa San Pedro, located at 282 Danze Drive, San Jose, California. Bendorf Drive, LP, a California limited partnership ("**Borrower**") whose general partner is Villa San Pedro HDC, Inc., and whose limited partner is RSEP Holding, LLC, an affiliate of Red Stone Equity Partners, (Tax Credit Investor), will own the project. The Housing Authority of the County of Santa Clara ("HACSC") is the Developer.

Villa San Pedro was built in 1973, and consists of thirteen two-story garden-style residential buildings and a community building located on 3.92 acres. The property was acquired by HACSC in 1993, at which time minor repairs were completed and the community building was constructed. The project has a Housing Assistance Payment ("HAP") contract for 88 of the 100 units which expires in May 2024. Prior to loan closing, the Borrower shall have in place a new 20-year HAP contract. Rents on the remaining twelve units are determined under the Department of Housing and Community Development's ("HCD") existing California Housing Rehabilitation Program-Rental Component ("CHRP-R").

Sales Transaction

Sales Price	$16,000,000	($160,000 per unit)
Less: HCD Loan	$5,256,597	
Less: City Loan	$790,170	
Less: HACSC Loan	$800,000	
Seller Carry Back	$9,153,232	

The existing replacement and operating reserves will be transferred with the property at the time of sale to the Borrower.

Proposed Rents	Rent	Rent Level	Units	# of Persons
One Bdrm	$728	50%	2	3
One Bdrm	$950	50%	9	14
One Bdrm	$732	60%	3	5
One Bdrm	$1,140	60%	20	30
Two Bdrm	$1,140	50%	15	45
Two Bdrm	$1,368	60%	29	87
Three Bdrm	$1,006	50%	3	14

Three Bdrm	$1,317	50%	2	9
Three Bdrm	$966	60%	2	9
Three Bdrm	$1,524	60%	8	36
Four Bdrm	$1,256	50%	1	6
Four Bdrm	$1,470	50%	1	6
Four Bdrm	$1,764	60%	4	24
Two Bdrm Manager's Unit	$0		1	3
Total Units/Persons			**100**	**291**

Section 8 Rents	Rent	Units
One Bdrm	$1,335	29
Two Bdrm	$1,650	44
Three Bdrm	$1,835	10
Four Bdrm	$2,215	5
Total Section 8 Units		**88**

The Section 8 rents stated above will be marked up to market at the completion of the project's renovation. Given that the Borrower will have a new 20-year HAP contract, the project's affordability levels will be extended due to the preservation financing provided by CalHFA and due to a modification of the HCD CHRP-R loan to extend the maturity for 55 years. In addition, the sale of Villa San Pedro to the Borrower provides the project with extensive rehabilitation of approximately $160,000 per unit.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage*	$20,215,000
Interest Rate	4.00%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$11,710,000
Interest Rate	5.75% fixed
Term	30 year amortization
Prepayment	Allowable, at par after year 15
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

CalHFA acquisition/rehabilitation financing is subject to the assignment by the Borrower of tax credit equity, assignment of the HAP contract, and all rights under non-CalHFA financing commitments and all HUD Risk Share approvals.

*The Agency will make a reduced interest rate Acquisition/Rehabilitation Loan using an interest rate subsidy of approximately $320,000, financed with RHCP funds. The interest rate on the Acquisition/Rehabilitation Loan will be reduced from 4.5% to 4%.

OTHER FINANCING

- HCD CHRP-R – The project currently has a $4,156,798 CHRP-R loan (plus deferred interest of $1,099,799), at a 3.0% interest rate, maturing September 10, 2036. An HCD loan assumption/commitment is in process to increase the CHRP-R loan amount to $5,256,597 (principal plus accrued interest), at a 3.0% interest rate for a loan term of 55 years, payable from residual receipts. The project is subject to receipt of the approved modification/commitment from HCD.

- HACSC Move to Work ("MTW") - A loan in the amount of $800,000, for a term of 55 years at 3.5% interest, payable from residual receipts.

- A seller take-back note in the amount of $9,153,232 for a term of 55 years at 3.5% interest, payable from residual receipts.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The existing HAP contract expires on May 31, 2024. The Borrower submitted its Rent Comparability Study along with the request to increase Section 8 rents to the HUD San Francisco office. The request requires approval by the HUD Washington Central Office, because the requested rents are higher than TCAC rents. A condition of the CalHFA commitment approval is HUD's approval of the Section 8 rent increase for the term of the HAP contract.

As condition to closing the CalHFA loan, the Borrower shall have an approved commitment for a 20-year HAP contract with post-rehab rents as shown in the attached Financial Analysis. The borrower will be required to seek and accept any renewals of the project based Section 8 contract or other HUD subsidies.

The project will be under a new HAP contract subject to limited distribution to the project sponsor. The existing replacement and operation reserves will be transferred with the property at the time of sale to Bendorf Drive LP.

PROJECT DESCRIPTION

Project Location

- The project is located in the Blossom Valley/Edenvale area, approximately 6 miles south of downtown San Jose and 9 miles northwest of San Jose International Airport.
- The project is approximately 0.2 miles east of Highway 82, also known as the Monterey Highway, which is a main northwest/southeast corridor to downtown San Jose. Along Monterey Highway are a variety of retail and commercial uses. Major grocery and pharmacies are within 0.5 miles.

- The project is 0.3 miles west of Highway 101, which is a major north/south highway providing access to San Francisco, which is 48 miles to the north, and to Salinas, 41 miles to the south.
- Access to public transportation is excellent, with a bus stop located within 0.2 miles of the project which connects riders to the light rail service. In addition, a Caltrain station is located 0.7 miles south of the project.
- The nearest hospital is Kaiser Permanente Hospital, which is 1.4 miles south of the project.
- All levels of public schools are within 0.1 to 1.0 miles of the project, with San Jose State University 7 miles away.
- Major employment centers including manufacturing, retail trades, health care and education are located within 0.5 to 10 miles from the project and are readily accessible via public transportation.

Site

- The 3.92 acre site is irregular in shape with moderately flat topography.
- The site is not in a flood zone and not within an Alquist-Priolo special studies earthquake zone.
- The site is zoned RM Multiple Residence and the permitted use is multifamily. Villa San Pedro is considered a legal non-conforming development by the City of San Jose.

Improvements

- This 100-unit, garden style project was built in 1973 and consists of thirteen (13) two-story residential buildings, and a two-story community room/office building. The buildings are wood frame with stucco and wood exterior, concrete slab flooring and flat roofs.
- The unit mix consists of 34 one-bedroom flats; 45 two-bedrooms-flat and townhouse-style units; 15 three-bedroom and 6 townhouse style four-bedroom units.
- Each unit currently has a gas-fired range with hood, refrigerator, carpeting/vinyl flooring, wall-mounted or baseboard heating and a patio or balcony.
- The common area amenities include courtyards, two playgrounds and sport court area. The community building contains offices, meeting areas, kitchen, restrooms, laundry room and after school care area.
- The project offers 158 uncovered parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in fair condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiency by 15%.
- The scope of rehabilitation work totals $14,235,132 or $142,235 per unit (excluding overhead, profit, general conditions and insurance) and includes:
    - **Site work ($1,444,975) -** New fencing, exterior lighting, landscape planting, asphalt paving/striping, sidewalks, play structure, site signage masonry trash enclosures, trellises,; sewer piping repair and utility upgrades.
    - **Building Exterior ($4,426,599) -** New patio decks/enclosures, stairs, canopies, stucco exterior, structural upgrades, roof framing, insulation, flashing and low E windows.

- **Residential Unit Interiors ($5,593,474)** - New appliances (including dishwashers), cabinets, countertops, drywall (including removal of all existing drywall material), painting, revised interior stairs, new flooring, doors/frames/hardware, lighting, smoke detectors, kitchen and bath plumbing fixtures/accessories, blinds and ADA upgrades. All four-bedroom units, currently with 1 ½ baths, will be reconfigured to have 2 full baths.
- **Common Building ($838,835) - R**edesigned community and office spaces, replacement of plumbing, HVAC, roofing system, interior finishes and replacement and painting of stucco exterior.
- **Plumbing/Mechanical/Electrical ($2,231,249) -** New electrical panels, outlets, circuits, replacement of interior iron piping with copper, new unit heating/air conditioning and hot water heating systems, photovoltaic panels and solar hot water heating system.

Work is scheduled to commence in early January 2014 and is projected to be completed within 12-15 months.

Off-site improvements

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

Relocation

- The Borrower plans to complete all rehabilitation in five phases, with each phase including two buildings totaling 20 units. Each phase will take 2-3 months' time to complete, during which tenants will be temporarily relocated off-site.
- Temporary housing has been identified for all households. The temporary units will generally match current bedroom sizes and will be in compliance with occupancy standards.
- A $750,000 reserve has been established to pay the cost of moving assistance, rental payments, storage, utilities and miscellaneous costs related to the relocation effort.
- A relocation coordinator will assist the tenants with the temporary moving process, filing claims for reimbursement and answering questions.
- All tenants have been provided appropriate notice regarding relocation assistance, benefits and procedures.
- The Borrower will provide written notification to the tenants of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Housing Market Area (HMA) for the property is defined as the area bound to the north by Capitol Expressway, to the south by Highway 101, to the east by Bernal Road and to the west by Snell Avenue. The Metropolitan Statistical Area (MSA) is defined as the Cities of San Jose, Sunnyvale and Santa Clara.

In 2012, the total population in the HMA was 103,279 and within the MSA the total population was 1,875,637. The number of households in the HMA in 2012 was 30,239 and the average

household size was 3.40 persons. Of the total population within the HMA, 38% are renters and 61% are homeowners. This ratio is expected to remain stable over the next five years. An estimated annual growth rate of 1.4% in the HMA and 1.1% in the MSA is expected within this time-frame.
Unemployment in the MSA as of April 2013 was 6.6%, compared to average unemployment nationwide of 7.1% for the same period. The largest employment sectors by industry within the HMA are manufacturing, retail/service trades, healthcare, educational and construction services.

Housing Supply and Demand

- There 12 multifamily projects in the subject's HMA, representing 2,220 units. Affordable units totaled 1,194, or 54% of the projects in the HMA. These projects were built between 1962 and 2005 and are in average to good condition.
- It is estimated that 41% of renter households within the HMA are income-eligible to reside at the subject project, absent the Section 8 subsidy.
- The majority (70%) of the subject's tenants are estimated to originate from the HMA.
- Occupancy rates for market rate and affordable apartments in the HMA ranged from 98% to 100%.
- There are 30 qualified tenants on the project's waiting list. The list is currently closed but will be re-opened in order to reach 100% occupancy upon completion of the project.
- The market study estimated that the subject project, if all units were vacant, would take 3 to 4 months to reach stabilized occupancy at 95%.
- The Santa Clara Housing Authority, which administers the Section 8 program for the entire county, stated that the waiting list contains 20,000 households and the waiting list is currently closed. Given the extensive waiting list for the subject project, the other LIHTC properties in the HMA and the Housing Authority waiting list, there is a significant demand for affordable family in Santa Clara County.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 88% leased. Qualified tenants from the existing waiting list will have been selected to occupy the remaining 12 units and the project will be 100% occupied upon completion.

ENVIRONMENTAL

A Phase 1 Environmental Assessment dated February 7, 2013 found that Asbestos Containing Materials ("ACM and Lead Based Paint ("LBP") were potentially present in the buildings due to the age of the property.

An Asbestos Survey was conducted by Benchmark Environmental Engineering on December 15, 2009 which concluded ACM exists in the drywall joint compound. A Lead Based Paint Survey was conducted by Benchmark Environmental Engineering on December 15, 2009 which concluded that LBP does not exist. The ACM materials will be removed by a licensed abatement contractor and disposed of at a licensed facility.

CalHFA's NEPA review consultant, AEM Consulting, is in the process of completing their compliance review of the Environmental Review Record (**"ERR"**). An additional air quality study is required to complete the ERR.

The air quality study is anticipated to be completed by December 5, 2013. CalHFA's loan commitment is subject to approval of the Villa San Pedro ERR and must comply with HUD Risk Share requirements.

SEISMIC REVIEW

A seismic report was conducted on February 13, 2013 by AEI Consultants. The Probable Maximum Loss ("PML") for Villa San Pedro is 13%. The damage ratio meets CalHFA's seismic risk criteria of a PML ratio of 20% or less, thus earthquake insurance is not required.

DEVELOPMENT TEAM

Borrower

<u>Bendorf Drive, LP</u>

- The General Partner is Villa San Pedro HDC, Inc., a California corporation located in San Jose, California. Villa San Pedro HDC, Inc. has been managed by HACSC since the project was acquired in 1993.

  The limited partner will be Red Stone Equity Partners (Tax Credit Investor) who together with Bendorf Drive LP will own the project.

Management Agent

<u>John Stewart Company</u>

- The John Stewart Company ("JSC"), a California corporation, will manage the property. JSC was founded in 1978 and provides high-quality, full-service management, development and consulting services for non-profit and private sector clients throughout California. The JSC management portfolio contains over 400 housing developments, representing more than 30,000 affordable residential units, serving over 100,000 residents. JSC manages various types of properties, including multifamily affordable developments, including senior, family, tax credit, HUD supportive housing and Section 8 properties.

Architect

<u>Gefland Partners Architects</u>

- Gefland Partners Architects ("GFP") located in San Francisco, specializes in designing quality affordable and special needs housing, incorporating sustainable design practices. GFP has been in business since 1997 and provides all phases of design and construction administration services. GFP has been involved in the renovation and seismic upgrades for over 3,500 units in California. The Borrower has engaged GFP to assist them in project design, renovation, and construction management during the rehabilitation process.

Contractor

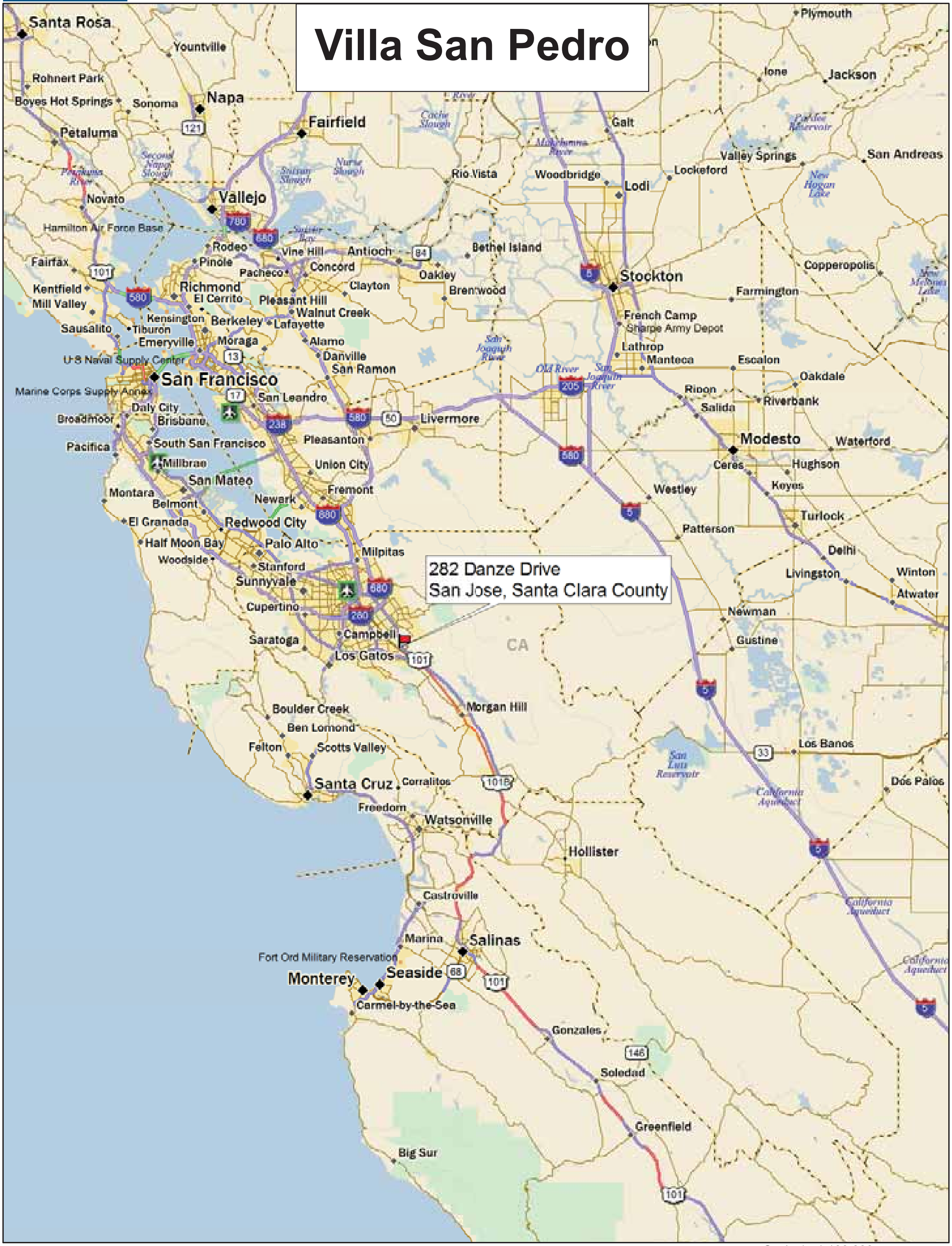
D.F.P.F. Corporation, dba Fine Line Construction

- Fine Line Construction (‘FLC”), located in San Francisco, has served the Greater Bay Area since 1980, specializing in residential, commercial and public works projects. FLC has built a successful reputation in construction and rehabilitation of affordable multifamily, transitional and special needs housing and has been involved in over 20 such projects totaling over 2,000 units, several of which have been financed by CalHFA. FLC is a member of signatory to the Carpenter’s Union

DELORME

DeLorme Street Atlas USA® 2010

Villa San Pedro



Scale 1 : 1,100,000

1" = 17.36 mi Data Zoom 7-5

TN MN (13.7°E)

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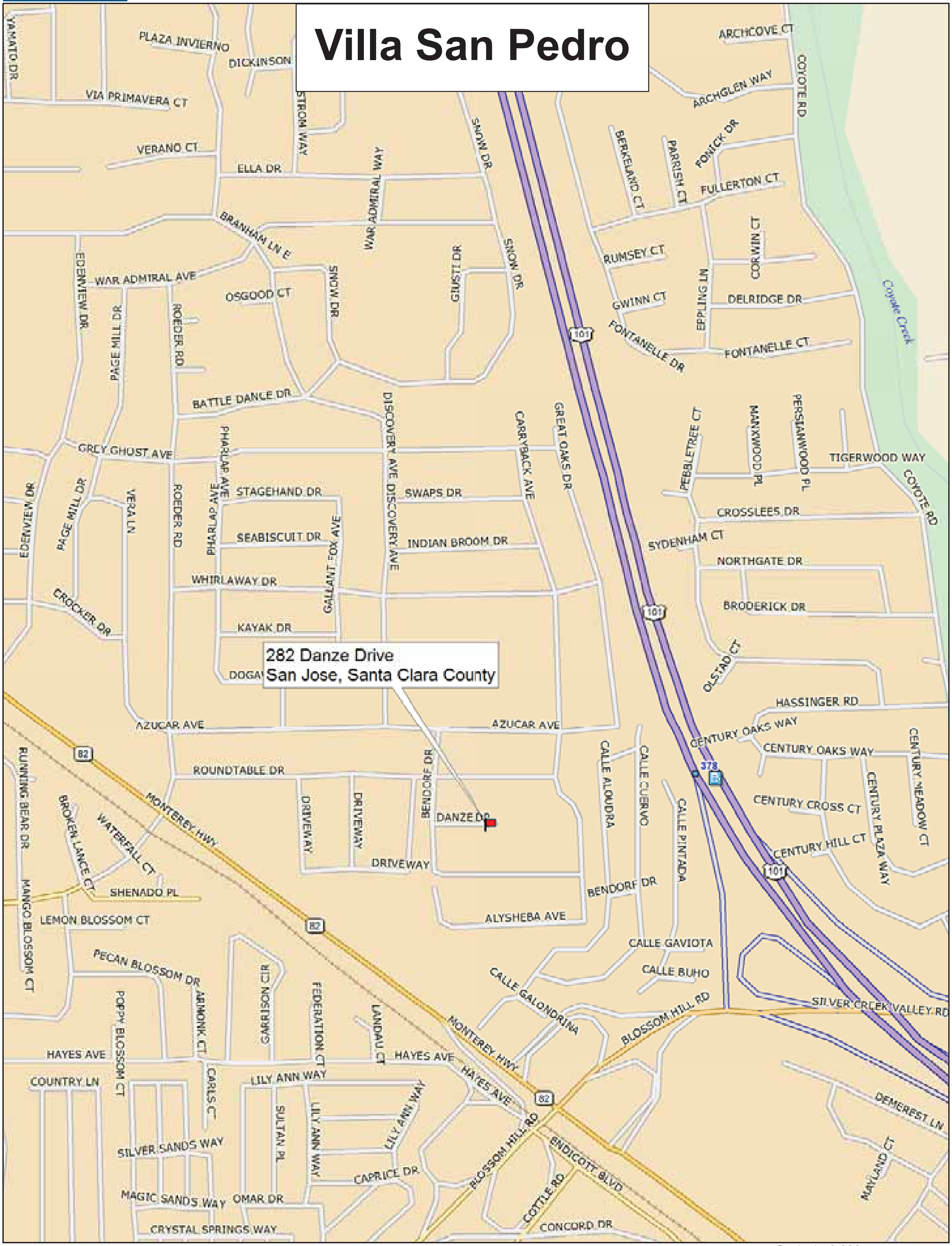
DeLorme Street Atlas USA® 2010

Villa San Pedro



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MN (13.7°E)

Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 13040-R/N

Project Full Name	Villa San Pedro	**Borrower Name:**	Bendorf Drive, L.P., a California Limited
Project Address	282 Danze Drive	**Managing GP:**	Villa San Pedro HDC, Inc.
Project City	San Jose	**Developer Name:**	Housing Authority of the County of Santa Clara
Project County	Santa Clara	**Investor Name:**	Red Stone Equity Partners
Project Zip Code	95111	**Prop Management:**	John Stewart Company

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	3.92
Tenancy/Occupancy:	Family	**Residential Square Footage:**	83,730
Total Residential Units:	100	**Residential Units Per Acre:**	25.51
Total Number of Buildings:	14		
Number of Stories:	2	**Covered Parking Spaces:**	0
Unit Style:	Townhomes & Flats	**Total Parking Spaces:**	158
Elevators:	1		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	20,215,000	1.000%	18	--	4.000%
--	--	--	--	--	--
HCD CHRP Loan	5,256,597	--	24	--	3.000%
HACSC MTW	800,000	--	24	--	3.500%
Seller Carry	9,153,232	--	24	--	3.500%
Developer Equity Contribution	925,903	--	--	--	--
Investor Equity Contribution	2,554,514	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	11,710,000	--	30	30	5.750%
--	--	--	--	--	--
--	--	--	--	--	--
HCD CHRP Loan	5,256,597	--	55	--	3.000%
HACSC MTW	800,000	--	55	--	3.500%
Seller Carry	9,153,232	--	55	--	3.500%
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	NA	NA	NA	NA
Developer Equity Contribution	925,903	NA	NA	NA	NA
Investor Equity Contributions	13,548,324	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	9/27/13	**Capitalization Rate:**	5.25%
Investment Value ($)	35,420,000	**Restricted Value ($)**	21,740,000
Construct/Rehab LTC	85%	**Permanent Loan to Cost**	49%
Construct/Rehab LTV	57%	**Permanent Loan to Value**	54%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$181,402	Cash
Initial Replacement Reserve Deposit	$80,000	Cash
Annual Replacement Reserve Per Unit	$600	Cash

Date Prepared: 10/29/13 — Senior Staff Date: 10/25/13

UNIT MIX AND RENT SUMMARY **Final Commitment**

Villa San Pedro **Project Number 13040-R/N**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	660	34	51
Flat	2	1	880	30	90
Townhomes	2	1	884	15	45
Townhomes	3	2	1,030	15	67.5
Townhomes	4	2	1,030	6	36
Townhomes	-	-	-	-	0
				100	289.5

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	60%	60%
CalHFA			20				
Tax Credits				100			
HCD-CHRP			88	12			
City of San Jose				100			
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents: Number of Units	Average Restricted Rents: Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	**NA**	**50%**	2	$700	$1,345	$645	52%
	NA	**60%**	3	$704		$641	52%
	CalHFA	**50%**	2	$922		$423	69%
	TCAC	**50%**	7	$922		$423	69%
	NA	**60%**	-	-		-	-
	TCAC	**60%**	20	$1,112		$233	83%
	TCAC	**60%**	-	-		-	-
2 Bedrooms	**NA**	**50%**	-	-	$1,660	-	-
	NA	**60%**	-	$901		$759	54%
	CalHFA	**50%**	6	$1,104		$556	67%
	TCAC	**50%**	9	$1,104		$556	67%
	NA	**60%**	-	-		-	-
	TCAC	**60%**	29	$1,332		$328	80%
	TCAC	**-**	-	-		-	-
3 Bedrooms	**NA**	**50%**	3	$961	$1,850	$889	52%
	NA	**60%**	2	$921		$929	50%
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	2	$1,272		$578	69%
	NA	**60%**	-	-		-	-
	TCAC	**60%**	8	$1,479		$371	80%
	TCAC	**60%**	-	-		-	-
4 Bedrooms	**NA**	**50%**	1	$1,195	$2,225	$1,030	54%
	NA	**60%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	1	$1,409		$816	63%
	NA	**60%**	-	-		-	-
	TCAC	**60%**	4	$1,703		$522	77%
	TCAC	**60%**	-	-		-	-
5 Bedrooms	**NA**	**50%**	-	-	-	-	-
	NA	**60%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	NA	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
Date Prepared:	10/29/13					Senior Staff Date:	10/25/13

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Villa San Pedro			**Project Number**	**13040-R/N**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS**		
			SOURCES ($)	**PER UNIT ($)**	**%**
CalHFA Loan	20,215,000				0.0%
CalHFA Section 8 Loan	-				0.0%
HCD CHRP Loan	5,256,597				0.0%
HACSC MTW	800,000				0.0%
Seller Carry	9,153,232				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	925,903				0.0%
Investor Equity Contribution	2,554,514				0.0%
CalHFA Permanent Loan		11,710,000	11,710,000	117,100	28.3%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
HCD CHRP Loan		5,256,597	5,256,597	52,566	12.7%
HACSC MTW		800,000	800,000	8,000	1.9%
Seller Carry		9,153,232	9,153,232	91,532	22.1%
Other Non-CalHFA Sources of Funds		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		925,903	925,903	9,259	2.2%
Investor Equity Contributions		13,548,324	13,548,324	135,483	32.7%
TOTAL SOURCES OF FUNDS	**38,905,246**	**41,394,056**	**41,394,056**	**413,941**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS		
			USES ($)	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		38,905,246			
Acquisition Costs	**16,012,193**	**-**	**16,012,193**	160,122	38.7%
Construction/Rehab Hard Costs	**16,010,000**	**-**	**16,010,000**	160,100	38.7%
Relocation Costs	**750,000**	**-**	**750,000**	7,500	1.8%
Architectural Costs	**900,000**	**-**	**900,000**	9,000	2.2%
Surveys & Engineering Costs	183,387	-	183,387	1,834	0.4%
Contingency Reserves	2,425,000	-	2,425,000	24,250	5.9%
Loan Period Loan & Other Costs	**945,000**	**-**	**945,000**	9,450	2.3%
Permanent Loan Costs	**5,000**	**10,000**	**15,000**	150	0.0%
Legal Fees	**70,500**	**5,000**	**75,500**	755	0.2%
Operating Reserves	**-**	**807,143**	**807,143**	8,071	1.9%
Reports & Studies	**34,250**	**-**	**34,250**	343	0.1%
Other Construction/Rehab Costs	**614,252**	**-**	**614,252**	6,143	1.5%
Developer Fees & Costs	**955,664**	**1,666,667**	**2,622,331**	26,223	6.3%
TOTAL PROJECT COSTS	**38,905,246**	**41,394,056**	**41,394,056**	**413,941**	**100.0%**

Date Prepared: 10/29/2013

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Villa San Pedro	Project Number		13040-R/N
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,299,876	$ 12,999	75.18%
Non-Section 8 Units at HCD Rents	113,184	1,132	6.55%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	389,004	3,890	22.50%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	11,960	120	0.69%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,814,024**	**$ 18,140**	**104.92%**
Less: Vacancy Loss	**$ 85,042**	**$ 850**	**4.92%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,728,982**	**$ 18,991**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 129,720	$ 1,297	$ 0
Management Fee	43,225	432	2.50%
Social Programs & Services	-	-	0.00%
Utilities	133,583	1,336	7.73%
Operating & Maintenance	193,233	1,932	11.18%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	35,372	354	2.05%
Other Taxes & Insurance	36,879	369	2.13%
Other (Transitional Operating Reserve)	50,000	500	2.89%
SUBTOTAL OPERATING EXPENSES	**$ 622,012**	**$ 6,220**	**35.98%**
Operating Reserves	$ 61,875	$ 619	3.58%
TOTAL OPERATING EXPENSES	**$ 683,887**	**$ 6,839**	**39.55%**
NET OPERATING INCOME (NOI)	**$ 1,045,095**	**$ 10,451**	**60.45%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 820,037	$ 8,200	47.43%
CalHFA Section 8 Loan	-	-	0.00%
HCD CHRP Loan	22,068	221	1.28%
HACSC MTW	-	-	0.00%
Seller Carry	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 842,105**	**$ 8,421**	**48.71%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 202,990**	**$ 2,030**	**11.74%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.24 to 1**		
Date: 10/29/13		Senior Staff Date:	10/25/13

CONSTRUCTION/REHAB NET OPERATING INCOME												Villa San Pedro
											Project Number:	13040-R/N
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	0.00%	324,969	324,969	324,969	324,969	324,969	324,969	-	-	-	-	1,949,814
Non-Section 8 Units at HCD Rents	0.00%	28,296	28,296	28,296	28,296	28,296	28,296	-	-	-	-	169,776
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	97,251	97,251	97,251	97,251	97,251	97,251	-	-	-	-	583,506
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		450,516	450,516	450,516	450,516	450,516	450,516	-	-	-	-	2,703,096
OTHER INCOME	**CPI**											
Laundry and Vending Income	0.00%	2,990	2,990	2,990	2,990	2,990	2,990	-	-	-	-	17,940
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		2,990	2,990	2,990	2,990	2,990	2,990	-	-	-	-	17,940
GROSS POTENTIAL INCOME (GPI)		453,506	453,506	453,506	453,506	453,506	453,506	-	-	-	-	2,721,036
TOTAL PROJECTED VACANCY LOSS		**84,727**	**84,727**	**84,727**	**84,727**	**84,727**	**84,727**	**-**	**-**	**-**	**-**	**508,362**
EFFECTIVE GROSS INCOME (EGI)		**368,779**	**368,779**	**368,779**	**368,779**	**368,779**	**368,779**	**-**	**-**	**-**	**-**	**2,212,674**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	0.00%	32,430	32,430	32,430	32,430	32,430	32,430	-	-	-	-	194,580
Management Fee	0.00%	10,806	10,806	10,806	10,806	10,806	10,806	-	-	-	-	64,838
Utilities	0.00%	33,396	33,396	33,396	33,396	33,396	33,396	-	-	-	-	200,375
Operating & Maintenance	0.00%	48,308	48,308	48,308	48,308	48,308	48,308	-	-	-	-	289,850
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	0.00%	8,843	8,843	8,843	8,843	8,843	8,843	-	-	-	-	53,058
Other Taxes & Insurance	0.00%	9,220	9,220	9,220	9,220	9,220	9,220	-	-	-	-	55,319
Transitional Operating Reserve	0.00%	50,000	50,000	50,000	50,000	50,000	50,000	-	-	-	-	300,000
Required Reserve Payments	0.00%	15,469	15,469	15,469	15,469	15,469	15,469	-	-	-	-	92,813
TOTAL OPERATING EXPENSES		**208,472**	**208,472**	**208,472**	**208,472**	**208,472**	**208,472**	**-**	**-**	**-**	**-**	**1,250,831**
NET OPERATING INCOME (LOSS)		**160,307**	**160,307**	**160,307**	**160,307**	**160,307**	**160,307**	**-**	**-**	**-**	**-**	**961,844**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	202,150	202,150	202,150	202,150	202,150	202,150	-	-	-	-	1,212,900
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
HCD CHRP Loan	2	-	-	-	-	-	-	-	-	-	-	-
HACSC MTW	3	-	-	-	-	-	-	-	-	-	-	-
Seller Carry	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**202,150**	**202,150**	**202,150**	**202,150**	**202,150**	**202,150**	**-**	**-**	**-**	**-**	**1,212,900**
NET PROPERTY CASH FLOWS		**(41,843)**	**(41,843)**	**(41,843)**	**(41,843)**	**(41,843)**	**(41,843)**	**-**	**-**	**-**	**-**	**(251,056)**
				Year 1 Debt Service	**808,600**			**Year 2 Debt Service**	**404,300**	**Year 2.5**	**-**	**1,212,900**
				Year 1 Net Cash Flow	**(167,371)**			**Year 2 Net Cash Flow**	**(83,685)**	**Year 2.5**	**-**	**(251,056)**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Villa San Pedro**
2	**Final Commitment**										**Project Number**	**13040-R/N**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,299,876	1,332,373	1,365,682	1,399,824	1,434,820	1,470,690	1,507,458	1,545,144	1,583,773	1,623,367
6	Non-Section 8 Units at HCD Rents	0.00%	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	11,960	12,259	12,565	12,880	13,202	13,532	13,870	14,217	14,572	14,936
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,814,024**	**1,846,820**	**1,880,436**	**1,914,892**	**1,950,209**	**1,986,410**	**2,023,516**	**2,061,549**	**2,100,533**	**2,140,491**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	64,994	66,619	68,284	69,991	71,741	73,535	75,373	77,257	79,189	81,168
18	Non-Section 8 Units at HCD Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	598	613	628	644	660	677	693	711	729	747
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**85,042**	**86,682**	**88,363**	**90,085**	**91,851**	**93,661**	**95,517**	**97,418**	**99,367**	**101,365**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,728,982**	**1,760,138**	**1,792,073**	**1,824,806**	**1,858,358**	**1,892,749**	**1,927,999**	**1,964,131**	**2,001,165**	**2,039,126**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	129,720	134,260	138,959	143,823	148,857	154,067	159,459	165,040	170,816	176,795
31	Management Fee	2.50%	43,225	44,003	44,802	45,620	46,459	47,319	48,200	49,103	50,029	50,978
32	Utilities	3.50%	133,583	138,258	143,097	148,106	153,290	158,655	164,208	169,955	175,903	182,060
33	Operating & Maintenance	3.50%	193,233	199,996	206,996	214,241	221,739	229,500	237,533	245,846	254,451	263,357
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	35,372	36,610	37,891	39,218	40,590	42,011	43,481	45,003	46,578	48,208
36	Other Taxes & Insurance	3.50%	36,879	38,170	39,506	40,888	42,320	43,801	45,334	46,920	48,563	50,262
37	Transitional Operating Reserve	0.00%	50,000	50,000	50,000	50,000	-	-	-	-	-	-
38	Required Reserve Payments	0.00%	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875
39	**TOTAL OPERATING EXPENSES**		**683,887**	**703,173**	**723,127**	**743,771**	**715,129**	**737,227**	**760,089**	**783,743**	**808,216**	**833,536**
40	**NET OPERATING INCOME (NOI)**		**1,045,095**	**1,056,965**	**1,068,946**	**1,081,036**	**1,143,229**	**1,155,522**	**1,167,910**	**1,180,388**	**1,192,950**	**1,205,590**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	HCD CHRP Loan	2	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068
45	HACSC MTW	3	-	-	-	-	-	-	-	-	-	-
46	Seller Carry	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**
51	**CASH FLOW AFTER DEBT SERVICE**		**202,991**	**214,861**	**226,842**	**238,931**	**301,124**	**313,417**	**325,805**	**338,283**	**350,845**	**363,486**
52	**DEBT SERVICE COVERAGE RATIO**		**1.24**	**1.26**	**1.27**	**1.28**	**1.36**	**1.37**	**1.39**	**1.40**	**1.42**	**1.43**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Villa San Pedro**
2	**Final Commitment**										**Project Number**	**13040-R/N**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,663,951	1,705,550	1,748,189	1,791,893	1,836,691	1,882,608	1,929,673	1,977,915	2,027,363	2,078,047
6	Non-Section 8 Units at HCD Rents	0.00%	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004	389,004
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	15,310	15,693	16,085	16,487	16,899	17,322	17,755	18,199	18,654	19,120
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,181,449**	**2,223,431**	**2,266,462**	**2,310,568**	**2,355,778**	**2,402,118**	**2,449,616**	**2,498,302**	**2,548,204**	**2,599,355**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	83,198	85,277	87,409	89,595	91,835	94,130	96,484	98,896	101,368	103,902
18	Non-Section 8 Units at HCD Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450	19,450
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	765	785	804	824	845	866	888	910	933	956
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**103,413**	**105,512**	**107,664**	**109,869**	**112,130**	**114,447**	**116,822**	**119,256**	**121,751**	**124,309**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,078,036**	**2,117,918**	**2,158,798**	**2,200,699**	**2,243,648**	**2,287,671**	**2,332,794**	**2,379,046**	**2,426,453**	**2,475,046**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	182,983	189,387	196,016	202,876	209,977	217,326	224,933	232,805	240,953	249,387
31	Management Fee	2.50%	51,951	52,948	53,970	55,017	56,091	57,192	58,320	59,476	60,661	61,876
32	Utilities	3.50%	188,432	195,027	201,853	208,918	216,230	223,798	231,631	239,738	248,129	256,813
33	Operating & Maintenance	3.50%	272,574	282,114	291,988	302,208	312,785	323,733	335,063	346,791	358,928	371,491
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	49,896	51,642	53,450	55,320	57,256	59,260	61,335	63,481	65,703	68,003
36	Other Taxes & Insurance	3.50%	52,021	53,842	55,727	57,677	59,696	61,785	63,948	66,186	68,502	70,900
37	Transitional Operating Reserve	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	0.00%	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875
39	**TOTAL OPERATING EXPENSES**		**859,732**	**886,836**	**914,878**	**943,892**	**973,911**	**1,004,969**	**1,037,104**	**1,070,352**	**1,104,752**	**1,140,345**
40	**NET OPERATING INCOME (NOI)**		**1,218,304**	**1,231,082**	**1,243,919**	**1,256,807**	**1,269,737**	**1,282,702**	**1,295,690**	**1,308,693**	**1,321,701**	**1,334,701**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	HCD CHRP Loan	2	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068
45	HACSC MTW	3	-	-	-	-	-	-	-	-	-	-
46	Seller Carry	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**
51	**CASH FLOW AFTER DEBT SERVICE**		**376,199**	**388,978**	**401,815**	**414,703**	**427,633**	**440,597**	**453,586**	**466,589**	**479,596**	**492,597**
52	**DEBT SERVICE COVERAGE RATIO**		**1.45**	**1.46**	**1.48**	**1.49**	**1.51**	**1.52**	**1.54**	**1.55**	**1.57**	**1.58**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Villa San Pedro**
2	**Final Commitment**										**Project Number**	**13040-R/N**
3		**YEAR**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,129,998	2,183,248	2,237,829	2,293,775	2,351,119	2,409,897	2,470,145	2,531,898	2,595,196	2,660,076
6	Non-Section 8 Units at HCD Rents	0.00%	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184	113,184
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-									
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	19,598	20,088	20,590	21,105	21,632	22,173	22,728	23,296	23,878	24,475
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,262,780**	**2,316,520**	**2,371,603**	**2,428,064**	**2,485,936**	**2,545,255**	**2,606,056**	**2,668,378**	**2,732,258**	**2,797,735**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	106,500	109,162	111,891	114,689	117,556	120,495	123,507	126,595	129,760	133,004
18	Non-Section 8 Units at HCD Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	980	1,004	1,029	1,055	1,082	1,109	1,136	1,165	1,194	1,224
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**107,480**	**110,167**	**112,921**	**115,744**	**118,638**	**121,604**	**124,644**	**127,760**	**130,954**	**134,228**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,155,300**	**2,206,353**	**2,258,682**	**2,312,320**	**2,367,298**	**2,423,651**	**2,481,413**	**2,540,618**	**2,601,304**	**2,663,507**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	258,115	267,149	276,500	286,177	296,193	306,560	317,290	328,395	339,889	351,785
31	Management Fee	2.50%	53,883	55,159	56,467	57,808	59,182	60,591	62,035	63,515	65,033	66,588
32	Utilities	3.50%	265,802	275,105	284,734	294,699	305,014	315,689	326,738	338,174	350,010	362,261
33	Operating & Maintenance	3.50%	384,493	397,950	411,878	426,294	441,214	456,657	472,640	489,182	506,304	524,024
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	70,383	72,846	75,396	78,035	80,766	83,593	86,518	89,547	92,681	95,925
36	Other Taxes & Insurance	3.50%	73,381	75,950	78,608	81,359	84,207	87,154	90,205	93,362	96,629	100,011
37	Transitional Operating Reserve	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	0.00%	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875	61,875
39	**TOTAL OPERATING EXPENSES**		**1,167,932**	**1,206,034**	**1,245,458**	**1,286,248**	**1,328,452**	**1,372,120**	**1,417,301**	**1,464,050**	**1,512,420**	**1,562,469**
40	**NET OPERATING INCOME (NOI)**		**987,368**	**1,000,319**	**1,013,225**	**1,026,072**	**1,038,846**	**1,051,532**	**1,064,111**	**1,076,568**	**1,088,884**	**1,101,039**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037	820,037
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	HCD CHRP Loan	2	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068	22,068
45	HACSC MTW	3	-	-	-	-	-	-	-	-	-	-
46	Seller Carry	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**	**842,105**
51	**CASH FLOW AFTER DEBT SERVICE**		**145,264**	**158,214**	**171,120**	**183,968**	**196,742**	**209,427**	**222,007**	**234,464**	**246,779**	**258,934**
52	**DEBT SERVICE COVERAGE RATIO**		**1.17**	**1.19**	**1.20**	**1.22**	**1.23**	**1.25**	**1.26**	**1.28**	**1.29**	**1.31**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

RESOLUTION 13-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Bendorf Drive, LP, 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 Jose, Santa Clara County, California, to be known as Villa San Pedro (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, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; 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 October 7, 2013, 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, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

1. The Executive Director, or in her absence, her designee, 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	
13-040-R/N	Villa San Pedro San Jose, Santa Clara County, California	$20,215,000.00	Acquisition/Rehabilitation Financing
		$11,710,000.00	Permanent Financing

The Board recognizes that, in the event staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

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,, 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 13-15 adopted at a duly constituted meeting of the Board of the Agency held on November 12, 2013, at Burbank, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Mountain Breeze Villas
Highland, San Bernardino County, CA 92410
CalHFA # 13-037-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 168-unit family apartment complex known as Mountain Breeze Villas, located at 25942 E. Baseline Street, Highland, California. Mountain Breeze Villas, LP, a California limited partnership ("**Borrower**") with Hearthstone Housing Foundation, a California nonprofit public benefit corporation (Socorro Vasquez), as its managing general partner, Alliance Property Group, Inc., a California corporation, as its administrative general partner (Danielle Curls Bennett), and an entity to be formed by Hunt Capital Partners LLC, a Delaware limited liability company, as its tax credit investor limited partner, will own the project.

Mountain Breeze Villas is an existing market rate rental property currently owned by Wesmor Investments, LLC, a California limited liability company that is scheduled to transfer by October 31, 2013 to the Borrower. Mountain Breeze Villas is a family apartment complex consisting of nine (9) two-story buildings, a single story community room/club house, swimming pool and spa area.

Loan funds will be used to pay off an acquisition loan, to rehabilitate and to convert an existing market rate rental development to a 100% affordable multifamily rental housing development. The affordable housing restrictions at loan closing provide rent levels at or below 60% AMI with 20 units restricted at or below 30% AM. In addition, the sale of Mountain Breeze Villas to the Borrower provides the project with much needed rehabilitation of approximately $20,540 per unit and improves overall energy savings by 18.46 percent.

Sales Transaction October 2013

Sales Price	$10,050,000	($59,820 per unit)

- Acquisition/Predevelopment Loans
  - Century Housing $9,547,000
  - County of San Bernardino HOME $450,000
  - Alliance Property Inc. $53,000

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$260	30%*	20	30
One Bdrm	$717	60%	36	54

Two Bdrm	$717	50%	12	36
Two Bdrm	$861	60%	99	297
Two Bdrm	$1,092	Manager's	1	3
Total Units/Persons			**168 Units**	**420**

Rehabilitation	($20,520 per unit)	$3,447,360

*The project will be a 100% affordable multifamily rental development at loan close. There are no rent subsidies in the project however, 20 units are reserved for homeless or at-risk of homelessness residents living with mental illness under the Mental Health Services Act (MHSA) Housing Program. CalHFA administers the MHSA Program and MHSA-eligible residents are qualified and referred by the San Bernardino County Department of Behavioral Health (SBDBH). The MHSA Housing Program requires that rents for these units be no greater than 30% of the tenant's income (in most cases rent will be 30% of SSI) and shall not exceed 30% of the San Bernardino County 30% AMI rent levels. The MHSA units will be supported by an MHSA Capitalized Operating Subsidy Reserve (COSR) in an amount up to $2,433,300 that is projected to last for 28 years. The annual COSR payments are based on the difference between (shortfall) of the rents received from the 20 MHSA units and the unit's proportionate share of COSR eligible operating expenses.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$12,000,000
Interest Rate	4.15%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$8,000,000
Interest Rate	5.85% fixed
Term	40 year fully amortized
Prepayment	Allowable payment after year 15
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Additional Financing**	$840,000
Interest Rate	0%
Term	55 years
Financing Source	RHCP

**To assist with the financing of this project, CalHFA intends to provide the Additional Financing loan in the amount of $840,000. This Additional Financing loan will be due and payable upon maturity or payment in full of the CalHFA Acquisition/Rehabilitation and Permanent First Mortgage loan(s), whichever occurs first. This Additional Financing Loan will be subordinate to all other financing for the project.

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

OTHER FINANCING

- Century Housing provided an acquisition loan in the amount of $9,547,000, at a rate of 6.50% for 6 months, with one 6 month extension. This loan will be reconveyed and paid off at construction loan close.
- The MHSA Housing Program, administered by CalHFA will provide a permanent loan in the amount of $2,433,300, with an interest rate of 3% and a term of 55 years, payable from residual receipts. The MHSA loan will close simultaneously with the Project's acquisition/rehabilitation loan.
- San Bernardino County HOME will provide a $500,000 loan, with an interest rate of 3%, and a term of 55 years, payable from residual receipts.

PROJECT DESCRIPTION

Project Location

- The project is located in the City of Highland, in the southwest section of San Bernardino County. Highland is located in the geographical area of the City of San Bernardino.
- The project is located on the north side of Baseline Street at McKinley Street.
- Adjoining land uses to the north consists of vacant land, a group of cell towers and further north a high school. To the west is vacant land and further west are single-family homes in average to good condition. To the south, across Baseline Street is a market-rate multifamily development, Park Mountain View in average condition. Further south are single-family homes and small neighborhood retail/commercial uses. To the East is a market-rate multifamily development, Sierra Springs Apartments in average to good condition. There are also neighborhood retail/commercial uses located near the development along Baseline Street.
- A bus stop is located in front of the project which provides public transportation within the City of Highland to the geographical area of the City of San Bernardino. METROLINK has a nearby station that provides commuter rail service from San Bernardino to downtown Los Angeles. Major community amenities are all located within 0.5 miles of the project. Two major hospitals are nearby.

Site

- The 7.62 acre site is rectangular in shape with flat topography.

- The site is zoned R-3. This is a low to medium density residential land use zoning designation. Mountain Breeze Villas is considered a legal non-conforming development by the City of Highland.

Improvements

- This 168-unit, garden style project was built in 1987 and consists of nine (9) two-story flats, a one story community room, a swimming pool and spa area. All units are accessible from the Baseline Street frontage and parking lot entrances. There are landscaped open spaces. The buildings are wood frame structure with stucco and horizontally applied wood siding sections. The foundation has concrete footings with concrete slabs on grade flooring. The gabled roofs are asphalt composition shingles.
- There are 56 one-bedroom and 112 two-bedroom units; one two-bedroom unit serves as a manger's unit.
- Each unit has a gas range with separate hood, garbage disposal, dishwasher, carpeting, and a patio or balcony. All units have central air conditioning and heat condenser units.
- The common area amenities include a tot lot, courtyard, and picnic area. The community room/clubhouse will be rehabilitated to include a clubhouse, community space, computer learning center, kitchen and restrooms. A new office and supportive services space will be built during the project renovation.
- The project offers 172 uncovered on-site parking spaces and 167 covered carports.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 18.46%.
- The scope of rehabilitation work totals $3,024,000 or $18,000 (excluding overhead, profit, general conditions and insurance) per unit and includes:
  - **Site work, $55,250** – Leasing office ($5,250), landscaping ($15,000), signage (5,000) and sidewalk repair repair ($30,000).
  - **Building, $848,067** - Siding repair ($60,070), metals ($58,800), fencing ($4,800), insulation ($1,300), roofing ($147,812), ADA units ($22,500), leasing office and supportive services space ($9,430), community room/clubhouse/laundry renovation ($94,710), stucco repairs and exterior paint ($50,225), interior paint ($105,300) lighting ($37,955), building signage ($7,000), windows ($135,790), exterior doors, ($12,350), and drywall ($100,025).
  - **Residential Units, $1,018,727** – Appliances ($195,894), flooring, ($258,822), doors and hardware specialties ($152,871), counter tops and cabinets ($365,780), and clean up ($45,360)
  - **Systems, $1,101,956 –** Electrical ($139,350), heating & air conditioning, ($414,457), plumbing ($545,349), and fire sprinklers ($2,800).

  Rehabilitation work is scheduled to commence by February 2014 and is projected to be completed within nine (9) months.

Off-site improvements

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

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units. A $252,000 reserve has been established for temporary short-term relocation of tenants and includes transportation and meals while temporarily relocated and for some permanent relocation of tenants over LIHTC income restrictions. Tenant rent will remain unchanged during the rehabilitation. Rents will be adjusted per LIHTC income restrictions at Notice of Completion. The Borrower has consulted with a HUD relocation specialist to confirm that federal relocation plan requirements do not apply to the project in order to minimize the risk of future delays or litigation related to noncompliance.

  The Borrower will provide written notification of the rehabilitation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The primary market area (PMA) for the project is defined as follows:

North – San Bernardino National Forest
East – State Route 330, Highland Avenue, Church Street, and Orange Street
South – Brookside Avenue and Barton Road
West – Waterman Avenue (State Route 18)

The PMA boundaries and overall market health assessment are based upon an analysis of demographic and socioeconomic characteristics, target tenant population, political jurisdictional boundaries, natural boundaries, experience of nearby comparable developments, accessibility to mass transit or key transportation corridors and commute patterns, and market perceptions. Market participants indicated that most of the local support for affordable housing would originate from within these boundaries. Market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. Given the opportunity to locate to good quality affordable housing it is expected that renter may be drawn from outside the PMA from other parts of San Bernardino County.

The demographic data demonstrates that the total population in the PMA for year 2012 was 146,520 with a growth rate of approximately 0.9% annually between 2000 and 2012. The PMA experienced an increase in population and the number of households from 1990 through 2012, both of which are projected to continue to increase to an estimated population of 150,433 through 2017.

Housing Supply and Demand

- The rental housing stock in the PMA is comprised of six (6) market rate multifamily apartment developments in average to good condition, within one mile or less of the project, and six (6) affordable apartment developments with only one within the PMA. LIHTC properties within the PMA are limited; five (5) LIHTC comparable properties are located outside of the PMA. All of the comparables were constructed or renovated between 1985 and 2001. Upon completion, Mountain Breeze Villas will be equal to or superior in condition to all of the comparables.

- Occupancy rate for 600 market rate units within the survey as of September 2013 is 95% which is an increase of 1% in the last 12 months. The occupancy rate for the affordable units as of September 2013 is 98% which is a decrease of 1% in the last 12 months. There is one LIHTC property within the PMA. The six LIHTC apartment comparables have extensive waiting lists.
- The San Bernardino County Housing Authority which administers the Section 8 program for the entire County indicates that there are no available Project-Based Section 8 Vouchers available for Mountain Breeze Villas. Additionally the Tenant Based Housing Choice Vouchers program waiting list is closed. Given the extensive waiting lists for the LIHTC properties, and Housing Authority vouchers, there is a significant demand for affordable family rental units in Highland.
- There are currently no new LIHTC/bond projects or market rate housing currently planned within the PMA. There were no new LIHTC or market rate large family properties developed in the PMA since 2011 and no LIHTC awarded in the last two (2) tax credit allocation cycles.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 90% leased and the proposed rehabilitation will not interfere with occupancy. Current rent rolls and income surveys indicated that most of the current residents will meet affordable housing income eligibility. CalHFA anticipates that project will be 100% occupied within three (3) months of rehabilitation completion.

ENVIRONMENTAL

OGI Environmental LLC completed a Phase I Environmental Assessment report for Mountain Breeze Villas, LP on August 17, 2013. The report concluded that there is no evidence of recognized environmental conditions on the project site and that further investigation or remedial action is not warranted at this time; however, the project has suspected asbestos containing materials including: acoustic ceilings, drywall walls, stucco exterior, roofing material, window putty, and vinyl flooring. Mitigation and inspection by a licensed inspector for all demolition and rehabilitation work will be required to ensure the necessary asbestos inspection(s) are performed in compliance with applicable federal, state and local regulations.

CalHFA's NEPA review consultant, AEM Consulting, is in the process of the of its compliance review of the Environmental Review Record (**"ERR"**). The review is scheduled for completion on or before December 9th, 2013. CalHFA's loan commitment is subject to approval of the Mountain Breeze Villas ERR and must comply with HUD Risk Share requirements.

SEISMIC

A Seismic Damageability Assessment was performed by Partner Engineering and Science, Inc., dated September 25, 2013. The Probable Maximum Loss aggregate loss for Mountain Breeze Villas is 14%. The damage ratio meets CalHFA's seismic risk criteria of a PML of 20% or less; therefore, Earthquake insurance is not required.

DEVELOPMENT TEAM

Borrower

Mountain Breeze Villas LP, a California limited partnership

- The managing general partner is Hearthstone Housing Foundation., a California nonprofit public benefit corporation located in Newport Beach, California. The Administrative General Partner is Alliance Property Group Inc., a California corporation located in Los Angeles, Project.
- The Borrower's tax credit investor limited partner will be an entity formed by Hunt Capital Partners, LLC, a Delaware limited liability company (tax credit investor limited partner.

Management Agent

John Stewart Company (JSCo)

- The John Stewart Company, a California corporation ("JSCo"), will manage the project. JSCo was founded in 1978 and provides high quality full service management, development and consulting for non-profit and private sector commercial real estate clients throughout California. The JSCo management portfolio contains over 400 housing developments, representing more than 30,000 residential units for low-income to extremely low-income persons, serving over 100,000 California residents. The John Stewart Company manages various types of properties including multifamily affordable housing developments, senior communities, tax credit projects, HUD, and Section 8 properties and permanent special needs housing with supportive services.

Architect

Abode Communities & Gio Aliano Architect, P.C.

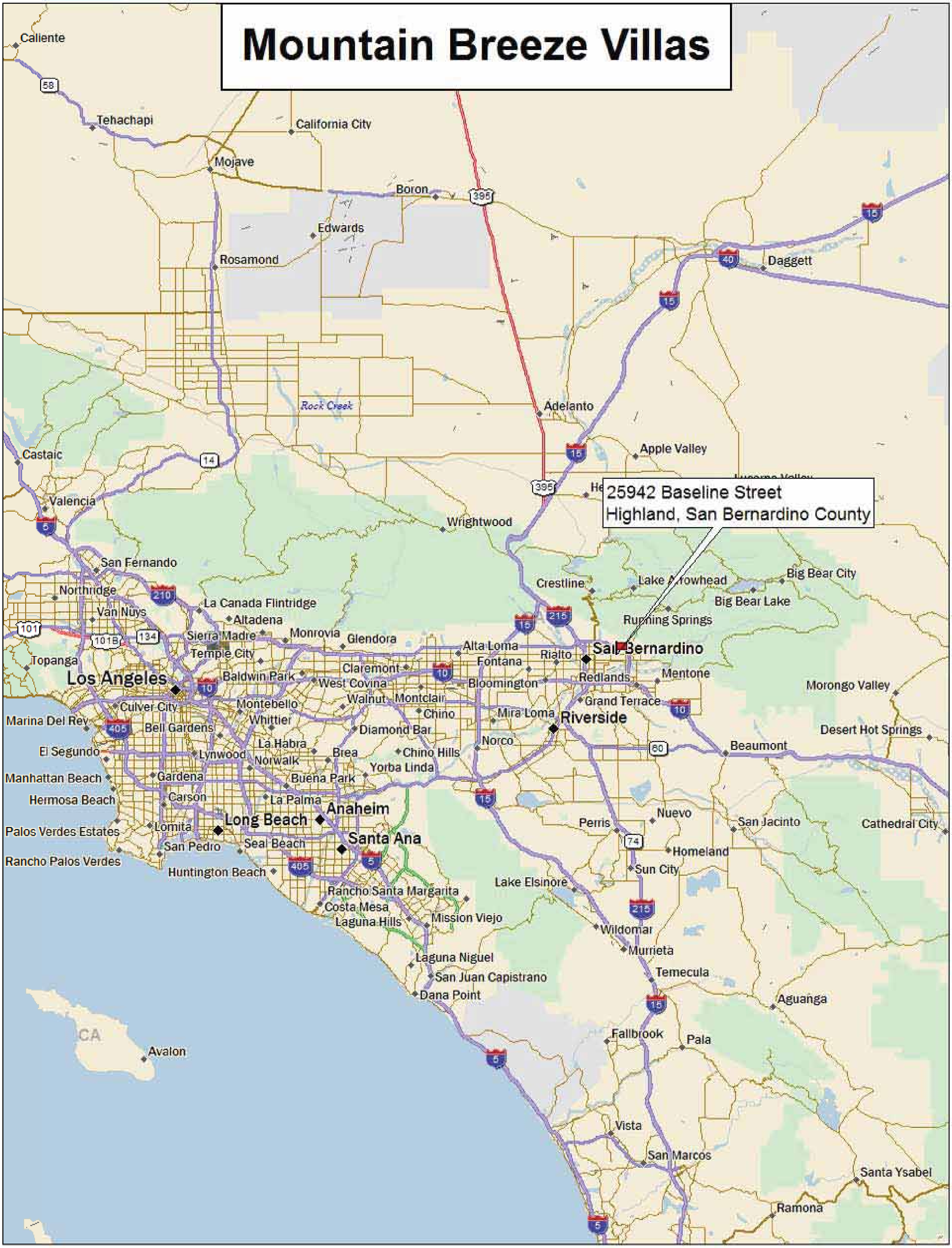
- Abode Communities, a California corporation ("Abode") and Gio Aliano Architect, P.C., a California corporation are located near Los Angeles and provide fully integrated, multidisciplinary approaches to project development and construction administration since 1968. The Borrower has engaged Abode to assist it in project design, renovation, and construction management during the rehabilitation process. Abode has designed numerous multifamily projects in the Southern California and owns 42 properties throughout the region providing homes to more than 6,600 residents.

Contractor

Urban-Tofel Construction, LLC

- Urban-Tofel Construction LLC, a to be formed a California limited liability company (Urban-Tofel") is a joint venture between Tofel Construction, LLC (Tofel) and Urban Contracting, LLC (Urban). Tofel is an Arizona-based general contractor firm since 1998 and is a licensed California contractor. Tofel has completed over 60 new construction and rehabilitation projects. Chris Slowey a principal with Urban was formerly employed by Tofel as a project manager for Tofel's rehabilitation projects. Urban has completed four (4) projects as a California licensed general contractor and served as a consultant for the San Diego Housing Commission. The joint venture will be headquartered in Oceanside, California.

DeLorme Street Atlas USA® 2010



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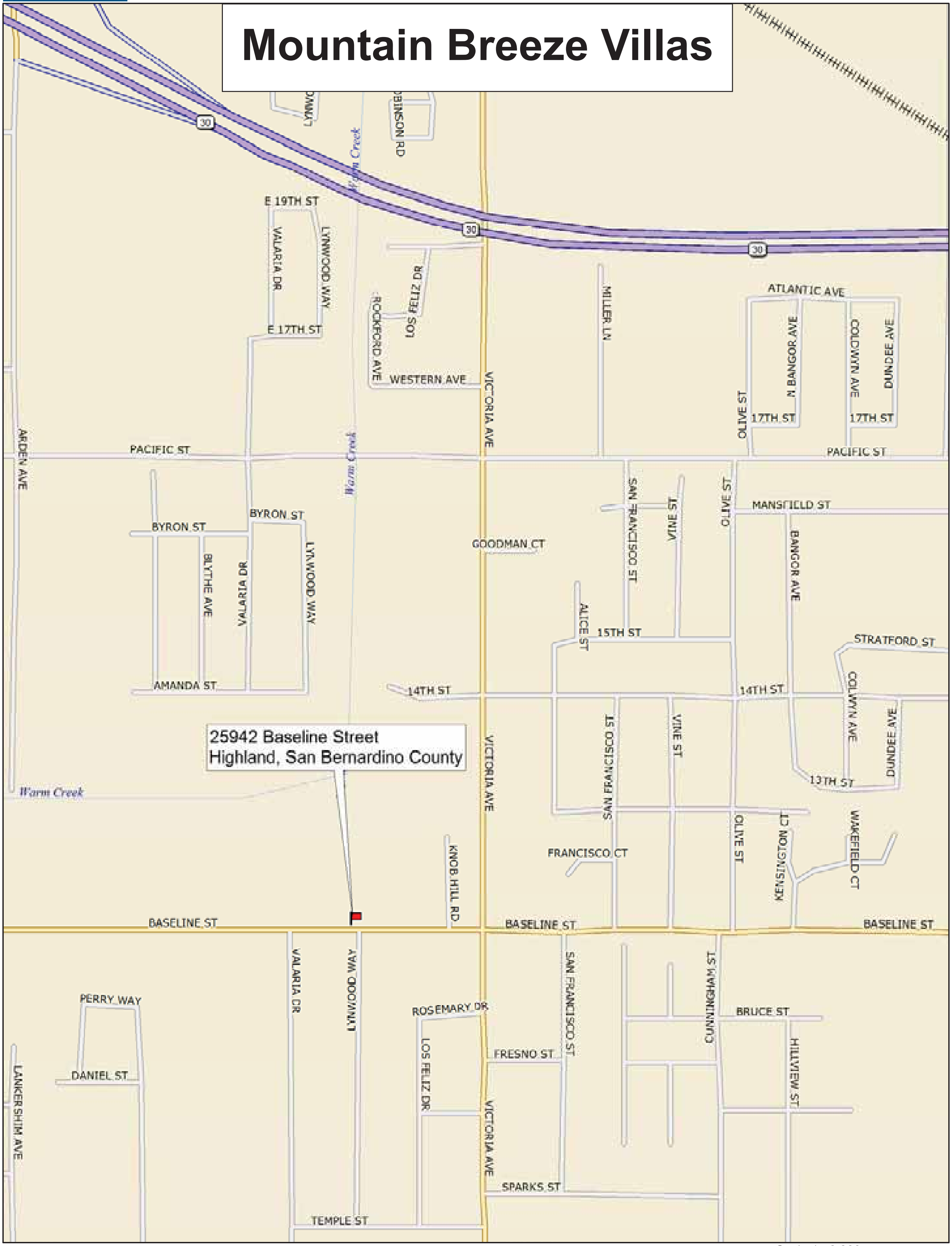
DeLorme

DeLorme Street Atlas USA® 2010

Mountain Breeze Villas



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PROJECT SUMMARY **Final Commitment**

Acquisition, Rehab, Construction & Permanent Loans **Project Number 13-037-M/R/S**

Project Full Name	Mountain Breeze Villas	**Borrower Name:**	Mountain Breeze Villas, LP
Project Address	25942 E. Baseline Street	**Managing GP:**	Hearthstone Housng Foundation
Project City	Highland	**Developer Name:**	Alliance Property Group Inc.
Project County	San Bernardino	**Investor Name:**	Hunt Capital Partners LLC
Project Zip Code	92410	**Prop Management:**	John Stewart Company

Project Type:	Acq/Rehab/Permanent Loan	**Total Land Area (acres):**	7.62
Tenancy/Occupancy:	Family	**Residential Square Footage:**	126,776
Total Residential Units:	168	**Residential Units Per Acre:**	22.05
Total Number of Buildings:	9		
Number of Stories:	2	**Covered Parking Spaces:**	167
Unit Style:	Flat	**Total Parking Spaces:**	339
Elevators:	none		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	12,000,000	1.000%	18	--	4.150%
--	--	--	--	--	--
MHSA	2,433,300	1.000%	660	55	3.000%
County of San Bernardino HOME	500,000	0.000%	660	55	3.000%
CalHFA Subsidy Financing	840,000	0.000%	480	--	0.000%
--	--	--	--	--	--
Investor Equity Contribution	310,911	--	--	--	--

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Permanent Loan	8,000,000	--	40	40	5.850%
--	--	--	--	--	--
--	--	--	--	--	--
MHSA	2,433,300	--	55	55	3.000%
County HOME	500,000	--	55	55	3.000%
CalHFA Other Financing	840,000	--	40	--	0.000%
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
Deferred Developer Fees	962,050	**NA**	**NA**	**NA**	**NA**
--	--	**NA**	**NA**	**NA**	**NA**
Investor Equity Contributions	4,997,232	**NA**	**NA**	**NA**	**NA**

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	9/16/13	**Capitalization Rate:**	6.00%
Investment Value ($)	18,290,000	**Restricted Value ($)**	12,190,000
Construct/Rehab LTC	81%	**Permanent Loan to Cost**	53%
Construct/Rehab LTV	66%	**Permanent Loan to Value**	64%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$318,723	NA
Initial Replacement Reserve Deposit	$84,000	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 10/29/13 Senior Staff Date: 10/25/13

UNIT MIX AND RENT SUMMARY **Final Commitment**

Mountain Breeze Villas **Project Number 13-037-M/R/S**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	1	1	630	56	84
Flat	2	1	851	20	60
Flat	2	1.5	851	20	60
Flat	2	2	798	72	216
-	-	-	-	-	0
-	-	-	-	-	0
				168	420

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	**45%**	**50%**	**60%**	**80%**	**30%**	**0%**
CalHFA			34				
Tax Credits			12	135		20	
MHSA						20	
County HOME			5				
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	**Restricting Agency**	**% of Area Median Income**	**Average Restricted Rents**		**Average Market Rents**	**Average Monthly Savings**	**% of Market Rents**
			Number of Units	**Unit Rent**			
1 Bedroom	**CalHFA**	**30%**	20	$190	$1,115	$925	17%
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	36	$647		$468	58%
	CalHFA	**30%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**30%**	-	-	$1,435	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	12	$618		$817	43%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	99	$762		$673	53%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**30%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**30%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**30%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**30%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**30%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**30%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/29/13					Senior Staff Date:	10/25/13

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Mountain Breeze Villas			**Project Number**	**13-037-M/R/S**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS**		
			SOURCES ($)	**PER UNIT ($)**	**%**
CalHFA Loan	12,000,000				0.0%
CalHFA Section 8 Loan	-				0.0%
MHSA	2,433,300				0.0%
County of San Bernardino HOME	500,000				0.0%
CalHFA Subsidy Financing	840,000				0.0%
Other Non-CalHFA Sources of Funds	661,326				0.0%
Construct/Rehab Net Oper. Inc.	150,716				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	310,911				0.0%
CalHFA Permanent Loan		8,000,000	8,000,000	47,619	45.1%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
MHSA		2,433,300	2,433,300	14,484	13.7%
County HOME		500,000	500,000	2,976	2.8%
CalHFA Other Financing		840,000	840,000	5,000	4.7%
Other Non-CalHFA Sources of Funds		1,137,051	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		962,050	962,050	5,726	5.4%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		4,997,232	4,997,232	29,745	28.2%
TOTAL SOURCES OF FUNDS	**16,896,253**	**18,869,633**	**17,732,582**	**105,551**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS**		
			USES ($)	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		16,896,253			
Acquisition Costs	**10,231,804**	**-**	**10,231,804**	60,904	54.2%
Construction/Rehab Hard Costs	**3,447,360**	**-**	**3,447,360**	20,520	18.3%
Relocation Costs	**252,000**	**-**	**252,000**	1,500	1.3%
Architectural Costs	**118,301**	**-**	**118,301**	704	0.6%
Surveys & Engineering Costs	20,000	-	20,000	119	0.1%
Contingency Reserves	390,099	-	390,099	2,322	2.1%
Loan Period Loan & Other Costs	**1,061,333**	**-**	**1,061,333**	6,317	5.6%
Permanent Loan Costs	**5,000**	**132,330**	**137,330**	817	0.7%
Legal Fees	**120,000**	**-**	**120,000**	714	0.6%
Operating Reserves	**84,000**	**650,000**	**734,000**	4,369	3.9%
Reports & Studies	**65,250**	**-**	**65,250**	388	0.3%
Other Construction/Rehab Costs	**350,512**	**-**	**350,512**	2,086	1.9%
Developer Fees & Costs	**750,594**	**1,191,050**	**1,941,644**	11,557	10.3%
TOTAL PROJECT COSTS	**16,896,253**	**18,869,633**	**18,869,633**	**112,319**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Mountain Breeze Villas	**Project Number**		**13-037-M/R/S**

INCOME	AMOUNT	PER UNIT	%
Rental Income			
Restricted Unit Rents	$ 1,319,352	$ 7,853	92.54%
Unrestricted Unit Rents	10,080	60	0.71%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy MHSA	65,982	393	4.63%
Other MHSA Rents	-	-	0.00%
Other Income			
Laundry and Vending Income	30,227	180	2.12%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,425,641**	**$ 8,486**	**100.00%**
Less: Vacancy Loss	**$ 73,322**	**$ 436**	**5.42%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,352,319**	**$ 8,922**	**94.86%**

OPERATING EXPENSES	AMOUNT	PER UNIT	%
Administrative Expenses	$ 139,895	$ 833	$ 0
Management Fee	84,701	504	6.26%
Social Programs & Services	-	-	0.00%
Utilities	109,000	649	8.06%
Operating & Maintenance	240,207	1,430	17.76%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	10,000	60	0.74%
Other Taxes & Insurance	75,790	451	5.60%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 659,593**	**$ 3,926**	**48.77%**
Operating Reserves	$ 84,000	$ 500	6.21%
TOTAL OPERATING EXPENSES	**$ 743,593**	**$ 4,426**	**54.99%**
NET OPERATING INCOME (NOI)	**$ 608,726**	**$ 3,623**	**45.01%**

DEBT SERVICE PAYMENTS	AMOUNT	PER UNIT	%
CalHFA Loan	$ 518,202	$ 3,085	38.32%
CalHFA Section 8 Loan	-	-	0.00%
MHSA	10,220	61	0.76%
County HOME	-	-	0.00%
CalHFA Other Financing	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 528,422**	**$ 3,145**	**39.08%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 80,304**	**$ 478**	**5.94%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15 to 1**		

Date: 10/29/13 Senior Staff Date: 10/25/13

CONSTRUCTION/REHAB NET OPERATING INCOME												Mountain Breeze Villas
											Project Number:	13-037-M/R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	329,838	329,838	329,838	329,838	338,084	338,084	-	-	-	-	1,995,520
Unrestricted Unit Rents	2.50%	2,520	2,520	2,520	2,520	2,583	2,583	-	-	-	-	15,246
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy MHSA	0.00%	16,496	16,496	16,496	16,496	16,496	16,496	-	-	-	-	98,973
Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		348,854	348,854	348,854	348,854	357,162	357,162	-	-	-	-	2,109,739
OTHER INCOME	**CPI**											
Laundry and Vending Income	2.50%	7,557	7,557	7,557	7,557	7,746	7,746	-	-	-	-	45,718
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		7,557	7,557	7,557	7,557	7,746	7,746	-	-	-	-	45,718
GROSS POTENTIAL INCOME (GPI)		356,410	356,410	356,410	356,410	364,908	364,908	-	-	-	-	2,155,457
TOTAL PROJECTED VACANCY LOSS		**18,857**	**18,857**	**18,857**	**18,857**	**19,287**	**19,287**	**-**	**-**	**-**	**-**	**114,000**
EFFECTIVE GROSS INCOME (EGI)		**337,554**	**337,554**	**337,554**	**337,554**	**345,621**	**345,621**	**-**	**-**	**-**	**-**	**2,041,456**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	34,974	34,974	34,974	34,974	36,198	36,198	-	-	-	-	212,291
Management Fee	6.26%	21,175	21,175	21,175	21,175	22,502	22,502	-	-	-	-	129,704
Utilities	3.50%	27,250	27,250	27,250	27,250	28,204	28,204	-	-	-	-	165,408
Operating & Maintenance	3.50%	60,052	60,052	60,052	60,052	62,154	62,154	-	-	-	-	364,514
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	2,500	2,500	2,500	2,500	2,531	2,531	-	-	-	-	15,063
Other Taxes & Insurance	3.50%	18,948	18,948	18,948	18,948	19,611	19,611	-	-	-	-	115,011
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	21,000	21,000	21,000	21,000	21,210	21,210	-	-	-	-	126,420
TOTAL OPERATING EXPENSES		**185,898**	**185,898**	**185,898**	**185,898**	**192,409**	**192,409**	**-**	**-**	**-**	**-**	**1,128,410**
NET OPERATING INCOME (LOSS)		**151,655**	**151,655**	**151,655**	**151,655**	**153,213**	**153,213**	**-**	**-**	**-**	**-**	**913,046**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	124,500	124,500	124,500	124,500	124,500	124,500	-	-	-	-	747,000
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
MHSA	2	2,555	2,555	2,555	2,555	2,555	2,555	-	-	-	-	15,330
County of San Bernardino HOME	3	-	-	-	-	-	-	-	-	-	-	-
CalHFA Subsidy Financing	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**127,055**	**127,055**	**127,055**	**127,055**	**127,055**	**127,055**	**-**	**-**	**-**	**-**	**762,330**
NET PROPERTY CASH FLOWS		**24,600**	**24,600**	**24,600**	**24,600**	**26,158**	**26,158**	**-**	**-**	**-**	**-**	**150,716**
				Year 1 Debt Service	**508,220**			**Year 2 Debt Service**	**254,110**	**Year 2.5**	**-**	**762,330**
				Year 1 Net Cash Flow	**98,401**			**Year 2 Net Cash Flow**	**52,315**	**Year 2.5**	**-**	**150,716**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Mountain Breeze Villas**
2	**Final Commitment**										**Project Number**	**13-037-M/R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,386,144	1,420,798	1,456,318	1,492,726	1,530,044	1,568,295	1,607,502	1,647,690	1,688,882	1,731,104
6	Unrestricted Unit Rents	2.50%	10,590	10,855	11,126	11,405	11,690	11,982	12,282	12,589	12,903	13,226
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy MHSA	0.00%	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982
11	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	31,757	32,551	33,364	34,199	35,054	35,930	36,828	37,749	38,693	39,660
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,494,473**	**1,530,186**	**1,566,791**	**1,604,311**	**1,642,769**	**1,682,189**	**1,722,594**	**1,764,009**	**1,806,460**	**1,849,972**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	69,307	71,040	72,816	74,636	76,502	78,415	80,375	82,384	84,444	86,555
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy MHSA	10.00%	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598
23	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	2.50%	794	814	834	855	876	898	921	944	967	991
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**76,699**	**78,452**	**80,248**	**82,089**	**83,977**	**85,911**	**87,894**	**89,926**	**92,010**	**94,145**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,417,774**	**1,451,734**	**1,486,542**	**1,522,221**	**1,558,792**	**1,596,278**	**1,634,700**	**1,674,083**	**1,714,450**	**1,755,827**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	149,859	155,104	160,533	166,151	171,967	177,986	184,215	190,663	197,336	204,242
31	Management Fee	6.26%	88,801	90,928	93,108	95,343	97,633	99,981	102,388	104,855	107,383	109,974
32	Utilities	3.50%	116,764	120,850	125,080	129,458	133,989	138,678	143,532	148,556	153,755	159,137
33	Operating & Maintenance	3.50%	257,316	266,322	275,643	285,291	295,276	305,610	316,307	327,377	338,836	350,695
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	10,252	10,610	10,982	11,366	11,764	12,176	12,602	13,043	13,499	13,972
36	Other Taxes & Insurance	3.50%	81,188	84,030	86,971	90,015	93,165	96,426	99,801	103,294	106,909	110,651
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	85,688	86,545	87,411	88,285	89,168	90,059	90,960	91,870	92,788	93,716
39	**TOTAL OPERATING EXPENSES**		**789,867**	**814,389**	**839,727**	**865,908**	**892,961**	**920,917**	**949,804**	**979,657**	**1,010,506**	**1,042,388**
40	**NET OPERATING INCOME (NOI)**		**627,907**	**637,344**	**646,815**	**656,313**	**665,831**	**675,361**	**684,895**	**694,426**	**703,944**	**713,439**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220
45	County HOME	3	-	-	-	-	-	-	-	-	-	-
46	CalHFA Other Financing	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**
51	**CASH FLOW AFTER DEBT SERVICE**		**99,485**	**108,923**	**118,394**	**127,891**	**137,409**	**146,939**	**156,474**	**166,004**	**175,522**	**185,018**
52	**DEBT SERVICE COVERAGE RATIO**		**1.19**	**1.21**	**1.22**	**1.24**	**1.26**	**1.28**	**1.30**	**1.31**	**1.33**	**1.35**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Mountain Breeze Villas**
2	**Final Commitment**										**Project Number**	**13-037-M/R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,774,382	1,818,741	1,864,210	1,910,815	1,958,585	2,007,550	2,057,739	2,109,182	2,161,912	2,215,960
6	Unrestricted Unit Rents	2.50%	13,556	13,895	14,243	14,599	14,964	15,338	15,721	16,114	16,517	16,930
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy MHSA	0.00%	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982
11	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	40,651	41,668	42,709	43,777	44,871	45,993	47,143	48,322	49,530	50,768
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,894,572**	**1,940,286**	**1,987,144**	**2,035,173**	**2,084,403**	**2,134,863**	**2,186,585**	**2,239,600**	**2,293,941**	**2,349,640**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	88,719	90,937	93,210	95,541	97,929	100,378	102,887	105,459	108,096	110,798
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy MHSA	10.00%	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598
23	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	2.50%	1,016	1,042	1,068	1,094	1,122	1,150	1,179	1,208	1,238	1,269
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**96,334**	**98,577**	**100,876**	**103,233**	**105,649**	**108,126**	**110,664**	**113,265**	**115,932**	**118,665**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,798,238**	**1,841,709**	**1,886,268**	**1,931,940**	**1,978,754**	**2,026,738**	**2,075,922**	**2,126,335**	**2,178,009**	**2,230,974**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	211,391	218,790	226,447	234,373	242,576	251,066	259,853	268,948	278,362	288,104
31	Management Fee	6.26%	112,631	115,354	118,144	121,005	123,937	126,943	130,023	133,181	136,417	139,735
32	Utilities	3.50%	164,706	170,471	176,438	182,613	189,004	195,620	202,466	209,553	216,887	224,478
33	Operating & Maintenance	3.50%	362,969	375,673	388,822	402,431	416,516	431,094	446,182	461,798	477,961	494,690
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	14,461	14,967	15,491	16,033	16,594	17,175	17,776	18,398	19,042	19,709
36	Other Taxes & Insurance	3.50%	114,524	118,532	122,681	126,975	131,419	136,018	140,779	145,706	150,806	156,084
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	94,653	95,600	96,556	97,521	98,497	99,482	100,476	101,481	102,496	103,521
39	**TOTAL OPERATING EXPENSES**		**1,075,336**	**1,109,387**	**1,144,579**	**1,180,951**	**1,218,543**	**1,257,397**	**1,297,557**	**1,339,066**	**1,381,971**	**1,426,321**
40	**NET OPERATING INCOME (NOI)**		**722,902**	**732,323**	**741,689**	**750,989**	**760,211**	**769,341**	**778,365**	**787,269**	**796,037**	**804,654**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220
45	County HOME	3	-	-	-	-	-	-	-	-	-	-
46	CalHFA Other Financing	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**
51	**CASH FLOW AFTER DEBT SERVICE**		**194,481**	**203,901**	**213,267**	**222,567**	**231,789**	**240,919**	**249,943**	**258,847**	**267,616**	**276,232**
52	**DEBT SERVICE COVERAGE RATIO**		**1.37**	**1.39**	**1.40**	**1.42**	**1.44**	**1.46**	**1.47**	**1.49**	**1.51**	**1.52**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Mountain Breeze Villas**
2	**Final Commitment**										**Project Number**	**13-037-M/R/S**
3		**YEAR**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,271,359	2,328,143	2,386,346	2,446,005	2,507,155	2,569,834	2,634,080	2,699,932	2,767,430	2,836,616
6	Unrestricted Unit Rents	2.50%	17,353	17,787	18,232	18,688	19,155	19,634	20,125	20,628	21,143	21,672
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy MHSA	0.00%	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982
11	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	52,037	53,338	54,672	56,038	57,439	58,875	60,347	61,856	63,402	64,987
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,406,731**	**2,465,250**	**2,525,232**	**2,586,713**	**2,649,731**	**2,714,325**	**2,780,534**	**2,848,397**	**2,917,958**	**2,989,257**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	113,568	116,407	119,317	122,300	125,358	128,492	131,704	134,997	138,371	141,831
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy MHSA	10.00%	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598
23	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	2.50%	1,301	1,333	1,367	1,401	1,436	1,472	1,509	1,546	1,585	1,625
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**121,467**	**124,339**	**127,282**	**130,299**	**133,392**	**136,562**	**139,811**	**143,141**	**146,555**	**150,054**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,285,264**	**2,340,911**	**2,397,949**	**2,456,414**	**2,516,339**	**2,577,763**	**2,640,723**	**2,705,256**	**2,771,403**	**2,839,203**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	298,188	308,624	319,426	330,606	342,177	354,154	366,549	379,378	392,656	406,399
31	Management Fee	6.26%	143,135	146,621	150,193	153,855	157,608	161,456	165,399	169,441	173,584	177,831
32	Utilities	3.50%	232,335	240,466	248,883	257,594	266,609	275,941	285,599	295,595	305,941	316,648
33	Operating & Maintenance	3.50%	512,004	529,924	548,471	567,668	587,536	608,100	629,384	651,412	674,211	697,809
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	20,398	21,112	21,851	22,616	23,408	24,227	25,075	25,953	26,861	27,801
36	Other Taxes & Insurance	3.50%	161,547	167,201	173,053	179,110	185,379	191,867	198,583	205,533	212,727	220,172
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	104,556	105,602	106,658	107,724	108,802	109,890	110,988	112,098	113,219	114,352
39	**TOTAL OPERATING EXPENSES**		**1,472,164**	**1,519,551**	**1,568,536**	**1,619,174**	**1,671,520**	**1,725,634**	**1,781,577**	**1,839,410**	**1,899,200**	**1,961,012**
40	**NET OPERATING INCOME (NOI)**		**813,101**	**821,360**	**829,413**	**837,240**	**844,819**	**852,129**	**859,146**	**865,846**	**872,203**	**878,191**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220
45	County HOME	3	-	-	-	-	-	-	-	-	-	-
46	CalHFA Other Financing	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**
51	**CASH FLOW AFTER DEBT SERVICE**		**284,679**	**292,938**	**300,991**	**308,818**	**316,398**	**323,707**	**330,724**	**337,424**	**343,782**	**349,769**
52	**DEBT SERVICE COVERAGE RATIO**		**1.54**	**1.55**	**1.57**	**1.58**	**1.60**	**1.61**	**1.63**	**1.64**	**1.65**	**1.66**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Mountain Breeze Villas**
2	**Final Commitment**										**Project Number**	**13-037-M/R/S**
3		**YEAR**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,907,531	2,980,219	3,054,725	3,131,093	3,209,370	3,289,605	3,371,845	3,456,141	3,542,544	3,631,108
6	Unrestricted Unit Rents	2.50%	22,214	22,769	23,338	23,922	24,520	25,133	25,761	26,405	27,065	27,742
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy MHSA	0.00%	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982	65,982
11	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	66,612	68,277	69,984	71,734	73,527	75,365	77,249	79,181	81,160	83,189
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**3,062,339**	**3,137,248**	**3,214,030**	**3,292,731**	**3,373,399**	**3,456,085**	**3,540,837**	**3,627,709**	**3,716,752**	**3,808,021**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	145,377	149,011	152,736	156,555	160,469	164,480	168,592	172,807	177,127	181,555
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy MHSA	10.00%	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598	6,598
23	Other MHSA Rents	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	2.50%	1,665	1,707	1,750	1,793	1,838	1,884	1,931	1,980	2,029	2,080
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**153,640**	**157,316**	**161,084**	**164,946**	**168,905**	**172,963**	**177,122**	**181,385**	**185,754**	**190,233**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,908,699**	**2,979,932**	**3,052,946**	**3,127,785**	**3,204,495**	**3,283,122**	**3,363,716**	**3,446,324**	**3,530,998**	**3,617,788**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	420,623	435,345	450,582	466,353	482,675	499,569	517,054	535,150	553,881	573,266
31	Management Fee	6.26%	182,183	186,645	191,218	195,906	200,710	205,635	210,683	215,857	221,161	226,597
32	Utilities	3.50%	327,731	339,202	351,074	363,361	376,079	389,242	402,865	416,966	431,559	446,664
33	Operating & Maintenance	3.50%	722,232	747,510	773,673	800,752	828,778	857,785	887,808	918,881	951,042	984,328
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	28,774	29,781	30,823	31,902	33,019	34,175	35,371	36,609	37,890	39,216
36	Other Taxes & Insurance	3.50%	227,878	235,854	244,109	252,653	261,496	270,648	280,121	289,925	300,072	310,575
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	115,495	116,650	117,816	118,995	120,185	121,386	122,600	123,826	125,065	126,315
39	**TOTAL OPERATING EXPENSES**		**2,024,918**	**2,090,987**	**2,159,296**	**2,229,921**	**2,302,941**	**2,378,440**	**2,456,501**	**2,537,214**	**2,620,669**	**2,706,961**
40	**NET OPERATING INCOME (NOI)**		**883,781**	**888,944**	**893,649**	**897,863**	**901,553**	**904,683**	**907,215**	**909,110**	**910,329**	**910,827**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202	518,202
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,220
45	County HOME	3	-	-	-	-	-	-	-	-	-	-
46	CalHFA Other Financing	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**	**528,422**
51	**CASH FLOW AFTER DEBT SERVICE**		**355,360**	**360,523**	**365,227**	**369,442**	**373,131**	**376,261**	**378,793**	**380,689**	**381,907**	**382,405**
52	**DEBT SERVICE COVERAGE RATIO**		**1.67**	**1.68**	**1.69**	**1.70**	**1.71**	**1.71**	**1.72**	**1.72**	**1.72**	**1.72**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

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RESOLUTION 13-16

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Mountain Breeze Villas, LP, 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 Highland, San Bernardino County, California, to be known as Mountain Breeze Villas (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, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; 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 October 7, 2013, 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, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

1. The Executive Director, or in her absence, her designee, 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	
13-037-R/S	Mountain Breeze Villas Highland, San Bernardino, California	$12,000,000.00	Acquisition/Rehabilitation Financing
		$ 8,000,000.00	Permanent 1st Loan
		$ 840,000.00	RHCP 2nd Loan

The Board recognizes that, in the event staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

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, 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 13-16 adopted at a duly constituted meeting of the Board of the Agency held on November 12, 2013, at Burbank, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Regency Court
Monrovia, Los Angeles County, CA
CalHFA # 13-034-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 115-unit senior apartment complex known as Regency Court, located at 720 5th Avenue Court, Monrovia, California. Monrovia 612, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Riverside Charitable Corporation, a California nonprofit public benefit corporation, administrative general partner is USA Monrovia 612, Inc., and WNC & Associates, Inc.(tax credit investor) will own the project.

Regency Court is an existing portfolio loan currently owned by Regency Court Partners, a California limited partnership. Regency Court was originally financed by CalHFA in 1995 and is a 115- unit (107 one-bedroom and 8 two-bedroom), affordable senior apartment complex consisting of twenty-two (22) one and two-story buildings, rental office, laundry room, pool, and community center building. The project is 100% affordable with 57 units rented at 50% AMI and the other 57 units rented at 60% AMI.

The project is built on land leased from the Los Angeles County Community Development Commission (LACDC). The ground lease agreement will be assigned to the Borrower. The CalHFA Regulatory Agreement and Deed of Trust will be recorded against, and secured by Borrower's leasehold interest in the land and fee interest in the improvements; lease payments will be made from 40% of residual receipts until the deferred developer fee loan is paid back. Upon payback of the deferred developer fee loan, LACDC will receive 60% and the Borrower will receive 40% of residual receipts.

Existing Financing

Project Rate	6.85%
Term:	30 yrs.; remaining term: 12 years.
Loan Maturity	November 1, 2025
Orig. Loan Amount	$4,540,000
Curr Prin Bal:	$2,928,478

Sales Transaction

Sales Price	$6,166,712	($53,624 per unit)
Less: CalHFA Existing Indebtedness	$2,928,478	
Less: CalHFA Yield Maintenance	$753,723	
Net Proceeds to Seller*	**$2,484,511**	

*Net proceeds to Seller does not include $1,611,522
in principal repayments over the past 18 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$587	50%	23	23
One Bdrm	$600	50%	34	34
One Bdrm	$722	60%	38	38
One Bdrm	$908	60%	12	12
Two Bdrm	$848	60%	6	12
Two Bdrm	$1,088	60%	1	2
Two Bdrm	$1,125	Manager's	1	2
Total Units/Persons			**115 Units**	**123**

Rehabilitation	($24,650 per unit)	$2,834,750

The project is a preservation project with twelve (12) years until maturity. Rent level restrictions will remain unchanged and the affordability levels will be extended for another 55 years. In order to support the rehabilitation and permanent debt, project rents will be increased from the current levels by approximately 10% over the first two years of the project period. *Even after the rent increase, property rents will be on average $200 less per month than the 50% and 60% AMI maximums for Los Angeles County that are allowed by CalHFA and TCAC.* In addition, the sale of Regency Court to the Borrower provides the project with needed rehabilitation of approximately $24,650 per unit and improves overall energy savings 12%. The owner, Regency Court Partners, is selling the project to seek a buyout.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$6,700,000
Interest Rate	4.85%, fixed
Term	24 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$5,530,000
Interest Rate	5.95% fixed
Term	40 year, fully amortized
Prepayment	Allowable at par after 15 years
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Additional Financing*

Additional Financing Loan	$670,000
Interest Rate	0%
Term	55 years
Financing Source	RHCP

*To assist with the financing of this project, CalHFA intends to provide an Additional Financing Loan in the amount of $670,000. This Additional Financing Loan will be due and payable upon maturity or payment in full of the CalHFA Acquisition/Rehabilitation and Permanent First Mortgage Loan(s), whichever comes first. This Additional Financing Loan will be subordinate to all other financing for the Project.

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

- Regency Court Partners (Seller) will provide a take back loan in the amount of $750,000, with a rate of 3.50% and a term of 55 years, payable from residual receipts;
- USA Properties Fund will provide a deferred developer fee note of $321,617 with a rate of 1.00% and payable from residual receipts; and
- Los Angeles Community Development Commission will provide an existing $1,394,636 note from with a rate of 3.00% and a term of 42 years, payable from residual receipts. This note will be paid down $500,000 to $894,636 at closing.

PROJECT DESCRIPTION

Project Location

- The project is located in southwestern Monrovia, in the San Gabriel Valley located in the northeastern portion of Los Angeles County County. The project property is bounded by Santa Anita Avenue on the east, Foothill Boulevard on the north, Mayflower Avenue on the west, and Historic Route 66 (Huntington Drive) on the south. The southern portion of Monrovia abuts the 210 Freeway which runs east and west in northern Los Angeles County.
- The development is approximately seven (7) miles east of Pasadena, two (2) miles east of Arcadia, and seven (7) miles west of Azusa, all on the 210 Freeway. The project is approximately fourteen (14) miles northeast of the city of Los Angeles.
- Adjoining land uses to the north, south and east are residential developments in good condition. To the west is a market rate multifamily development project called the Monrovia Gardens.
- Three bus stops for the Foothill Transit Route 187 are all located within one quarter mile of the project. Two Gold Line light rail stations are under construction both within one mile of the project. Grocery stores Trader Joe’s, Ralph’s, Sprouts and Wild Oats Market are all located within one mile of the project. Pharmacies CVS and Sunny Bay are located within 0.5 mile of the project. There are two parks are located within one half mile

of the project and the Monrovia Public Library is located within one mile. Both acute and primary care health facilities are located within 2.5 miles of the property.

Site

- The 3.70 acre site is narrow and rectangular in shape with moderately flat topography that extends for three blocks. The site is on a former railroad easement.
- The site is zoned RM/RH, Residential Medium/High and RH Residential High, by the City of Monrovia, which allows for a multifamily development density range of no greater than 17 units per acre. Regency Court was constructed to a density of 31.1 units per acre and therefore its site and its use are legally non-conforming.

Improvements

- This 115-unit, garden style project was built in 1995 and consists of twenty (20) one and two-story apartment buildings, a one-story rental office building, a one-story community room, and a pool. All units are accessible from various parking lot entrances, and the project has four points of access from Fifth Avenue, West Olive Avenue, West Walnut Avenue and Monterey Avenue. There are landscaped open spaces and the apartment buildings are connected by interior walkways. The buildings are wood frame structure with stucco siding and concrete slab flooring. The roofs are pitched composition.
- There are 107 one-bedroom and 7 two-bedroom units; one two-bedroom unit serves as a manger's unit.
- Each unit has an electric range with hood, a frost-free refrigerator, garbage disposer, carpeting, hand rails/grab bars, and a patio or balcony. All units have central heating and air conditioning. Some units have ceiling fans, skylights and vaulted ceilings.
- The common area amenities include two community room/clubhouses, courtyards, three BBQ areas and a pool with spa. Both community buildings contain a kitchen and laundry facility. The other community building serves as an office for management/leasing.
- The project offers 87 covered carports and 26 spaces of open parking for a total of 113 spaces.
- No units are specifically ADA accessible; $50,000 of rehabilitation budget will be used to upgrade ADA accessibility.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average to good condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 12%.
- The scope of rehabilitation work totals $2,834,750 or $24,650 per unit (excluding overhead, profit, general conditions and insurance) per unit and includes:
    - **Site Improvements, $404,500** – concrete flatwork ($108,000), site painting ($15,000), carport roofing repair ($25,000), trash enclosure repair ($5,000), site lighting fixtures ($90,000), asphalt/drive approach ($9,000), gates, fencing and walls – repair and replace ($60,000), and landscaping ($92,500).
    - **Common Area Improvements, $381,500** – monument, building and unit addressing, and misc. signage ($31,800), mailboxes ($20,700), pool furniture ($5,000), pool and spa equipment/improvements ($19,000), laundry room improvements ($5,000), installation of photovoltaic solar system ($60,000), and solar thermal water heating system ($240,000).

- **Clubhouse Improvements, $54,000** – deferred maintenance ($1,200), painting ($2,400), drywall repair ($1,200), flooring ($9,000), lighting ($3,000), bathroom repairs and fixtures ($6,000), kitchen repairs, fixtures and appliances ($6,000), office furniture ($24,000) and carpentry ($1,200).
- **Building Improvements, $571,160** – rough cleaning and debris removal ($5,000), building railings ($12,000), dry rot repairs ($30,000), utility doors trim and hardware ($17,160), roof replacement ($343,750), stucco repairs ($6,000), exterior painting ($143,750), and fire extinguisher cabinets ($7,500), fire sprinkler system inspection and check ($6,000).
- **Residential Unit Improvements, $1,423,570** – carpentry ($40,250), entry door hardware replacement ($48,300), drywall patching ($20,700), carpet cleaning ($13,800), carpet replacement ($25,875), vinyl replacement ($25,875), unit painting ($27,600), bathroom accessories/mirrors/ADA ($4,830), refrigerators ($75,900), range/ovens ($89,000), range hoods ($13,800), kitchen and vanity cabinets ($34,500), cabinet hardware ($34,500), bathroom counters ($8,625), kitchen counters ($20,700), plumbing fixtures ($242,200), tub/shower enclosures ($15,525), replace HVAC ($552,000), heating system upgrades ($27,600), electrical fixture ($51,990), and ADA accessibility upgrades ($50,000).

  Work is scheduled to commence by February 2014 and is projected to be completed within 12 months.

Off-site improvements

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

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units. No funds were reserved for relocation in the development budget, however the Borrower has developed a relocation plan that sets forth what action will need to be taken if any tenants have to be temporarily displaced during the renovation. This includes the right to move back into the original unit after renovation, the right to be temporarily relocated to comparable housing during the renovation, and to have temporary housing and moving expenses paid by the Borrower. Any relocation costs will be paid from the $75,000 soft cost contingency reserve. The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) for the property is defined as the cities of Monrovia, and Duarte which have similar demographics and a large senior population. They are bound by state highway 210 on the south and the Angeles National Forest on the north. Contiguous to the PMA to the west is Arcadia and contiguous to the east is Azusa. The Secondary Market Area (SMA) is considered to be Azusa and Sierra Madre which account for less than 20% of tenancy.

The total population in the PMA in 2012 was 58,111 persons, with a slow annual growth rate of 0.17% projected from 2012 to 2017. The senior population (65+ years old) within the PMA comprised of 14% of the total population (8,135), with 27% of population (15,689) estimated to be in the 55+ year-old age range. The projected PMA senior population is expected to grow 12% (or 1,012 persons) between 2012 and 2017. Persons 55 years and older will account for 18% of the projected population growth in the PMA during that timeframe, and will benefit the tenancy of the project.

In 2012, renters accounted for 46% of total households in the PMA. In the PMA, 31% of total senior households are renters and 61% of these households contain one person per unit in tenancy (one-bedroom units). Approximately 30% of the senior households earned below $25,000 per year and approximately 58% earned less than $50,000 per year indicating the need for all affordable housing types. The demographic data implies a strong demand to maintain and construct affordable rental housing for seniors in the PMA.

Housing Supply and Demand

- The multifamily housing stock in the PMA is comprised of 8,090 units or 38% of total housing stock. Within one mile of and similar to the subject project, there are ten multifamily projects - four (4) age-restricted projects and six (6) general occupancy. Of the four (4) senior projects one (1) is market rate and three (3) are income-restricted.
- Average occupancy rate for senior market rate and affordable units as of September 2013 is 99.5%. There are 2 LIHTC senior properties within a one-mile radius and one senior project financed with tax-exempt bonds, all three are fully occupied and have extensive waiting lists. The subject project has a waiting list of 31 persons.
- The PMA has 718 senior units in the PMA of which 167 are market rate. Of the 551 rent-restricted senior units, 310 are competitive (50-60% AMI) to the project. The remaining 241 units are rented at 80% AMI rent levels. All of the existing market rate and rent-restricted units were built at least 30-40 years ago. The 551 rent-restricted units were renovated within the last 10-20 years, including the project will be renovated shortly.
- There is only one pending or proposed senior apartment project in the PMA: Southern California Presbyterian Homes will develop an additional 42 units adding to an existing 80 units that will be rehabilitated. Given the limited supply of affordable senior housing, the addition of 42 senior units will not affect senior occupancy rates within the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

Krazen and Associates completed a Phase I Environmental Assessment report for Regency Court on September 24, 2013. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

CalHFA's NEPA review consultant, AEM Consulting, is completing its compliance review of the Environmental Review Record (**"ERR"**). It is expected that the Regency Court ERR will comply with HUD Risk Share requirements and will require no mitigations.

SEISMIC

Partner Energy performed a Seismic Review Assessment dated September 20, 2013. The damage ratio met CalHFA's seismic risk criteria of Probable Maximum Loss of 20% or less, thus no earthquake insurance is required for this project.

DEVELOPMENT TEAM

Borrower

<u>Monrovia 612, L.P.</u>

- The Managing General Partner is Riverside Charitable Corporation (RCC), a California nonprofit public benefit corporation located in Orange, California. RCC has been providing affordable housing and charitable services for over 25 years. RCC is a partner in the seller entity. The Administrative General Partner is USA Monrovia 612, Inc., a California corporation. USA Properties Fund has developed over 11,000 units of family and senior housing in 72 communities over the past 32 years.

  The limited partner will be a WNC & Associates, Inc. (Tax Credit Investor) who together with USA Monrovia 612, Inc., and Riverside Charitable Corporation will own the Project.

Management Agent

<u>USA Multifamily Management, Inc.</u>

- USA Multifamily Management, Inc., a California corporation, located in Roseville, CA will manage the property. Founded in 1993, it provides management and operating services for the entire USA portfolio which has grown to 11,000 units in 72 communities across California and Nevada. USA has extensive experience in managing both family and senior properties, including providing via contract supportive services when needed at the properties.

Architect

<u>Kuchman Architects, PC</u>

- Kuchman Architects, PC, a California professional corporation, located in Sacramento has provided all phase services of development and construction administration since 1985. The Borrower has engaged Kuchman to provide oversight during the rehabilitation process. Kuchman has designed numerous multifamily projects in the Northern California region.

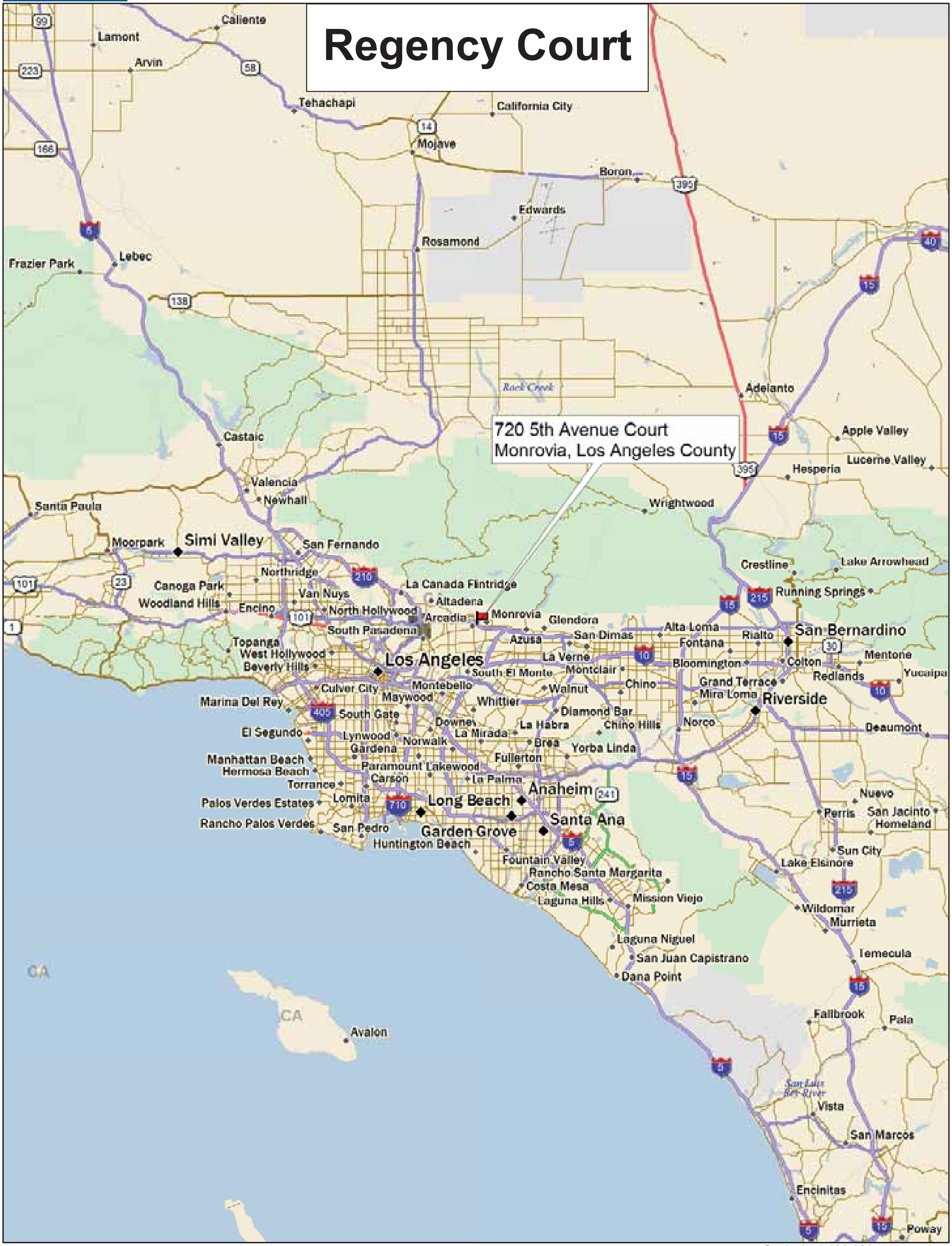
Contractor

USA Construction Management, Inc.

- USA Construction Management, Inc. (USACM) is the general contracting company within USA Properties Fund headquartered in Roseville, California. USACM was founded over 30 years ago and has built over 11,000 family and senior units in 72 communities in California and Nevada. USACM is a Build it Green member and adheres to green building standards that include enhanced energy and water saving that exceed Title 24 by at least 15%.

DeLORME

DeLorme Street Atlas USA® 2010



Data use subject to license.

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TN

MN (12.4°E)

Scale 1 : 1,100,000

0 6 12 18 24 30 mi

0 10 20 30 40 50 km

1" = 17.36 mi

Data Zoom 7-5

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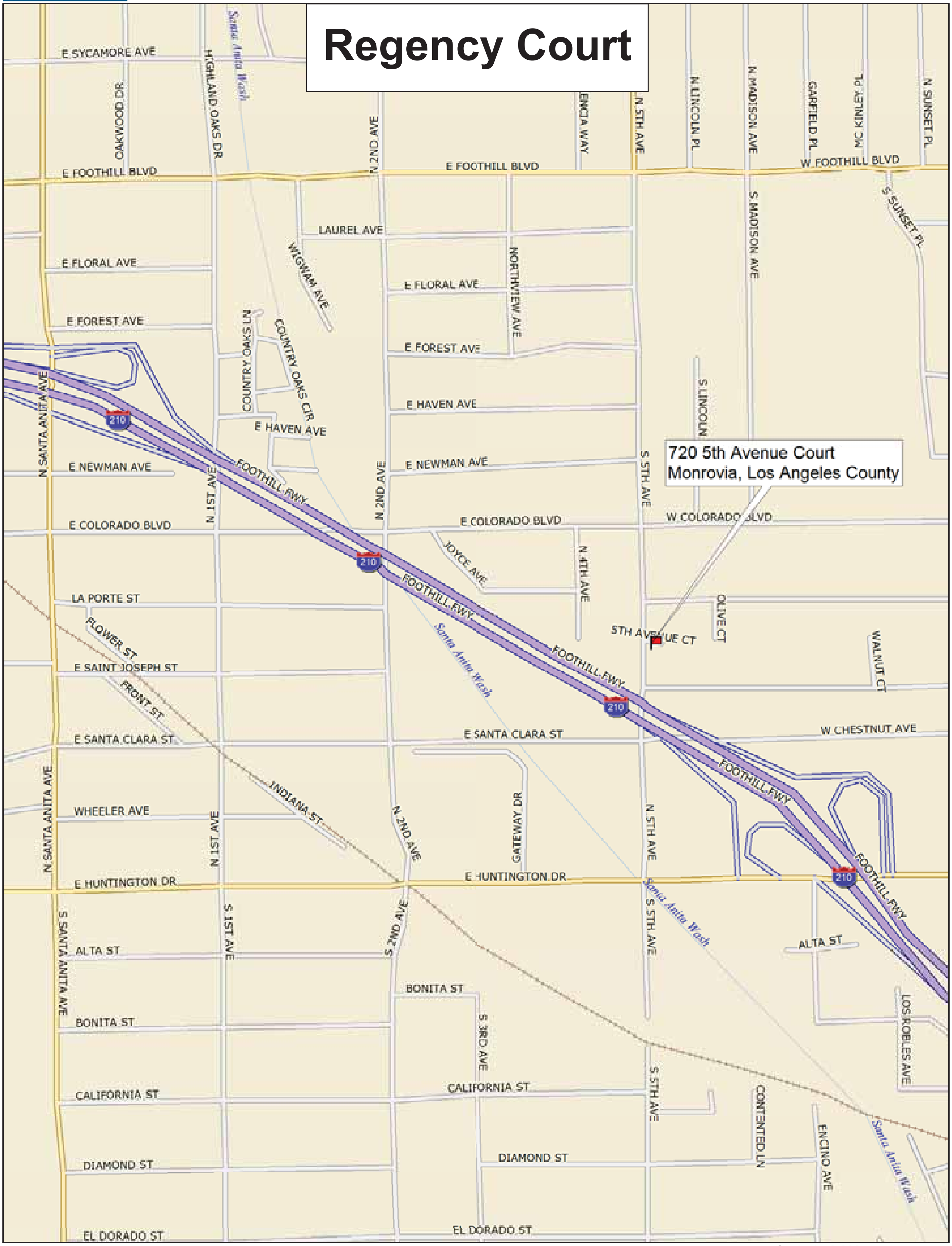

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TN

MN (12.4°E)

Scale 1 : 8,800

1" = 733.3 ft

Data Zoom 14-5

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 13034 R/S

Project Full Name	Regency Court	**Borrower Name:**	Monrovia 612, L.P.
Project Address	720 5th Avenue Court	**Managing GP:**	Riverside Charitable Corporation
Project City	Monrovia	**Developer Name:**	USA Properties Fund
Project County	Los Angeles	**Investor Name:**	WNC & Associates, Inc.
Project Zip Code	91016	**Prop Management:**	USA Multifamily Management, Inc.

Project Type:	Acq/Rehab/Permanent Loan	**Total Land Area (acres):**	3.70
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	64,767
Total Residential Units:	115	**Residential Units Per Acre:**	31.08
Total Number of Buildings:	22		
Number of Stories:	2	**Covered Parking Spaces:**	87
Unit Style:	Flat	**Total Parking Spaces:**	113
Elevators:	none		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	6,700,000	1.000%	24	--	4.850%
--	--	--	--	--	--
Los Angeles County CDC	894,636	--	24	--	3.000%
Seller Note	750,000	--	24	--	3.500%
Additional Financing Loan	320,000	--	24	--	--
Construct/Rehab Net Oper. Inc.	133,224	--	--	--	--
Investor Equity Contribution	2,056,450	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	5,530,000	--	40	40	5.950%
--	--	--	--	--	--
--	--	--	--	--	--
Los Angeles County CDC	894,636	--	42	--	3.000%
Seller Note	750,000	--	55	--	3.500%
Deferred Developer Fee Note	321,617	--	55	--	1.000%
Additional Financing Loan	670,000	--	55	--	--
--	--	--	--	--	--
--	--	--	--	--	--
Construct/Rehab Net Oper. Inc.	133,224	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	4,001,847	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	10/18/13	**Capitalization Rate:**	5.75%
Investment Value ($)	15,770,000	**Restricted Value ($)**	7,720,000
Construct/Rehab LTC	56%	**Permanent Loan to Cost**	47%
Construct/Rehab LTV	42%	**Permanent Loan to Value**	72%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Waived
Completion Guarantee Letter of Credit	Required

Permanent Loan

Operating Expense Reserve Deposit	$215,403	Cash
Initial Replacement Reserve Deposit	$115,000	Cash
Annual Replacement Reserve Per Unit	$400	Cash

Date Prepared: 10/29/13 — Senior Staff Date: 10/25/13

UNIT MIX AND RENT SUMMARY **Final Commitment**

Regency Court **Project Number 13034 R/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	549	107	107
Flat	2	1	753	7	14
Flat	2	1	753	1	2
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				115	123

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			23				
Tax Credits			34	57			
-							
-							
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents Number of Units	Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	**CalHFA**	**25%**	-	-	$1,110	-	-
	CalHFA	**50%**	23	$587		$523	53%
	TCAC	**50%**	34	$600		$510	54%
	TCAC	**60%**	38	$722		$388	65%
	TCAC	**60%**	12	$908		$202	82%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**25%**	-	-	$1,250	-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	6	$848		$402	68%
	TCAC	**60%**	1	$1,088		$162	87%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	1	$1,125		$125	90%
3 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/29/13					Senior Staff Date:	10/25/13

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Regency Court			**Project Number**	**13034 R/S**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS**		
			SOURCES ($)	**PER UNIT ($)**	**%**
CalHFA Loan	6,700,000				0.0%
CalHFA Section 8 Loan	-				0.0%
Los Angeles County CDC	894,636				0.0%
Seller Note	750,000				0.0%
Additional Financing Loan	320,000				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	133,224				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	2,056,450				0.0%
CalHFA Permanent Loan		5,530,000	5,530,000	48,087	45.0%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
Los Angeles County CDC		894,636	894,636	7,779	7.3%
Seller Note		750,000	750,000	6,522	6.1%
Deferred Developer Fee Note		321,617	321,617	2,797	2.6%
Other Non-CalHFA Sources of Funds		670,000	670,000	5,826	5.4%
Construct/Rehab Net Oper. Inc.		133,224	133,224	1,158	1.1%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		4,001,847	4,001,847	34,799	32.5%
TOTAL SOURCES OF FUNDS	**10,854,310**	**12,301,324**	**12,301,324**	**106,968**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS**		
			USES ($)	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		10,854,310			
Acquisition Costs	**6,166,712**	**-**	**6,166,712**	53,624	50.1%
Construction/Rehab Hard Costs	**3,245,222**	**-**	**3,245,222**	28,219	26.4%
Relocation Costs	**-**	**-**	**-**	-	0.0%
Architectural Costs	**-**	**-**	**-**	-	0.0%
Surveys & Engineering Costs	63,500	-	63,500	552	0.5%
Contingency Reserves	399,522	-	399,522	3,474	3.2%
Loan Period Loan & Other Costs	**152,371**	**-**	**152,371**	1,325	1.2%
Permanent Loan Costs	**-**	**10,000**	**10,000**	87	0.1%
Legal Fees	**-**	**65,000**	**65,000**	565	0.5%
Operating Reserves	**330,403**	**-**	**330,403**	2,873	2.7%
Reports & Studies	**32,000**	**-**	**32,000**	278	0.3%
Other Construction/Rehab Costs	**207,831**	**113,814**	**321,645**	2,797	2.6%
Developer Fees & Costs	**256,749**	**1,258,200**	**1,514,949**	13,173	12.3%
TOTAL PROJECT COSTS	**10,854,310**	**12,301,324**	**12,301,324**	**106,968**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Regency Court	**Project Number**		**13034 R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 954,408	$ 8,299	103.89%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	11,960	104	1.30%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 966,368**	**$ 8,403**	**105.19%**
Less: Vacancy Loss	**$ 47,720**	**$ 415**	**5.19%**
EFFECTIVE GROSS INCOME (EGI)	**$ 918,648**	**$ 8,818**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 108,077	$ 940	$ 0
Management Fee	46,024	400	5.01%
Social Programs & Services	-	-	0.00%
Utilities	73,200	637	7.97%
Operating & Maintenance	141,360	1,229	15.39%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	33,000	287	3.59%
Other Taxes & Insurance	50,252	437	5.47%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 451,913**	**$ 3,930**	**49.19%**
Operating Reserves	$ 46,000	$ 400	5.01%
TOTAL OPERATING EXPENSES	**$ 497,913**	**$ 4,330**	**54.20%**
NET OPERATING INCOME (NOI)	**$ 420,735**	**$ 3,659**	**45.80%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 362,811	$ 3,155	39.49%
CalHFA Section 8 Loan	-	-	0.00%
Los Angeles County CDC	-	-	0.00%
Seller Note	-	-	0.00%
Deferred Developer Note	-	-	0.00%
Additional Financing Loan	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 362,811**	**$ 3,155**	**39.49%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 57,924**	**$ 504**	**6.31%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.16 to 1**		
Date: 10/29/13		Senior Staff Date:	10/25/13

CONSTRUCTION/REHAB NET OPERATING INCOME												Regency Court
											Project Number:	13034 R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.00%	238,602	238,602	238,602	238,602	243,374	243,374	243,374	243,374	-	-	1,927,904
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		238,602	238,602	238,602	238,602	243,374	243,374	243,374	243,374	-	-	1,927,904
OTHER INCOME	**CPI**											
Laundry and Vending Income	0.00%	2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990	-	-	23,920
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		2,990	2,990	2,990	2,990	2,990	2,990	2,990	2,990	-	-	23,920
GROSS POTENTIAL INCOME (GPI)		241,592	241,592	241,592	241,592	246,364	246,364	246,364	246,364	-	-	1,951,824
TOTAL PROJECTED VACANCY LOSS		**19,371**	**19,371**	**19,371**	**19,371**	**19,753**	**19,753**	**19,753**	**19,753**	**-**	**-**	**156,496**
EFFECTIVE GROSS INCOME (EGI)		**222,221**	**222,221**	**222,221**	**222,221**	**226,611**	**226,611**	**226,611**	**226,611**	**-**	**-**	**1,795,328**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.00%	27,019	27,019	27,019	27,019	27,830	27,830	27,830	27,830	-	-	219,396
Management Fee	5.01%	11,506	11,506	11,506	11,506	12,082	12,082	12,082	12,082	-	-	94,354
Utilities	3.00%	18,300	18,300	18,300	18,300	18,849	18,849	18,849	18,849	-	-	148,596
Operating & Maintenance	3.00%	35,340	35,340	35,340	35,340	36,400	36,400	36,400	36,400	-	-	286,961
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	8,250	8,250	8,250	8,250	8,353	8,353	8,353	8,353	-	-	66,413
Other Taxes & Insurance	3.00%	12,563	12,563	12,563	12,563	12,940	12,940	12,940	12,940	-	-	102,012
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	11,500	11,500	11,500	11,500	11,615	11,615	11,615	11,615	-	-	92,460
TOTAL OPERATING EXPENSES		**124,478**	**124,478**	**124,478**	**124,478**	**128,069**	**128,069**	**128,069**	**128,069**	**-**	**-**	**1,010,191**
NET OPERATING INCOME (LOSS)		**97,743**	**97,743**	**97,743**	**97,743**	**98,542**	**98,542**	**98,542**	**98,542**	**-**	**-**	**785,137**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	81,238	81,238	81,238	81,238	81,238	81,238	81,238	81,238	-	-	649,900
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
Los Angeles County CDC	2	-	-	-	-	-	-	-	-	-	-	-
Seller Note	3	-	-	-	-	-	-	-	-	-	-	-
Additional Financing Loan	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**81,238**	**81,238**	**81,238**	**81,238**	**81,238**	**81,238**	**81,238**	**81,238**	**-**	**-**	**649,900**
NET PROPERTY CASH FLOWS		**16,505**	**16,505**	**16,505**	**16,505**	**17,304**	**17,304**	**17,304**	**17,304**	**-**	**-**	**135,237**
				Year 1 Debt Service	**324,950**			**Year 2 Debt Service**	**324,950**	**Year 2.5**	**-**	**649,900**
				Year 1 Net Cash Flow	**66,020**			**Year 2 Net Cash Flow**	**69,217**	**Year 2.5**	**-**	**135,237**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Regency Court**
2	**Final Commitment**										**Project Number**	**13034 R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	992,966	1,012,825	1,033,082	1,053,744	1,074,818	1,096,315	1,118,241	1,140,606	1,163,418	1,186,686
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,004,926**	**1,024,785**	**1,045,042**	**1,065,704**	**1,086,778**	**1,108,275**	**1,130,201**	**1,152,566**	**1,175,378**	**1,198,646**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	49,648	50,641	51,654	52,687	53,741	54,816	55,912	57,030	58,171	59,334
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**49,648**	**50,641**	**51,654**	**52,687**	**53,741**	**54,816**	**55,912**	**57,030**	**58,171**	**59,334**
28	**EFFECTIVE GROSS INCOME (EGI)**		**955,278**	**974,144**	**993,388**	**1,013,016**	**1,033,038**	**1,053,459**	**1,074,289**	**1,095,536**	**1,117,207**	**1,139,312**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	114,659	118,099	121,642	125,291	129,050	132,921	136,909	141,016	145,246	149,604
31	Management Fee	5.01%	47,859	48,805	49,769	50,752	51,755	52,778	53,822	54,886	55,972	57,080
32	Utilities	3.00%	77,658	79,988	82,387	84,859	87,405	90,027	92,728	95,509	98,375	101,326
33	Operating & Maintenance	3.00%	149,969	154,468	159,102	163,875	168,791	173,855	179,071	184,443	189,976	195,675
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	33,830	34,845	35,890	36,967	38,076	39,218	40,395	41,607	42,855	44,141
36	Other Taxes & Insurance	3.00%	53,312	54,912	56,559	58,256	60,004	61,804	63,658	65,567	67,534	69,561
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	46,925	47,394	47,868	48,346	48,830	49,318	49,811	50,310	50,813	51,321
39	**TOTAL OPERATING EXPENSES**		**524,212**	**538,509**	**553,217**	**568,346**	**583,910**	**599,921**	**616,393**	**633,338**	**650,771**	**668,707**
40	**NET OPERATING INCOME (NOI)**		**431,066**	**435,635**	**440,171**	**444,670**	**449,127**	**453,538**	**457,896**	**462,197**	**466,436**	**470,606**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Los Angeles County CDC	2	-	-	-	-	-	-	-	-	-	-
45	Seller Note	3	-	-	-	-	-	-	-	-	-	-
46	Deferred Developer Note	4	-	-	-	-	-	-	-	-	-	-
47	Additional Financing Loan	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**
51	**CASH FLOW AFTER DEBT SERVICE**		**68,254**	**72,823**	**77,360**	**81,859**	**86,316**	**90,726**	**95,085**	**99,386**	**103,624**	**107,794**
52	**DEBT SERVICE COVERAGE RATIO**		**1.19**	**1.20**	**1.21**	**1.23**	**1.24**	**1.25**	**1.26**	**1.27**	**1.29**	**1.30**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Regency Court**
2	**Final Commitment**										**Project Number**	**13034 R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	1,210,420	1,234,629	1,259,321	1,284,508	1,310,198	1,336,402	1,363,130	1,390,392	1,418,200	1,446,564
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,222,380**	**1,246,589**	**1,271,281**	**1,296,468**	**1,322,158**	**1,348,362**	**1,375,090**	**1,402,352**	**1,430,160**	**1,458,524**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	60,521	61,731	62,966	64,225	65,510	66,820	68,156	69,520	70,910	72,328
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**60,521**	**61,731**	**62,966**	**64,225**	**65,510**	**66,820**	**68,156**	**69,520**	**70,910**	**72,328**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,161,859**	**1,184,857**	**1,208,315**	**1,232,242**	**1,256,648**	**1,281,542**	**1,306,933**	**1,332,833**	**1,359,250**	**1,386,196**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	154,092	158,715	163,476	168,380	173,432	178,635	183,994	189,514	195,199	201,055
31	Management Fee	5.01%	58,209	59,361	60,537	61,735	62,958	64,205	65,477	66,775	68,098	69,448
32	Utilities	3.00%	104,366	107,497	110,722	114,043	117,465	120,988	124,618	128,357	132,207	136,174
33	Operating & Maintenance	3.00%	201,546	207,592	213,820	220,234	226,841	233,647	240,656	247,876	255,312	262,971
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	45,465	46,829	48,234	49,681	51,171	52,706	54,287	55,916	57,594	59,321
36	Other Taxes & Insurance	3.00%	71,647	73,797	76,011	78,291	80,640	83,059	85,551	88,117	90,761	93,484
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	51,834	52,352	52,876	53,405	53,939	54,478	55,023	55,573	56,129	56,690
39	**TOTAL OPERATING EXPENSES**		**687,159**	**706,143**	**725,674**	**745,770**	**766,445**	**787,718**	**809,606**	**832,127**	**855,300**	**879,143**
40	**NET OPERATING INCOME (NOI)**		**474,701**	**478,715**	**482,641**	**486,473**	**490,203**	**493,823**	**497,327**	**500,705**	**503,950**	**507,053**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Los Angeles County CDC	2	-	-	-	-	-	-	-	-	-	-
45	Seller Note	3	-	-	-	-	-	-	-	-	-	-
46	Deferred Developer Note	4	-	-	-	-	-	-	-	-	-	-
47	Additional Financing Loan	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**
51	**CASH FLOW AFTER DEBT SERVICE**		**111,889**	**115,903**	**119,829**	**123,661**	**127,391**	**131,012**	**134,516**	**137,894**	**141,139**	**144,241**
52	**DEBT SERVICE COVERAGE RATIO**		**1.31**	**1.32**	**1.33**	**1.34**	**1.35**	**1.36**	**1.37**	**1.38**	**1.39**	**1.40**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Regency Court**
2	**Final Commitment**										**Project Number**	**13034 R/S**
3		**YEAR**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	1,475,495	1,505,005	1,535,105	1,565,807	1,597,124	1,629,066	1,661,647	1,694,880	1,728,778	1,763,354
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,487,455**	**1,516,965**	**1,547,065**	**1,577,767**	**1,609,084**	**1,641,026**	**1,673,607**	**1,706,840**	**1,740,738**	**1,775,314**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	73,775	75,250	76,755	78,290	79,856	81,453	83,082	84,744	86,439	88,168
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**73,775**	**75,250**	**76,755**	**78,290**	**79,856**	**81,453**	**83,082**	**84,744**	**86,439**	**88,168**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,413,681**	**1,441,715**	**1,470,310**	**1,499,477**	**1,529,227**	**1,559,573**	**1,590,525**	**1,622,096**	**1,654,299**	**1,687,146**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	207,087	213,299	219,698	226,289	233,078	240,070	247,272	254,691	262,331	270,201
31	Management Fee	5.01%	70,825	72,230	73,663	75,124	76,614	78,135	79,685	81,267	82,880	84,526
32	Utilities	3.00%	140,259	144,467	148,801	153,265	157,862	162,598	167,476	172,501	177,676	183,006
33	Operating & Maintenance	3.00%	270,860	278,986	287,356	295,976	304,856	314,001	323,421	333,124	343,118	353,411
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	61,101	62,934	64,822	66,767	68,770	70,833	72,958	75,147	77,401	79,723
36	Other Taxes & Insurance	3.00%	96,288	99,177	102,152	105,217	108,373	111,624	114,973	118,422	121,975	125,634
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	57,257	57,829	58,408	58,992	59,582	60,178	60,779	61,387	62,001	62,621
39	**TOTAL OPERATING EXPENSES**		**903,677**	**928,922**	**954,899**	**981,629**	**1,009,135**	**1,037,439**	**1,066,566**	**1,096,538**	**1,127,382**	**1,159,123**
40	**NET OPERATING INCOME (NOI)**		**510,003**	**512,793**	**515,411**	**517,848**	**520,092**	**522,134**	**523,959**	**525,558**	**526,917**	**528,023**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Los Angeles County CDC	2	-	-	-	-	-	-	-	-	-	-
45	Seller Note	3	-	-	-	-	-	-	-	-	-	-
46	Deferred Developer Note	4	-	-	-	-	-	-	-	-	-	-
47	Additional Financing Loan	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**
51	**CASH FLOW AFTER DEBT SERVICE**		**147,192**	**149,981**	**152,600**	**155,036**	**157,281**	**159,322**	**161,148**	**162,747**	**164,106**	**165,212**
52	**DEBT SERVICE COVERAGE RATIO**		**1.41**	**1.41**	**1.42**	**1.43**	**1.43**	**1.44**	**1.44**	**1.45**	**1.45**	**1.46**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

	A	B	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP
1	**PROJECTED PERMANENT LOAN CASH FL0W**											**Regency Court**
2	**Final Commitment**										**Project Number**	**13034 R/S**
3		**YEAR**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	1,798,621	1,834,593	1,871,285	1,908,711	1,946,885	1,985,822	2,025,539	2,066,050	2,107,371	2,149,518
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960	11,960
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,810,581**	**1,846,553**	**1,883,245**	**1,920,671**	**1,958,845**	**1,997,782**	**2,037,499**	**2,078,010**	**2,119,331**	**2,161,478**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	89,931	91,730	93,564	95,436	97,344	99,291	101,277	103,302	105,369	107,476
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**89,931**	**91,730**	**93,564**	**95,436**	**97,344**	**99,291**	**101,277**	**103,302**	**105,369**	**107,476**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,720,650**	**1,754,823**	**1,789,681**	**1,825,235**	**1,861,501**	**1,898,491**	**1,936,222**	**1,974,707**	**2,013,962**	**2,054,002**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	278,307	286,656	295,256	304,114	313,237	322,634	332,313	342,283	352,551	363,128
31	Management Fee	5.01%	86,205	87,917	89,663	91,444	93,261	95,114	97,005	98,933	100,900	102,906
32	Utilities	3.00%	188,496	194,151	199,975	205,975	212,154	218,519	225,074	231,826	238,781	245,945
33	Operating & Maintenance	3.00%	364,014	374,934	386,182	397,768	409,701	421,992	434,651	447,691	461,122	474,955
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	82,115	84,578	87,115	89,729	92,421	95,193	98,049	100,991	104,020	107,141
36	Other Taxes & Insurance	3.00%	129,403	133,285	137,284	141,402	145,644	150,014	154,514	159,149	163,924	168,842
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	63,247	63,880	64,519	65,164	65,815	66,474	67,138	67,810	68,488	69,173
39	**TOTAL OPERATING EXPENSES**		**1,191,787**	**1,225,401**	**1,259,994**	**1,295,595**	**1,332,233**	**1,369,940**	**1,408,745**	**1,448,683**	**1,489,786**	**1,532,088**
40	**NET OPERATING INCOME (NOI)**		**528,863**	**529,422**	**529,686**	**529,640**	**529,267**	**528,552**	**527,477**	**526,025**	**524,177**	**521,914**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811	362,811
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Los Angeles County CDC	2	-	-	-	-	-	-	-	-	-	-
45	Seller Note	3	-	-	-	-	-	-	-	-	-	-
46	Deferred Developer Note	4	-	-	-	-	-	-	-	-	-	-
47	Additional Financing Loan	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**	**362,811**
51	**CASH FLOW AFTER DEBT SERVICE**		**166,052**	**166,611**	**166,875**	**166,828**	**166,456**	**165,740**	**164,665**	**163,213**	**161,365**	**159,102**
52	**DEBT SERVICE COVERAGE RATIO**		**1.46**	**1.46**	**1.46**	**1.46**	**1.46**	**1.46**	**1.45**	**1.45**	**1.44**	**1.44**
53	Date Prepared:	10/29/13									Senior Staff Date:	10/25/13

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RESOLUTION 13-17

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Monrovia 612, 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 Monrovia, Los Angeles County, California, to be known as Regency Court (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, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; 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 October 7, 2013, 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, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

1. The Executive Director, or in her absence, her designee, 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	
13-034-R/S	Regency Court Monrovia, Los Angeles County, California	$6,700,000.00	Acquisition/Rehabilitation Financing
		$5,530,000.00	Permanent 1st Loan
		$ 670,000.00	RHCP 2nd Loan

The Board recognizes that, in the event staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

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, 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 13-17 adopted at a duly constituted meeting of the Board of the Agency held on November 12, 2013, at Burbank, California.

ATTEST:______________________
Secretary

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 30, 2013

From: Ken Giebel, Acting Director of Single Family Lending
California Housing Finance Agency

Subject: Agenda Items 6 and 7: Board Action and Update Regarding Single Family Lending

On May 19, 2011, the Board of Directors passed Resolution 11-06 which states in part "it is the policy of the Board to require staff to present new financing strategies and new loan products for full discussion and approval by majority vote of the Board prior to implementation by the Agency." In compliance with Resolution 11-06, the California Housing Finance Agency ("***Agency***") staff wishes to present Agenda Items 6 and 7 as further described below.

To meet the ever changing demographics and housing demands for low to moderate income first time homebuyers in the state of California, staff is requesting the Board of Directors to review for discussion, recommendation and action on the following:

Agenda Item 6

The Board of Directors adopted Resolution 13-08 approving the Single Family Lending TBA Model as a vehicle to finance the Agency's single family lending products with minimal risk to the Agency.

Staff of the Agency will present to the Board of Directors two conventional lending products for approval and implementation which will be financed using the Single Family Lending TBA Model. The first lending product is the CalHFA Fannie Mae Preferred Premium Priced First Mortgage Product ("***CalPLUS Conventional***") where the CalHFA conventional first mortgage is combined with other CalHFA down payment assistance products (including the CalHFA "ZIP" product) and expected to be sold at a premium sufficient to fund the CalHFA ZIP loan and a net profit to CalHFA. The second conventional lending product is the CalHFA Fannie Mae Preferred Market Based First Mortgage Product ("***CalHFA Conventional***") where the CalHFA conventional first mortgage is combined with other CalHFA down payment assistance products (not including the CalHFA "ZIP" product) and is expected to be sold at a slight premium resulting in a net profit to CalHFA.

Agency staff is seeking approval of Board Resolution 13-18 approving: (1) the CalPLUS Conventional and CalHFA Conventional products; and (2) authorizing the use of the Single Family Lending TBA Model in order to finance the CalPLUS Conventional and CalHFA Conventional subject to parameters as set forth in Board Resolution 13-18.

Agenda Item 7

At the September 2013 Board of Directors meeting, the CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product was discussed. This is a premium priced first mortgage loan product expected to be sold at a price sufficient to cover the built in grant for energy efficient improvement on the subject property. As with other CalHFA single family lending products, the Agency will use the Single Family Lending TBA Model as the financing vehicle.

The Agency staff seeks approval of Board Resolution 13-19 authorizing: (1) CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product; and (2) the use of the Single Family Lending TBA Model in order to finance the CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product subject to parameters as set forth in Board Resolution 13-19.

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RESOLUTION 13-18

RESOLUTION AUTHORIZING THE CALHFA SINGLE FAMILY CONVENTIONAL LENDING PROGRAM FOR FANNIE MAE PREFERRED PREMIUM PRICED FIRST MORTGAGE PRODUCT (“CalPLUS Conventional”) AND FANNIE MAE PREFERRED MARKET BASED FIRST MORTGAGE PRODUCT (“CalHFA Conventional”) AND ITS IMPLEMENTATION

WHEREAS, the California Housing Finance Agency (the “Agency”) has developed a financing model (“Single Family Lending TBA Model”) as a vehicle to finance the Agency’s single family lending products with minimal risk to the Agency;

WHEREAS, on May 19, 2011, the Board of Directors adopted Resolution 11-06 which stated that “it is the policy of the Board to require staff to present new financing strategies and new loan products for full discussion and approval by majority vote of the Board prior to implementation by the Agency;”

WHEREAS, staff of the Agency presented to the Board of Directors two conventional lending products for approval and implementation. The first lending product is the CalHFA Fannie Mae Preferred Premium Priced First Mortgage Product (“CalPLUS Conventional”) where the CalHFA conventional first mortgage is combined with other CalHFA down payment assistance products (including the CalHFA “ZIP” product) and expected to be sold at a premium sufficient to fund the CalHFA ZIP loan and a net profit to CalHFA. The second conventional lending product is the CalHFA Fannie Mae Preferred Market Based First Mortgage Product (“CalHFA Conventional”) where the CalHFA conventional first mortgage is combined with other CalHFA down payment assistance products (not including the CalHFA “ZIP” product) and is expected to be sold at a slight premium resulting in a net profit to CalHFA; and

WHEREAS, the Board of Directors has adopted Resolution 13-08 approving the Single Family Lending TBA Model and wishes to approve and set certain parameters for the use of the TBA Model in conjunction with the CalPLUS Conventional and the CalHFA Conventional;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The CalPLUS Conventional and the CalHFA Conventional is approved.

2. The Agency is authorized to use the Single Family Lending TBA Model in order to finance the CalPLUS Conventional and the CalHFA Conventional subject to the following parameters:

A. Borrower must receive an initial FICO score of 640 or higher as required by Fannie Mae, master servicer or private mortgage Insurer guidelines.
B. Borrower must complete an Agency approved single family lending education program.
C. Maximum 103% combined loan-to-value ratio.
D. No greater than a total 43% debt-to-income ratio.
E. Minimum borrower cash contribution of $1,000.00 to $1,500.00 depending on FICO score.
F. Two-year home warranty policy for existing construction properties, including policies for 1 year with right to renew. Exception for new construction properties when builder provides the warranty.

I hereby certify that this is a true and correct copy of Resolution 13-18 adopted at a duly constituted meeting of the Board of Directors of the Agency held on November 12, 2013, at Burbank, California.

ATTEST:________________________
Secretary

RESOLUTION 13-19

RESOLUTION APPROVING AND AUTHORIZING THE CalHFA ENERGY EFFICIENT FIRST MORTGAGE PLUS GRANT SINGLE FAMILY LENDING PRODUCTAND IT'S IMPLEMENTATION

WHEREAS, the California Housing Finance Agency (the "Agency") has developed a financing model ("Single Family Lending TBA Model") as a vehicle to finance the Agency's single family lending products with minimal risk to the Agency;

WHEREAS, on May 19, 2011, the Board of Directors adopted Resolution 11-06 which stated that "it is the policy of the Board to require staff to present new financing strategies and new loan products for full discussion and approval by majority vote of the Board prior to implementation by the Agency;"

WHEREAS, the Board of Directors adopted Resolution 13-08 approving the Single Family Lending TBA Model;

WHEREAS, the CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product is a premium priced first mortgage loan expected to be sold at a premium sufficient to cover the built in grant to add energy efficient improvements on the subject property and a net profit to CalHFA; and

WHEREAS, the Board of Directors has considered the recommendations of the Agency staff regarding implementation of the CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product is approved.

2. The Agency is authorized to implement the CalHFA Energy Efficient First Mortgage Plus Grant Single Family Lending Product using the Single Family Lending TBA Model for financing of this product subject to the following parameters:

A. Use of a FHA premium priced first mortgage loan with built in grant to add energy efficient improvement on the subject property.
B. Borrower must receive an initial FICO score of 640 or higher.
C. Borrower must complete an Agency approved single family lending education program.
D. Maximum combined loan to value may exceed 103% for energy efficient mortgages only; CalHFA will follow FHA guidelines allowing the final loan amount to exceed the maximum FHA mortgage for the Energy Efficient Mortgage (cost of improvements).

E. No greater than a total 43% debt-to-income ratio excluding the Energy Efficient financing.

F. Minimum borrower cash contribution of $1,000.00 to $1,500.00 depending on FICO score.

G. Two-year home warranty policy for existing properties, including policies for 1 year with right to renew. Exception for new construction properties when builder provides the warranty.

I hereby certify that this is a true and correct copy of Resolution 13-19 adopted at a duly constituted meeting of the Board of Directors of the Agency held on November 12, 2013, at Burbank, California.

ATTEST:______________________
Secretary

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 29, 2013

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update as of August 31, 2013

Attached for your information is a report summarizing the Agency's Homeownership loan portfolio:

- Delinquencies as of August 31, 2013 by insurance type,
- Delinquencies as of August 31, 2013 by product (loan) type,
- Delinquencies as of August 31, 2013 by loan servicer,
- Delinquencies as of August 31, 2013 by county,
- A chart of the number of CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of April 2011 thru August 2013)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of April 2011 thru August 2013)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of August 2008 through August 2013),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of August 2011 through August 2013,
- Real Estate Owned (REO) at August 31, 2013,
- Accumulated Uninsured Losses from January 1, 2008 through August 31, 2013,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through August 31, 2013, and
- Write-Offs of subordinate loans for January 1 through August 31, 2013

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CalHFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO

DELINQUENCY, REO, SHORT SALE and LOSS REPORT – AUGUST 31, 2013

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of August 31, 2013

				DELINQUENCY RATIOS - % of Loan Count							
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	%
Federal Guaranty											
FHA	7,905	$ 872,802,529	29.49%	439	5.55%	141	1.78%	521	6.59%	1,101	13.93%
VA	187	20,394,176	0.69%	5	2.67%	1	0.53%	14	7.49%	20	10.70%
RHS	82	14,609,622	0.49%	4	4.88%	0	0.00%	12	14.63%	16	19.51%
Conventional loans											
with MI											
CalHFA MI Fund	3,958	1,002,869,305	33.88%	176	4.45%	74	1.87%	395	9.98%	645	16.30%
without MI											
Orig with no MI	4,192	776,102,833	26.22%	107	2.55%	41	0.98%	257	6.13%	405	9.66%
MI Cancelled*	1,687	273,000,299	9.22%	42	2.49%	6	0.36%	57	3.38%	105	6.22%
Total CalHFA	18,011	$ 2,959,778,765	100.00%	773	4.29%	263	1.46%	1,256	6.97%	2,292	12.73%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

Note: In accordance with CalHFA's policy, *no trustee sale is permitted between December 15 and January 5 of any year without CalHFA's prior written approval.*

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of August 31, 2013

				DELINQUENCY RATIOS - % of Loan Count							
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	%
30-yr level amort											
FHA	7,905	$ 872,802,529	29.49%	439	5.55%	141	1.78%	521	6.59%	1,101	13.93%
VA	187	20,394,176	0.69%	5	2.67%	1	0.53%	14	7.49%	20	10.70%
RHS	82	14,609,622	0.49%	4	4.88%	0	0.00%	12	14.63%	16	19.51%
Conventional - with MI	2,004	448,994,591	15.17%	75	3.74%	31	1.55%	167	8.33%	273	13.62%
Conventional - w/o MI	5,224	897,117,813	30.31%	129	2.47%	40	0.77%	237	4.54%	406	7.77%
40-yr level amort											
Conventional - with MI	359	99,750,490	3.37%	18	5.01%	10	2.79%	39	10.86%	67	18.66%
Conventional - w/o MI	181	35,896,768	1.21%	4	2.21%	4	2.21%	13	7.18%	21	11.60%
5-yr IOP, 30-yr amort											
Conventional - with MI	1,595	454,124,224	15.34%	83	5.20%	33	2.07%	189	11.85%	305	19.12%
Conventional - w/o MI	474	116,088,551	3.92%	16	3.38%	3	0.63%	64	13.50%	83	17.51%
Total CalHFA	18,011	$ 2,959,778,765	100.00%	773	4.29%	263	1.46%	1,256	6.97%	2,292	12.73%
	Weighted average of conventional loans:			325	3.30%	121	1.23%	709	7.21%	1,155	11.74%

CalHFA California Housing Finance Agency

Reconciled Loan Delinquency Summary
All Active Loans By Servicer
As of August 31, 2013

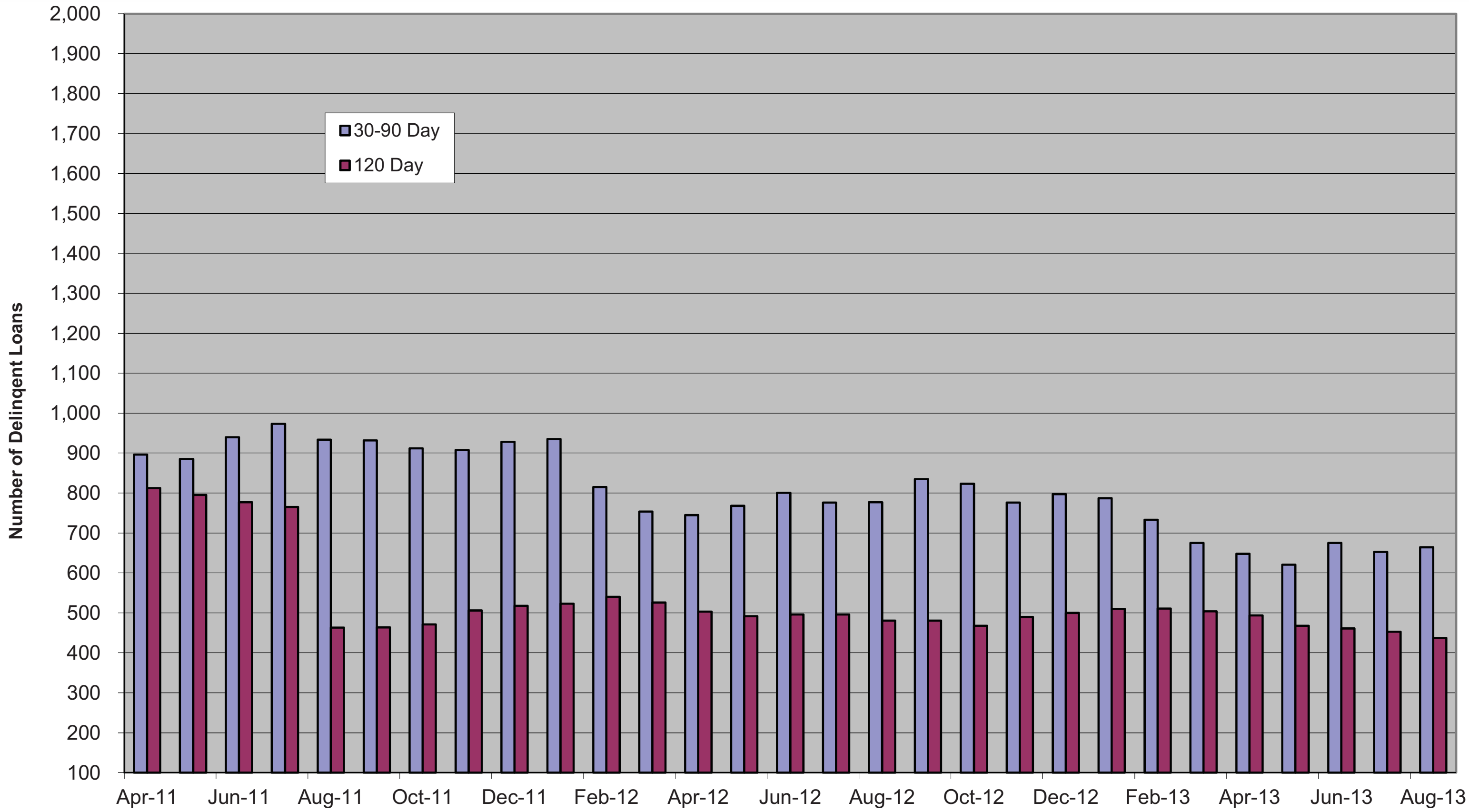
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
				DELINQUENCY RATIOS - % of Loan Count							
CALHFA - LOAN SERVICING	6,676	$ 1,386,875,719	46.86%	208	3.12%	80	1.20%	424	6.35%	712	10.67%
GUILD MORTGAGE	4,176	645,095,151	21.80%	223	5.34%	73	1.75%	169	4.05%	465	11.14%
BAC HOME LOANS SERVICING, LP	1,892	326,980,339	11.05%	101	5.34%	36	1.90%	323	17.07%	460	24.31%
WELLS FARGO HOME MORTGAGE	1,903	199,037,638	6.72%	76	3.99%	28	1.47%	135	7.09%	239	12.56%
EVERHOME MORTGAGE COMPANY	1,740	150,246,370	5.08%	98	5.63%	15	0.86%	73	4.20%	186	10.69%
GMAC MORTGAGE CORP	762	93,773,358	3.17%	45	5.91%	17	2.23%	55	7.22%	117	15.35%
FIRST MORTGAGE CORP	657	120,061,708	4.06%	20	3.04%	10	1.52%	53	8.07%	83	12.63%
JPMORGAN CHASE BANK, N.A.	130	28,005,769	0.95%	1	0.77%	2	1.54%	19	14.62%	22	16.92%
CITIMORTGAGE, INC.	38	8,224,857	0.28%	1	2.63%	2	5.26%	5	13.16%	8	21.05%
DOVENMUEHLE MORTGAGE, INC.	35	990,792	0.03%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
WESCOM CREDIT UNION	2	487,063	0.02%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	18,011	$ 2,959,778,765	100.00%	773	4.29%	263	1.46%	1,256	6.97%	2,292	12.73%

Reconciled Loan Delinquency Summary
All Active Loans By County
As of August 31, 2013

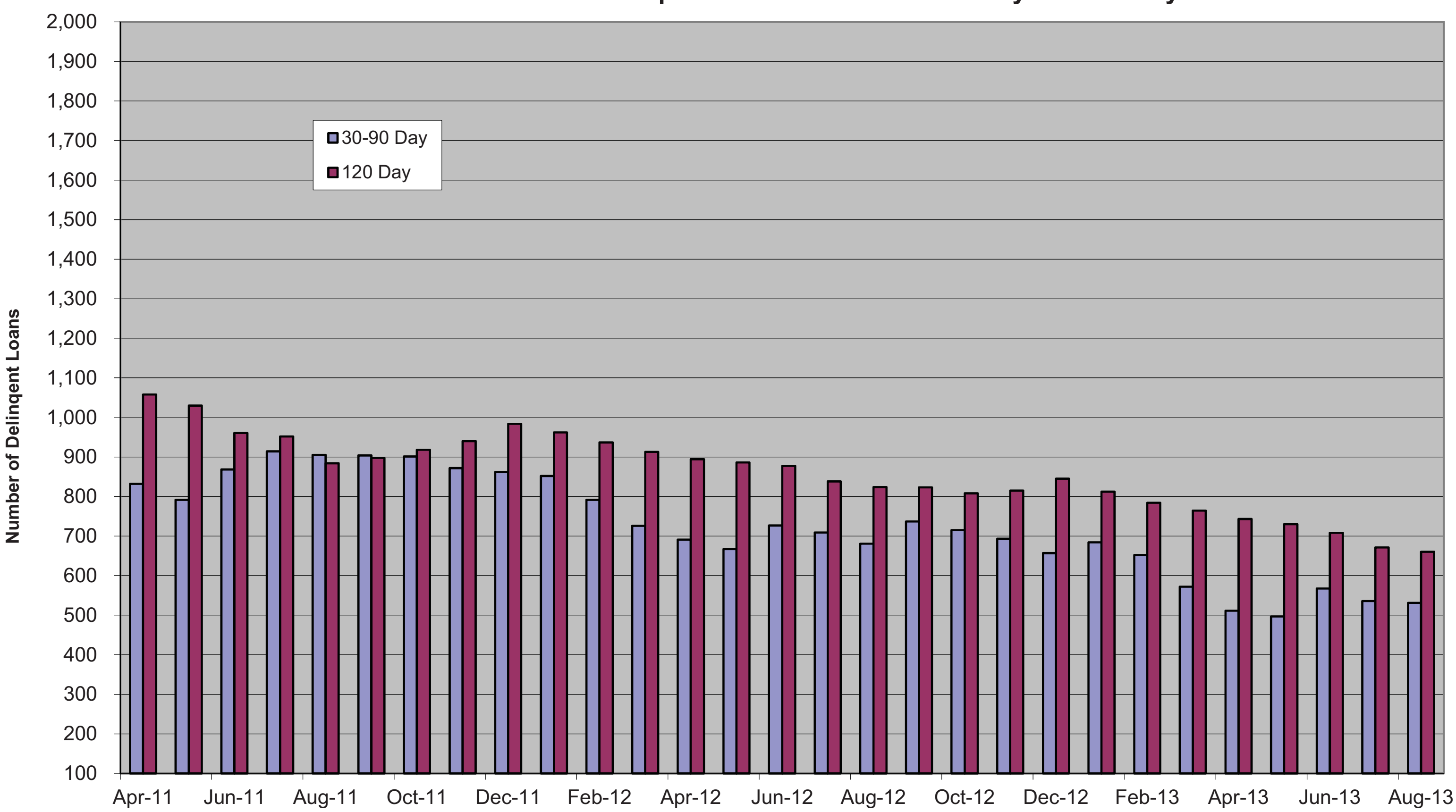
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total Count	Total %
				DELINQUENCY RATIOS - % of Loan Count							
LOS ANGELES	2,989	$ 584,357,028	19.74%	115	3.85%	45	1.51%	239	8.00%	399	13.35%
SAN DIEGO	1,512	300,393,710	10.15%	48	3.17%	15	0.99%	133	8.80%	196	12.96%
SANTA CLARA	1,188	290,653,860	9.82%	21	1.77%	14	1.18%	46	3.87%	81	6.82%
KERN	1,162	111,756,219	3.78%	74	6.37%	28	2.41%	71	6.11%	173	14.89%
FRESNO	972	79,994,855	2.70%	44	4.53%	17	1.75%	55	5.66%	116	11.93%
TULARE	960	79,013,808	2.67%	52	5.42%	21	2.19%	47	4.90%	120	12.50%
SACRAMENTO	829	134,542,357	4.55%	31	3.74%	8	0.97%	87	10.49%	126	15.20%
ORANGE	824	174,119,194	5.88%	18	2.18%	7	0.85%	60	7.28%	85	10.32%
SAN BERNARDINO	824	124,066,574	4.19%	50	6.07%	19	2.31%	88	10.68%	157	19.05%
RIVERSIDE	815	118,311,454	4.00%	58	7.12%	26	3.19%	83	10.18%	167	20.49%
ALAMEDA	793	177,573,364	6.00%	17	2.14%	8	1.01%	34	4.29%	59	7.44%
CONTRA COSTA	633	129,042,424	4.36%	26	4.11%	6	0.95%	47	7.42%	79	12.48%
IMPERIAL	461	42,664,938	1.44%	46	9.98%	7	1.52%	21	4.56%	74	16.05%
VENTURA	440	108,179,679	3.65%	16	3.64%	8	1.82%	17	3.86%	41	9.32%
SONOMA	372	70,181,137	2.37%	14	3.76%	2	0.54%	17	4.57%	33	8.87%
OTHER COUNTIES	3,237	434,928,163	14.69%	143	4.42%	32	0.99%	211	6.52%	386	11.92%
Total CalHFA	18,011	$ 2,959,778,765	100.00%	773	4.29%	263	1.46%	1,256	6.97%	2,292	12.73%

CalHFA California Housing Finance Agency

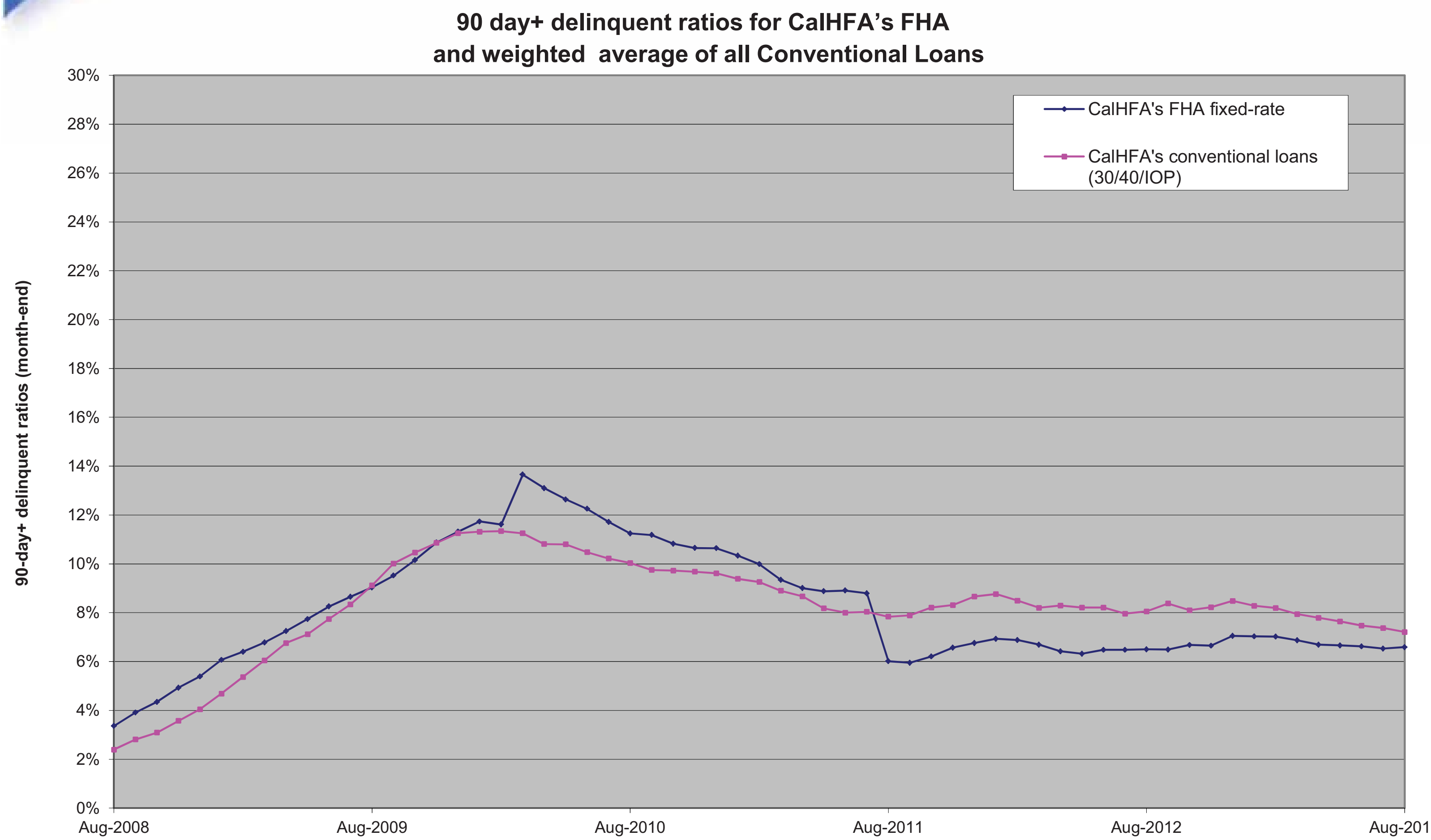
CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day

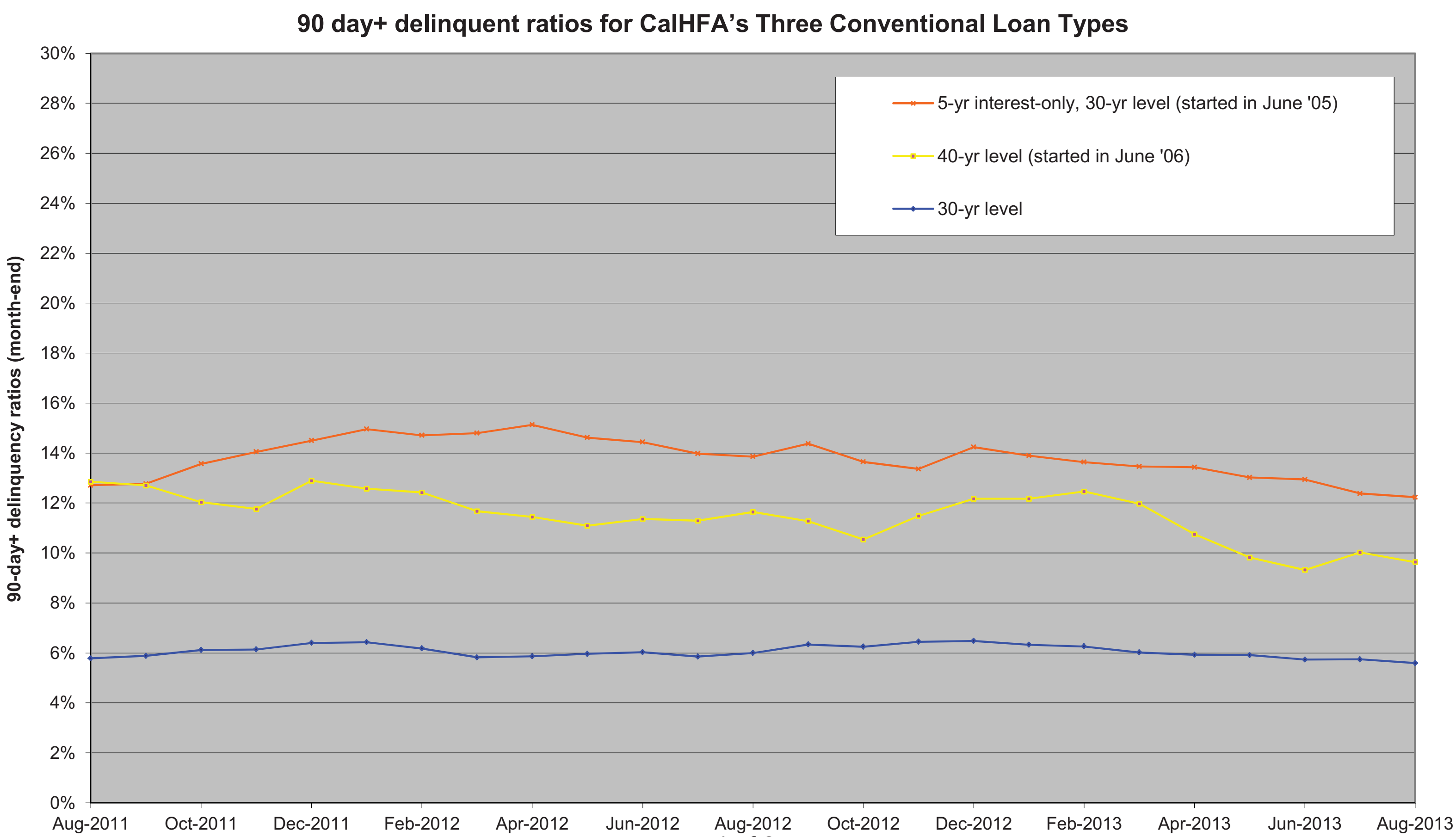


CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day



Cal HFA California Housing Finance Agency





Cal HFA California Housing Finance Agency

Real Estate Owned

Calendar Year 2013 (As of August 31, 2013)												
			**Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-July	Reverted to CalHFA August	Total Trustee Sales	Repurchased by Lender Jan-July	Market Sale(s) Jan-July	Repurchased by Lender August	Market Sale(s) August	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	45	(1)	71	12	83	97		6		103	24	$ 3,540,761
Conventional	161	1	165	20	185		227		18	245	102	21,176,945
Total	206	0	236	32	268	97	227	6	18	348	126	$ 24,717,707

Calendar Year 2012							
			*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA 2012	Repurchased by Lender 2012	Market Sale(s) 2012	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	124	(18)	312	373		45	$ 7,884,581
Conventional	565	3	786		1,193	161	40,029,375
Total	689	(15)	1,098	373	1,193	206	$ 47,913,957

Calendar Year 2011						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2011	Repurchased by Lender 2011	Market Sale(s) 2011	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	198	496	570		124	$ 22,948,976
Conventional	1084	1311		1830	565	123,482,821
Total	1282	1807	570	1830	689	$ 146,431,797

Calendar Year 2010						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2010	Repurchased by Lender 2010	Market Sale(s) 2010	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	187	816	805		198	$ 41,905,865
Conventional	619	1551		1086	1084	226,793,920
Total	806	2367	805	1086	1282	$ 268,699,784

**3rd party trustee sales are not shown in the tables (tltle to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales year 2009, thirty-nine (39) 3rd party sales year 2010, twenty two (22) 3rd party sales in calendar year 2011, forty one (41) 3rd party sales in calendar year 2012, and there are forty two (42) 3rd party sales to date 2013.*

Cal HFA California Housing Finance Agency

Accumulated Uninsured Losses as of August 31, 2013						
Conventional Loans	# of Properties Sold	Principal Write-Offs (1)	# of GAP Claims	Actual GAP(2) Claim Payments	# of Subordinate Loans	Subordinate Write-Offs (3) & (4)
REOs Sold	4,950	$ (182,136,053)	2,601	$ (117,367,774)		
Short Sales	1,284	(56,256,263)	395	(17,461,359)	1,973	$ (17,449,444)
3rd Party Sales	75	(196,576)	4	(170,867)	71	(690,702)
Write-offs resulting from foreclosures					8,146	(74,914,784)
Subordinate loan without CalHFA 1st					1,869	(13,416,475)
Total:	6,309	$ (238,588,892)	3,000	$ (135,000,000)	12,059	$ (106,471,404)

(1) Principal loan write-offs from January 1, 2008. Does not include allowance for loan losses or loan loss reserves.
(2) The California Housing Loan Insurance Fund (the MI Fund") provided GAP insurance to meet HMRB bond indenture requirements that all loans held within that indenture have 50% of the unpaid principal balance insured by a mortgage insurance policy for the life of the loan. The insurance may be provided by any combination of government insurance, private mortgage insurance, or a policy from the MI fund. The Agency agreed, pursuant to an internal interfund agreement, to indemnify the MI Fund for claims paid for principal losses under the GAP insurance policy, up to a cumulative maximum amount of $135 million, this maximum amount was reached in August 2011. The indemnification is payable solely from available funds held in a sub account within the California Housing Finance Fund.
(3) Includes both FHA/Conventional Loans.
(4) Prior to May 1, 2013 this chart included losses on non-CalHFA FNMA subordinate loans serviced by CalHFA loan servicing.

2013 Year to Date Composition of 1st Trust Deed Loss
(As of August 31, 2013)

Loan Type	Disposition: Repurchased by Lender	Market Sales	Short Sales	Loan Balance at Sales	Principal Write-Offs
FHA/RHS/VA	103		51	$ 28,598,497	
Conventional		245	297	143,356,606	$ (24,994,098)
	103	245	348	$ 171,955,103	$ (24,994,098)

2013 Year to Date Composition of Subordinate Write-Offs by Loan Type[(1)]
(As of August 31, 2013)

	Active Loans		Write-Offs with CalHFA 1st		Write-Offs w/o CalHFA 1st		Total	
Loan Type	Active Loans	Dollar Amount	Number of Write-Offs	Dollar Amount	Number of Write-Offs	Dollar Amount	Number of Write-Offs	Dollar Amount
CHAP/HHPA (HiCAP)	7,152	$75,838,652	335	$3,265,998	6	$ 47,350.00	341	$3,313,348
CHDAP / ECTP (THPA) / HiRAP	27,350	192,437,236	380	3,025,798	234	1,482,221	614	4,508,019
Other (2)	211	2,794,607	0	0	1	5,910	1	5,910
	34,713	$271,070,494	715	$6,291,797	241	$1,535,481	956	$7,827,278

(1) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)
(2) Includes HPA, MDP, OHPA, and SSLP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 29, 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 $408 million

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

	Fixed Rate	Variable Rate	Totals
Single Family	$1,782	$1464	$3,246
Multifamily	360	397	757
TOTALS	$2,142	$1,861	$4,003

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 $1.8 billion, 42% of our $4 billion of total indebtedness as of October 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)	$735	$729	$1,553
MHRB (MF)	314	83	405
Total	$1,049	$812	$1,861

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	$553	$911	$1,464
MHRB	104	0	293	397
Total	$104	$553	$1,204	$1,861

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 11/1/2013
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 602
Fannie Mae	602
Total	$1,204

d) Interest Rate Swaps

Currently, we have a total of 82 "fixed-payer" swaps with eleven different counterparties for a combined notional amount of $1.7 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. 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	$1,085	$138	$1,223
MHRB	501	0	501
TOTALS	$1,586	$138	$1,724

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$766	$457	$1,223
MHRB	319	182	501
TOTALS	$1,085	$639	$1,724

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, 2013 semiannual debt service payment date we made a total of $36 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 11/1/2013 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	A+	$ 521	33
JPMorgan Chase Bank, N.A.	Aa3	A+	367	15
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	204	7
Citigroup Financial Products, Inc.	Baa2	A-	179	7
Deutsche Bank AG	A2	A	160	10
AIG Financial Products, Corp. [2]	Baa1	A-	106	3
Morgan Stanley Capital Services, Inc.	Baa1	A-	97	2
BNP Paribas	A2	A+	43	2
Bank of New York Mellon	Aa1	AA-	25	1
UBS AG	A2	A	12	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
			$ 1,724 [1]	82

[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 $812 million, 20% 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 $812 million of net variable rate exposure ($452 million taxable and $360 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) $512 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) $639 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 $812 million 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 $812 million of net variable rate exposure translates to $226 million of net variable rate exposure. This $226 million is further reduced by the $512 million of funds invested in SMIF. Thus the "true" net variable rate debt is -$317 million which, from the Agency's balance sheet perspective, means there is no net unhedged position.

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 points 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			
2006	68%	2010	96%
2007	69%	2011	79%
2008	84%	2012	69%
2009	123%	2013 to date	51%

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)	$1,029	$0	$1,029
SIFMA (+ spread)	372	0	372
Stepped % of LIBOR [1]	177	0	177
3 mo. LIBOR (+ spread)_	0	81	81
% of SIFMA	18	0	18
1 mo. LIBOR	0	31	31
3 mo. LIBOR	0	11	11
6 mo. LIBOR	0	5	5
TOTALS	$1,596	$128	$1,724

[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) **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. 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
2013	243,855
	$1,566,500

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-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%
Dec-2012	257%
Jun-2013	308%

Of interest is an $670 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)
3/31/12	($302)
6/30/12 *	($324)
9/30/12	($330)
12/31/12	($294)
3/31/13	($294)
6/30/13	($248)
9/30/13	($203)

** 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 10/23/2013
($ in millions)

	JPMorgan	Goldman Sachs	BofA	BofA / Merrill Lynch	Deutsche	Total
Marked-to-Market	47.42	25.74	45.54	26.78	26.53	
Credit Support Amount	23	11.99	6.25	13.95	0	55.19

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State of California

M E M O R A N D U M

To: CalHFA Board of Directors Date: 25 October 2013

From: Di Richardson, Director of Legislation
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

Final legislative report for 2013. You probably already know the fate of the bills you most personally interested in, but here is the rundown on the rest in case you missed any.

CalHFA

AB 637 (**Atkins** D) **Housing assistance.**

Status: 10/12/2013-Chaptered by Secretary of State - **Chapter 770, Statutes of 2013.**

Summary: Expands the authorized uses of the Residential Development Loan Program funds, administered by CalHFA, to include predevelopment loans for multifamily housing.

AB 984 (**Chau** D) **The California Housing Finance Agency.**

Status: 8/12/2013-Chaptered by Secretary of State - **Chapter 82, Statutes of 2013.**

Summary: Adds two new members to the CalHFA Board of Directors, the Secretary of the Department of Veterans and another member with specific knowledge of bonds and related financial instruments, interest rate swaps, and risk management. This bill also makes numerous other changes to the statutes governing the California Homebuyers Downpayment Assistance Act to ensure that those funds can continue to be used in conjunction with FHA loans, and authorizes CalHFA to offer Energy Efficient Mortgage grants.

.

Greenhouse Gas

AB 1051 (**Bocanegra** D) **Housing.**

Status: 5/24/2013-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/16/2013) 2 YEAR BILL

Summary: Would state findings and declarations of the Legislature relating to transportation and residential housing development. The bill would have created the Sustainable Communities for All program, which would began operations on January 1, 2015, to fund transit-related projects through competitive grants and loans. The Sustainable Communities for All program would have been contingent upon the appropriation of funds by the Legislature.

Notes According to the proponents of AB 1051, California's transportation sector is responsible for 38% of the state's greenhouse emissions, the largest of any sector. Because transportation needs are driven in large part by where people want—and can afford—to live, housing affordability affects the sector's emissions. Proponents view cap-and-trade revenue as a critical resource, since substantial reductions in transportation and housing funding threaten the ability of communities to achieve AB 32 and SB 375 goals. Therefore, they are proposing to allocate a significant percentage of the cap-and-trade revenues to improve public transportation choices and build homes affordable to lower-income households near transit. They note that policymakers have made it a priority to avoid and mitigate the disproportionate impacts of climate change and cap-and-trade on disadvantaged communities and households. They argue that funding and policies that avoid displacement of existing residents where transit investments are made are paramount to achieving both environmental and social equity goals.

Opponents of this bill argued that questions remain regarding the cap-and trade program and that it would be premature to develop a program to spend auction proceeds. According to opponents:

1) ARB's legal authority to auction cap-and-trade allowances is still in question.
2) ARB is currently undertaking a multi-year analysis of the potential leakage impact of the program's cost to the economy and adjustments may need to be made in the amount of withholding necessary to minimize leakage (therefore the amount of money that will be available for investments is uncertain).
3) 3) ARB's is still in the process of developing its final investment plan and will be updating the AB 32 scoping plan; therefore, it is unclear what strategies ARB may recommend in this next iteration of the plan to reach AB 32 goals and to invest auction proceeds.

HCD

AB 523 (Ammiano D) **Department of Housing and Community Development: loans.**

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/12/2013) – TWO YEAR BILL

Summary: Would authorize the Department of Housing and Community Development to reduce the interest rate on any loan issued by the department to a rental housing development to as low as 0.42% per annum, or a rate determined by the department that is sufficient to cover the costs of project monitoring, as specified, if the development meets specified requirements. The bill would authorize the department to change the current interest rate for any loan for which it receives a loan extension request associated with an award of federal or state low-income housing tax credits made on or after January 1, 2014, to the most recently published applicable federal rate, as specified, and to forgive an amount of accrued interest if the total amount of debt and accrued interest at the end of the loan term would be greater after making this change than it would have been under the original interest rate.

Notes: HCD worked closely with the sponsors of the bill to develop language that would be acceptable to the department. Due to the lateness of that agreement, the language could not be included before session ended for the year. It is expected that the language will be included in the bill in January and it will move forward at that time.

Infrastructure

AB 716 (Quirk-Silva D) **Infrastructure: state planning and funding.**

Status: 8/30/2013-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. SUSPENSE FILE on 8/13/2013) 2 YEAR BILL

Summary: The California Infrastructure Planning Act requires the Governor to submit annually to the Legislature, in conjunction with the Governor's Budget, a proposed 5-year infrastructure plan containing prescribed information. This bill would require the plan to set out priorities for coordination of investment and include an analysis of investment coordination opportunities for capital outlay related to infill and transit-oriented development. The bill would expand the definition of infrastructure to include housing.

Misc.

SB 550 (Jackson D) **Accessible housing.**

Status: 5/24/2013-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/23/2013) 2 YEAR BILL

Summary: Would require, as part of the next intervening code adoption cycle of the California Building Standards Code adopted after December 1, 2013, that the Division of the State Architect, in consultation with the Department of Housing and Community Development, propose, and that the Building Standards Commission adopt, building standards requiring public housing facilities to provide a specified number of residential dwelling units that have compliant mobility and communications features that make them accessible for persons with disabilities, and that clarify the definition of "public housing."

SJR 11 (DeSaulnier D) **Housing with services.**

Chapter Number: 84

Status: 8/20/2013-Chaptered by Secretary of State - **Res. Chapter 84, Statutes of 2013.**

Summary: The Legislature applauds methods that promote greater collaboration between affordable housing providers and home and community-based services that divert or delay seniors from institutionalization and encourage aging in place. The Legislature urges the President and Congress of the United States to support housing with services models, innovations, and funding to achieve federal goals of using subsidized housing as a platform for service delivery. The Legislature encourages the President and Congress of the United States to direct the Centers for Medicare and Medicaid to expand Sections 1115 and 1915(c) Medicaid waivers to test and integrate services into affordable housing settings.

Mortgage Lending

AB 42 (Perea D) **Taxation: cancellation of indebtedness: mortgage debt forgiveness.**

Status: 5/24/2013-In committee: Set, second hearing. Held under submission.

Summary: The Personal Income Tax Law conforms to specified provisions of federal law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to debt that is discharged before January 1, 2014. This bill was one vehicle for conforming state and federal tax law.

SB 30 (Calderon D) **Taxation: cancellation of indebtedness: mortgage debt forgiveness.**

Status: 8/30/2013-Set, second hearing. Held in committee and under submission.

Summary: The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007. The federal Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013. This bill would extend the operation of the exclusion of the discharge of qualified principal residence indebtedness to debt that is discharged on or after January 1, 2013, and before January 1, 2014. The bill was double-joined to the permanent source bill, and thus would become operative only if SB 391 is enacted and takes effect.

Perm Source

SB 391 (**DeSaulnier** D) **California Homes and Jobs Act of 2013.**

Status: 8/30/2013-Set, first hearing. Referred to APPR. suspense file. Hearing postponed by committee. 2 YEAR BILL

Summary: Would enact the California Homes and Jobs Act of 2013. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except as provided, of $75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. By imposing new duties on counties with respect to the imposition of the recording fee, the bill would create a state-mandated local program.

Redevelopment

AB 229 (**John A. Pérez** D) **Local government: infrastructure and revitalization financing districts.**

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/11/2013) 2 YEAR BILL

Summary: Would authorize any city, county, city and county or joint powers authority that acts as a military base reuse authority to create an infrastructure financing district and issue debt with 2/3 voter approval. The bill would authorize a district to finance projects in redevelopment project areas and former redevelopment project areas and former military bases.

AB 564 (**Mullin** D) **Community redevelopment: successor agencies.**

Status: 10/13/2013-**Vetoed by the Governor**

Summary: This bill would have prohibited the Department of Finance from taking any future action to modify the enforceable obligations described above following the effective date of the approval of an enforceable obligation.

Notes In his veto message, the Governor stated "[t]his bill makes policy changes that are contrary to the letter and intent of current law. These changes would severely limit the states ability to ensure that Successor Agencies fulfill their obligation to wind down redevelopment affairs in an expeditious manner."

AB 662 (**Atkins** D) **Local government: redevelopment: successor agencies to redevelopment agencies.**

Status: 10/13/2013-**Vetoed by the Governor**

Summary: Current law prohibits an infrastructure financing district from including any portion of a redevelopment project area. This bill would delete the prohibition of an infrastructure financing district including any portion of a redevelopment project area.

Notes: In his veto message, the Governor stated, "[t]his measure would provide flexibility to cities and successor agencies around the state currently winding down their redevelopment affairs. More importantly, this bill would authorize cities to create Infrastructure Financing Districts within the boundaries of former redevelopment project areas, as well as provide additional property taxes for administrative costs to the local housing authorities currently managing stranded housing assets. Unfortunately, as currently written, the language to authorize new or amended contracts for existing enforceable obligations could result in unintended costs to the General Fund. I applaud the author for her efforts to improve the dissolution process. Therefore, I am directing my administration to work with the author's office to make changes to the bill's language in a manner that avoids those costs. When the changes are made, I look forward to seeing the measure return to my desk for signature."

AB 981 (**Bloom** D) **Redevelopment dissolution.**

Status: 5/24/2013-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/15/2013) 2 YEAR BILL

Summary: Current law provides for the transfer of housing assets and functions previously performed by a dissolved redevelopment agency to one of several specified public entities. This bill would authorize that entity to designate the use of, and commit, indebtedness obligation proceeds that were issued prior to June 28, 2011.

Notes: According to the author's staff, the following agencies are currently unable to use 2011 bond funds: Blythe, Brea, Calexico, Cudahy, Culver City, Davis, Fairfield, Folsom, Galt, Glendale, Goleta, Grand Terrace, Inland Valley Development Agency (former Norton AFB), La Quinta, Lemoore, Lynwood, Monrovia, National City, Oakdale, Oakland, Reedley, Riverside County, City of San Bernardino, Santa Ana, Santa Clara, Santa Monica, Signal Hill, City of Sonoma, Stanton, Temecula, Twentynine Palms, Ukiah, Union City, Vernon, West Hollywood, Westminster, and Yorba Linda. Supporters argue that it is estimated that approximately $650 million in 2011 redevelopment bond proceeds are currently sitting idle and cannot be used, and if these proceeds were spent on their intended projects, it is estimated that approximately 9,300 high wage construction and related jobs would be generated.

AB 1080 (**Alejo** D) **Community Revitalization and Investment Authorities.**

Status: 8/30/2013-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. SUSPENSE FILE on 8/26/2013) 2 YEAR BILL

Summary: This bill would authorize cities, counties, and special districts to create Community Revitalization and Investment Authorities (Authorities) to carry out a community revitalization plan within a community revitalization area. The bill would permit an authority to receive tax increment revenue with the consent of affect taxing entities. An Authority that receives tax increment revenue would be required to set aside 25 percent of that revenue for affordable housing purposes.

SB 1 (**Steinberg** D) **Sustainable Communities Investment Authority.**

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/12/2013) 2 YEAR BILL

Summary: Would authorize certain public entities of a Sustainable Communities Investment Area to form a Sustainable Communities Investment Authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would require the authority to adopt a Sustainable Communities Investment Plan for a Sustainable Communities Investment Area and authorize the authority to include in that plan a provision for the receipt of tax increment funds provided that certain economic development and planning requirements are met.

SB 133 (**DeSaulnier** D) **Redevelopment.**

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/10/2013) 2 YEAR BILL

Summary: Would require each redevelopment agency to include additional information relating to any major audit violations, any corrections to those violations, and planning and general administrative expenses of the Low and Moderate Income Housing Fund. The bill would authorize the Controller to conduct quality control reviews of independent financial audit reports and require the Controller to publish the results of his or her reviews. The bill would require the Controller to comply with certain notification and referral provisions in the event that the audit was conducted in a manner that may constitute unprofessional conduct.

SB 341 (**DeSaulnier** D) **Redevelopment.**

Chapter Number: 796

Status: 10/13/2013-Chaptered by Secretary of State - Chapter 796, Statutes of 2013.

Summary: Current law requires the entity assuming the housing functions of the former redevelopment agency to perform various functions. This bill would change provisions relating to the functions to be performed by the entity assuming the housing functions of the former redevelopment agency to instead refer to the housing successor.

Tax Credits

AB 952 (**Atkins** D) **Low-income housing tax credits.**

Status: 10/12/2013-Chaptered by Secretary of State - **Chapter 771, Statutes of 2013.**

Summary: This bill would remove the restriction on California Low Income Housing Tax Credits (LIHTC) being used in “Difficult to Develop Areas” (DDAs) or “Qualified Census Tracts” (QCTs) if at least 50% of the units are reserved for special needs tenants; and would clarify the Tax Credit Allocation Committee’s (TCAC) authority to swap out State LIHTC for federal LIHTC.

Trust Fund

AB 532 (**Gordon** D) **Local Housing Trust Fund.**

Status: 10/12/2013-Chaptered by Secretary of State - **Chapter 769, Statutes of 2013.**

Summary: The Local Housing Trust Fund Program (LHTFP), funded by Proposition 1C, is used by the Department of Housing and Community Development (HCD) to distribute grants to cities, counties, and non-profits operating housing trust funds for affordable housing projects. Existing law authorizes HCD to allocate a total of $35 million from Proposition 1C revenues to LHTFP, of which $8.1 million, designated for award to newly established LHTFs, remain. These funds are slated to revert to the CalHome Program, which is funded by the California Self-Help Housing Fund (CSHHF) in November 2013. This bill eliminates reversion language, allows previously awarded LHTFs to receive grants from the remaining amount, directs HCD to issue a new Notice of Funding Availability (NOFA) by June 30, 2014, and limits the award amount per NOFA. It would additionally extend current awards by 12 months, pending HCD-established benchmarks. This bill would also make technical, non-substantive changes. This bill contains an urgency clause.

Veterans

AB 556 (**Salas** D) **Fair Employment and Housing Act: military veterans.**

Status: 10/10/2013-Chaptered by Secretary of State - **Chapter 691, Statutes of 2013.**

Summary: Would add "military and veteran status," as defined, to the list of categories protected from employment discrimination under the California Fair Employment and Housing Act. The bill would also provide an exemption for an inquiry by an employer regarding military or veteran status for the purpose of awarding a veteran's preference as permitted by law.

AB 639 (**John A. Pérez** D) **Veterans Housing and Homeless Prevention Bond Act of 2014: Veterans Housing and Homeless Prevention Act of 2014.**

Status: 10/10/2013-**Chaptered by Secretary of State - Chapter 727, Statutes of 2013.**

Summary: authorizes the voters to approve an amendment to the Veterans' Bond Act of 2008. This amendment would repurpose $600 million of the bond authority currently approved to be used for farm and home loans to instead be used to develop affordable multifamily and supportive housing for veterans. This question will appear on the June 3, 2014 ballot. If approved, those programs will be administered by CalHFA and HCD in collaboration with CalVet.

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Keep Your Home California

CalHFA Board for Directors Update

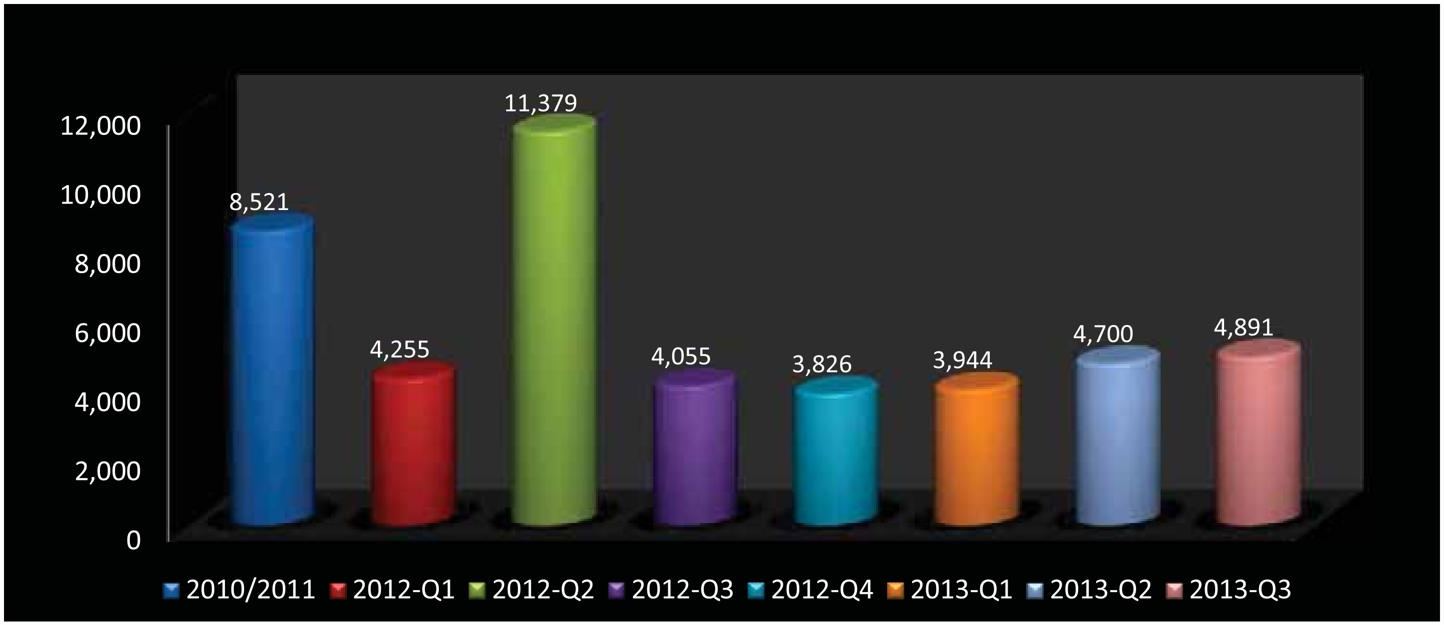
Prepared October 25, 2013

CalHFA MAC
CALHFA MORTGAGE ASSISTANCE CORPORATION

Program Update - UMA

Program Inception through September 30, 2013

Homeowner Action Plans



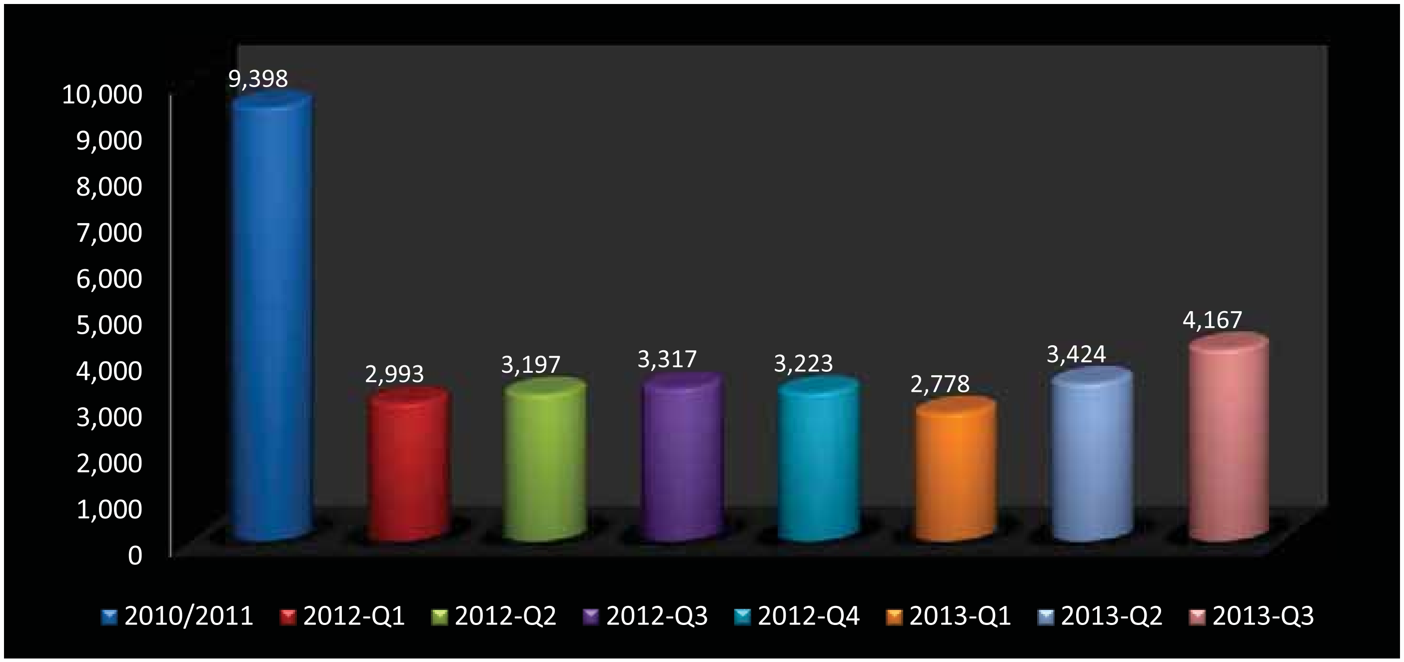
Total HAPs
45,571

Median Days to Process – Approved Files

Program Update – MRAP

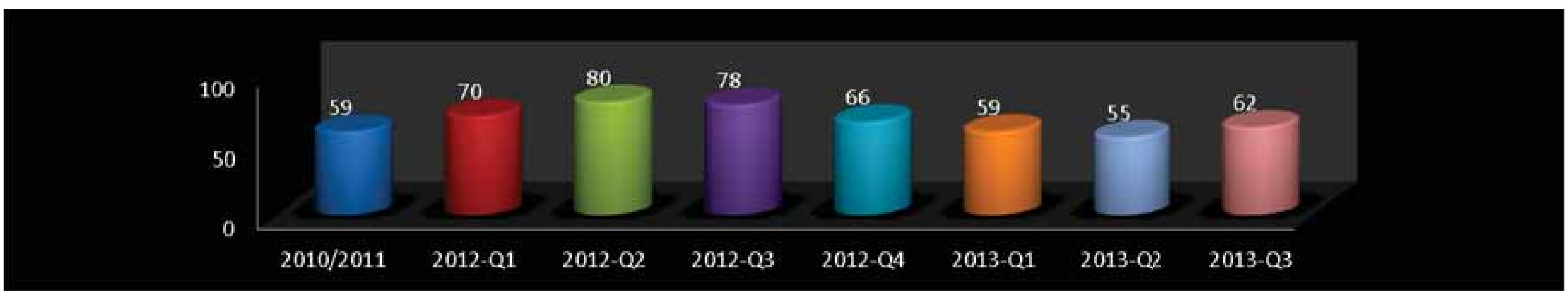
Program Inception through September 30, 2013

Homeowner Action Plans



Total HAPs
32,497

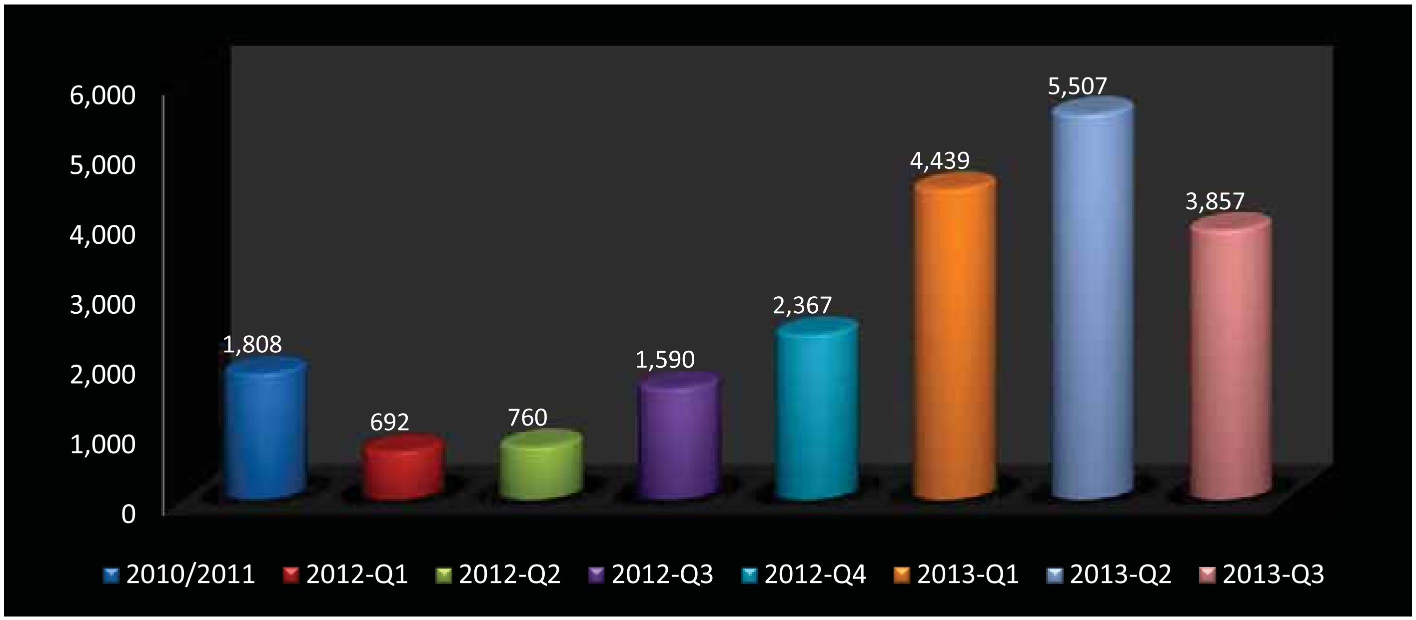
Median Days to Process – Approved Files



Program Update – PRP

Program Inception through September 30, 2013

Homeowner Action Plans



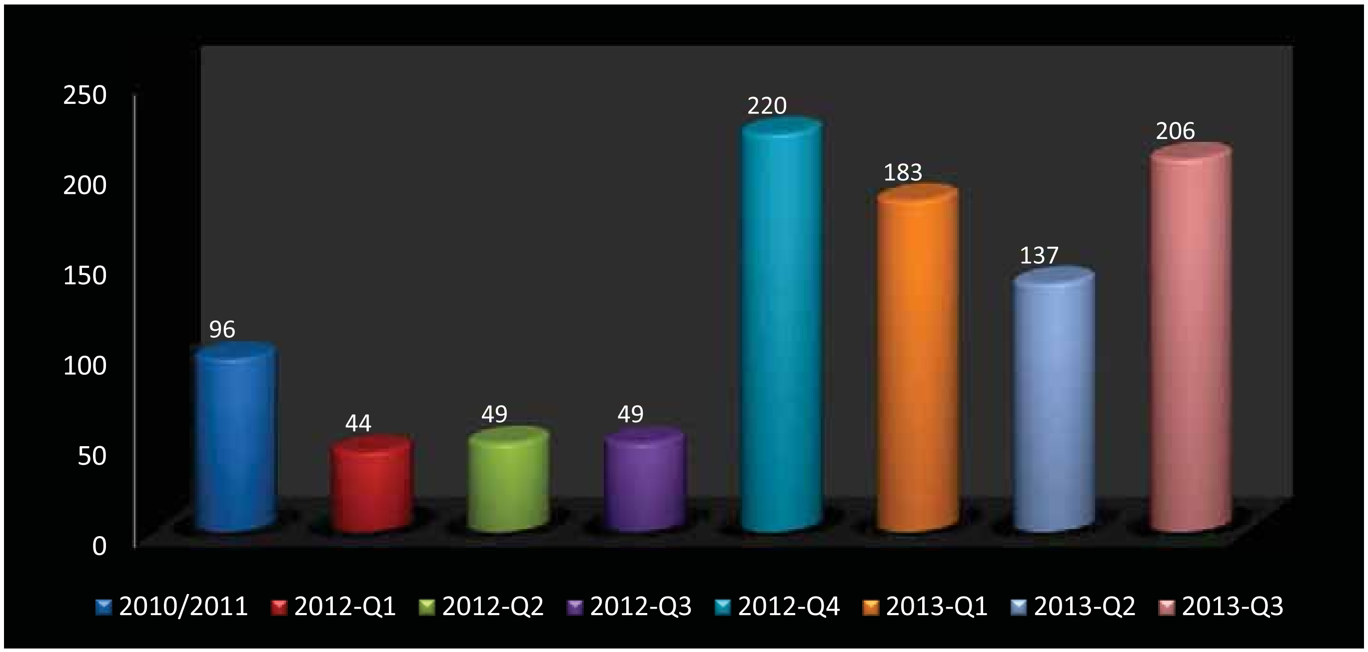
Total HAPs
21,020

Median Days to Process – Approved Files

Program Update - TAP

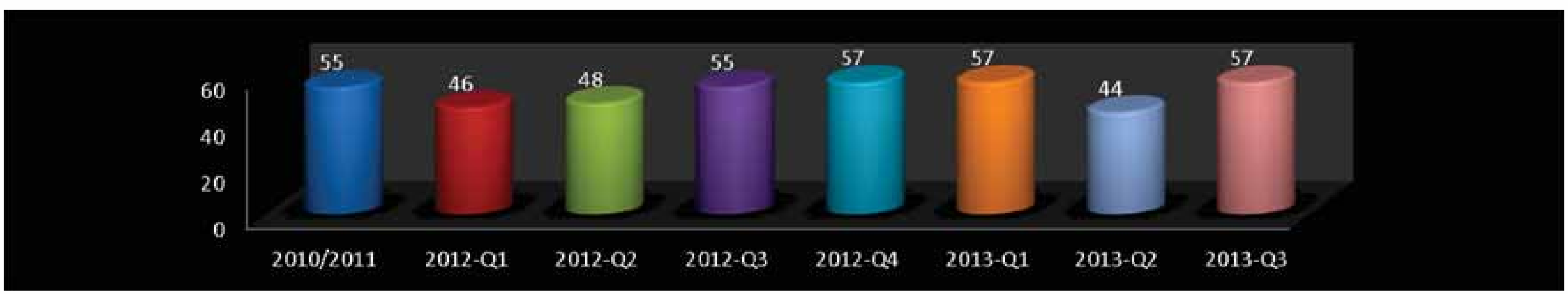
Program Inception through September 30, 2013

Homeowner Action Plans



Total HAPs
984

Median Days to Process – Approved Files



Program Update

In Process Transactions by Program and Servicer

As of September 30, 2013

Program	Count	%	Reserve $	%
UMA	1,873	28.52%	$63,639,955	19.94%
MRAP-Reinstatement	2,221	33.82%	$55,525,000	17.40%
MRAP-Modification	402	6.12%	$10,050,000	3.15%
PRP-Recast	1,326	20.19%	$130,709,350	40.96%
PRP-Modification	632	9.62%	$58,623,607	18.37%
TAP	114	1.74%	$570,000	0.18%
Total	6,568	100.00%	$319,117,912	100.00%

Servicer	Count	%	Reserve $	%
Bank of America	1,033	15.73%	64,711,467	20.28%
Wells Fargo / ASC	1,438	21.89%	61,289,925	19.21%
Chase	528	8.04%	25,761,395	8.07%
Ocwen Loan Servicing	808	12.30%	41,654,991	13.05%
NationStar Mortgage LLC	434	6.61%	11,930,139	3.74%
One West Bank	184	2.80%	11,136,989	3.49%
Seterus/IBM/IBPS	186	2.83%	11,075,562	3.47%
Specialized Loan Servicing LLC	182	2.77%	10,910,256	3.42%
Select Portfolio Servicing	181	2.76%	10,075,103	3.16%
US Bank	145	2.21%	7,728,289	2.42%
Other	1,449	22.06%	62,843,797	19.69%
Total	6,568	100.00%	$319,117,912	100.00%

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Program Update

Homeowner Assistance and Reservations by Program

Completed – Program Inception through September 30, 2013

Program	Count	%	Fund $ (1)	Invoiced $ (2)	Held $ (3)	Total
UMA	24,828	77.86%	$281,894,469	$12,415,553	$56,715,667	$351,025,690
MRAP-Reinstatement	4,118	12.91%	$52,826,839	$357,152	$0	$53,183,991
MRAP-Modification	154	0.48%	$2,479,880	$0	$0	$2,479,880
PRP-Recast	839	2.63%	$60,979,945	$998,388	$0	$61,978,333
PRP-Modification	1,563	4.90%	$68,289,862	$0	$294,208	$68,584,071
TAP	387	1.21%	$1,525,777	$0	$0	$1,525,777
	31,889	100.00%	$467,996,773	$13,771,093	$57,009,875	$538,777,742

	Reserved - (Amounts in 000's)															
	in Process				Ineligible (4)				Withdrawn (5)				Total			
Program	Count	%	$	%	Count	%	$	%	Count	%	$	%	Count	%	$	%
UMA	1,873	28.5%	$63,640	19.9%	131	14.1%	$4,493	6.89%	1	25.0%	$36	10.7%	2,005	26.7%	$68,169	17.7%
MRAP-Reinstatement	2,221	33.8%	$55,525	17.4%	159	17.1%	$3,950	6.05%	0	0.0%	$0	0.0%	2,380	31.7%	$59,475	15.5%
MRAP-Modification	402	6.1%	$10,050	3.1%	70	7.5%	$1,750	2.68%	0	0.0%	$0	0.0%	472	6.3%	$11,800	3.1%
PRP-Recast	1,326	20.2%	$130,709	41.0%	501	53.8%	$49,389	75.70%	3	75.0%	$300	89.3%	1,830	24.4%	$180,399	46.9%
PRP-Modification	632	9.6%	$58,624	18.4%	64	6.9%	$5,632	8.63%	0	0.0%	$0	0.0%	696	9.3%	$64,255	16.7%
TAP	114	1.7%	$570	0.2%	6	0.6%	$30	0.05%	0	0.0%	$0	0.0%	120	1.6%	$600	0.2%
	6,568	100.0%	$319,118	100.0%	931	100.0%	$65,244	100.0%	4	100.0%	$336	100.0%	7,503	100.0%	$384,698	100.0%

(1) Amount funded (Net of returns)
(2) Amount scheduled for next disbursement cycle/month
(3) Amount scheduled to be funded in subsequent months or in suspended transaction status
(4) Homeowner deemed ineligible for program assistance in either Processing or Eligibility
(5) Homeowner withdrew their request for program assistance or failed to return any of KYHC's require documents

Local Innovation Fund Participant Update

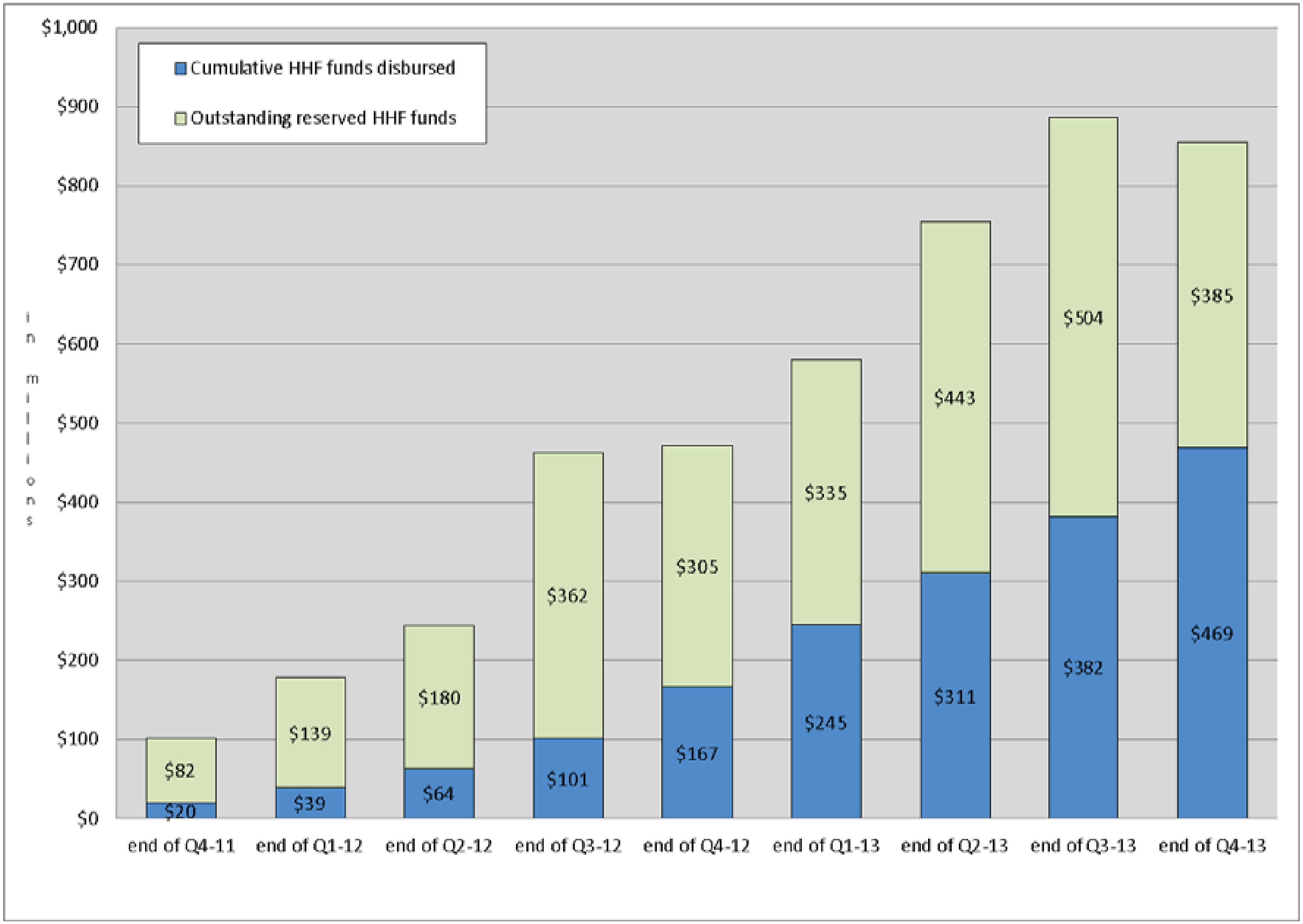
- Community Housing Works (CHW)
  - Community 2nd Mortgage Principal Reduction Program: 40/60 matching basis to reduce the outstanding principal balances of subordinate second mortgages, as well as providing relief for a subordinate lien on a short sale for qualifying properties with negative equity exceeding 107% CLTV
    - Maximum of $50,000 in benefits
    - Includes HELOCs with monthly payments
  - Contract effective date: June 21, 2011
  - $10 million allocation
  - 27 transactions for $386,265 through September 30, 2013
    - Six (6) in CY 2013 through September 30, 2013
    - Difficulty signing up servicers and finding eligible homeowners / properties (positive equity prior to or after assistance, non-amortizing sub-liens, exceed AMI limit, etc.)

Local Innovation Fund Participant Update

- Los Angeles Housing Department (LAHD)
  - Principal Reduction Program: Program funds will be used to compensate lenders for forgiven principal on proprietary (non-HAMP) loan modifications on a gradational scale depending on LTV.
    - Maximum of $50,000 in benefits
  - Contract effective date: March 12, 2012
  - $5 million allocation
  - No transactions to date
    - Less attractive option than KYHC PRP
    - Difficulty signing up servicers and finding eligible homeowners / properties
  - Pending termination of contract

Program Update

Cumulative HHF Funds Disbursed and Outstanding Funds Reserved through September 30, 2013



www.KeepYourHomeCalifornia.org

Program Update

Top 10 Servicers – Scheduled Assistance

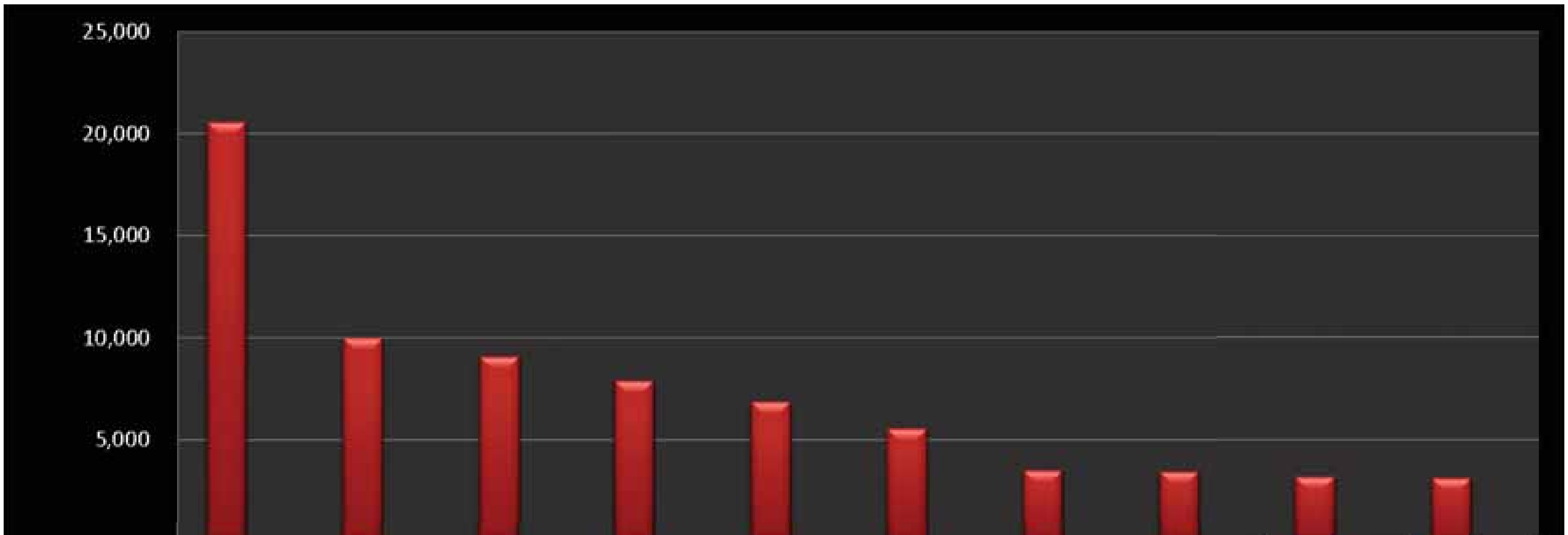
Program Inception through September 30, 2013

	UMA		MRAP-Reinstatement		MRAP-Modification		PRP-Recast		PRP-Modification		TAP		Total	
	Count	$	Count	$	Count	$	Count	$	Count	$	Count	$	Count	$
Bank of America	6,158	$83,598,445	761	$10,206,224	0	$0	109	$8,427,348	1,130	$45,333,684	139	$479,955	8,297	$148,045,656
Wells Fargo / ASC	5,592	$78,855,040	993	$13,619,001	0	$0	89	$6,342,890	0	$0	45	$157,250	6,719	$98,974,181
Chase	2,894	$40,656,665	489	$6,402,035	3	$50,000	82	$6,388,064	1	$44,657	0	$0	3,469	$53,541,421
Ocwen Loan Servicing	2,247	$31,547,847	544	$6,396,758	47	$646,002	101	$7,901,744	9	$581,057	38	$127,500	2,986	$47,200,907
CalHFA	354	$4,343,769	129	$1,613,941	25	$479,716	134	$9,959,692	222	$11,594,653	69	$345,000	933	$28,336,772
CitiMortgage / Citibank	1,257	$17,712,208	115	$1,215,854	0	$0	0	$0	0	$0	0	$0	1,372	$18,928,062
One West Bank	594	$9,530,346	108	$1,547,988	8	$146,756	41	$2,669,816	7	$605,000	0	$0	758	$14,499,907
Seterus/IBM/IBPS	457	$6,274,290	78	$795,823	3	$9,672	83	$5,757,476	0	$0	6	$24,000	627	$12,861,261
Guild Mortgage Company	352	$4,419,040	102	$1,122,073	17	$275,281	44	$3,008,857	64	$3,229,252	12	$59,072	591	$12,113,575
NationStar Mortgage LLC	575	$9,739,607	74	$1,076,999	2	$10,862	2	$153,000	1	$50,000	19	$59,000	673	$11,089,468
Other	4,334	$64,270,769	723	$9,161,642	48	$847,560	155	$11,419,445	128	$7,095,768	59	$274,000	5,447	$92,979,934
Servicer Count - 107	24,828	$351,025,690	4,118	$53,183,991	154	$2,479,880	840	$62,028,333	1,562	$68,534,071	387	$1,525,777	31,889	$538,777,742

Scheduled Assistance includes funded, invoiced and held disbursement statuses

Program Update

Homeowner Action Plans - Top 10 Counties
As of September 30, 2013



	Los Angeles	Riverside	San Bernardino	San Diego	Sacramento	Orange	Contra Costa	Alameda	Fresno	San Joaquin
Count	20,572	10,026	9,124	7,907	6,848	5,549	3,491	3,455	3,187	3,077
% of Total	20.5%	10.0%	9.1%	7.9%	6.8%	5.5%	3.5%	3.4%	3.2%	3.1%

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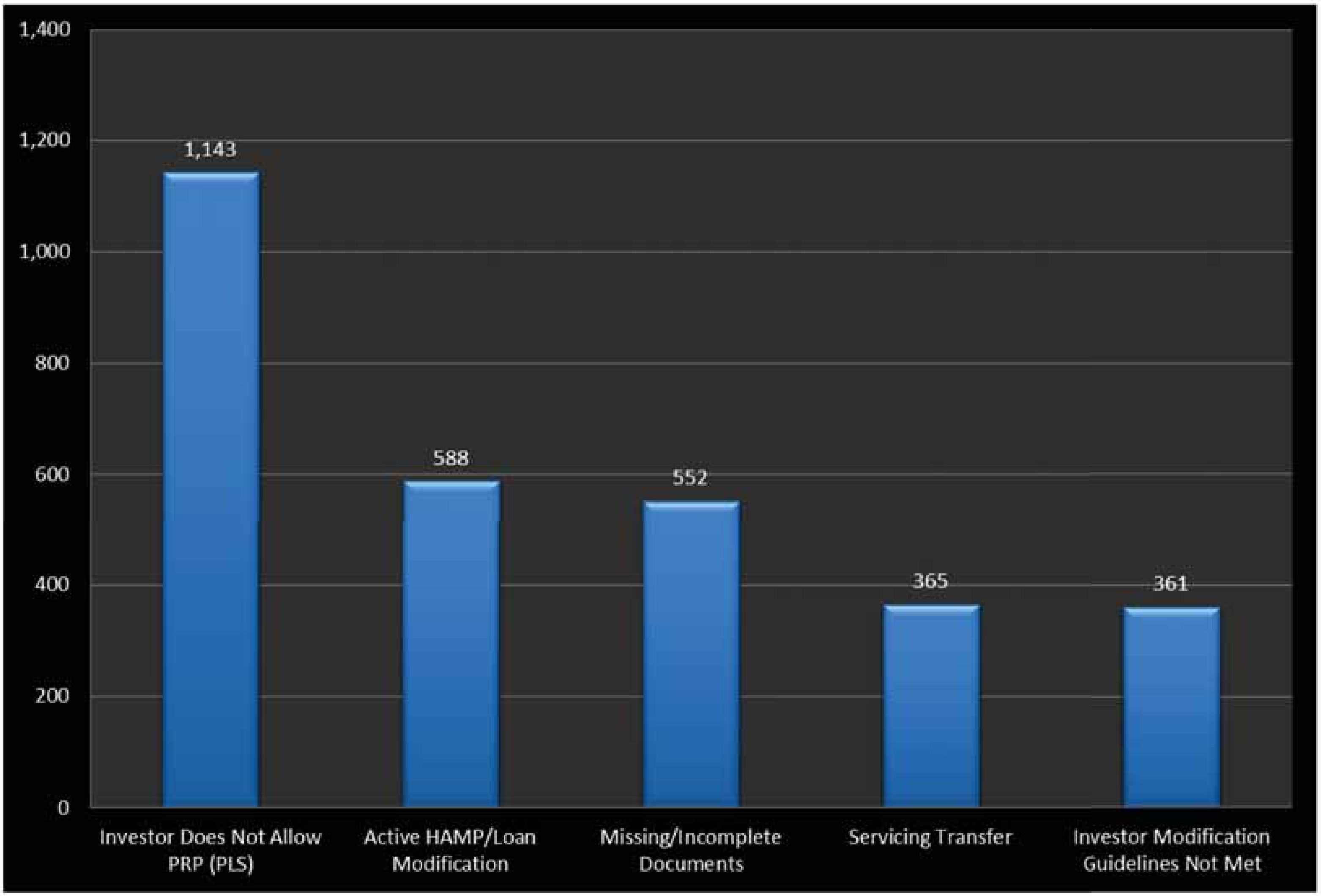
Top 5 Ineligible Reasons
January 1, 2013 through September 30, 2013

Homeowner Ineligible										
Reason	**UMA**		**MRAP**		**PRP**		**TAP**		**Total**	
	Count	%	Count	%	Count	%	Count	%	Count	%
Mortgage payment is affordable based on income.	568	47.9%	347	21.4%	1,075	21.6%	0	0.0%	1,990	25.3%
Hardship has not been documented.	1	0.1%	695	42.8%	908	18.3%	0	0.0%	1,604	20.4%
PRP program LTV criteria not met.	0	0.0%	2	0.1%	1,242	25.0%	0	0.0%	1,244	15.8%
Mortgage payment is unaffordable based on income.	0	0.0%	15	0.9%	799	16.1%	0	0.0%	814	10.3%
Median income exceeds program eligibility requirements.	54	4.5%	214	13.2%	337	6.8%	5	5.6%	610	7.7%
Other	564	47.5%	350	21.6%	614	12.3%	84	94.4%	1,612	20.5%
Totals	1,187	15.1%	1,623	20.6%	4,975	63.2%	89	1.1%	7,874	100.0%

Homeowner Withdrawal										
Reason	**UMA**		**MRAP**		**PRP**		**TAP**		**Total**	
	Count	%	Count	%	Count	%	Count	%	Count	%
Active	287	7.5%	363	8.3%	387	8.5%	8	5.8%	1,045	8.1%
Passive	3,544	92.5%	4,036	91.7%	4,181	91.5%	130	94.2%	11,891	91.9%
Totals	3,831	29.6%	4,399	34.0%	4,568	35.3%	138	1.1%	12,936	100.0%

Top 5 Servicer Objections
January 1, 2013 through September 30, 2013



Upcoming Program Changes

Treasury Formally Approved the Term Sheet Changes on September 20, 2013

Program Changes are Targeted for Implementation on November 4, 2013

- UMA
  - Now Eligible
    - *Underemployed* homeowners
    - Homeowners whose unemployment benefits lapsed or expired within 30 days of the request for assistance
    - Homeowners with NOD that was recorded no more than 60 days prior to request for assistance
  - DTI eligibility calculation now *excludes* unemployment benefits

The changes expand the number of homeowners that may be eligible to receive UMA assistance.

Upcoming Program Changes

- PRP
  - A pre-assistance LTV > 140% is considered a hardship indicative of imminent default
  - PRP funds may be used to eliminate an existing non-interest bearing forbearance
  - Pre-assistance DTI eligibility calculation includes the interest-bearing principal *and* non-interest bearing forbearance amounts
  - A rate reduction will not be required with any mortgage loan modification that may be necessary to reach the Program's definition of affordability

The changes: expand the number of homeowners that may be eligible to receive PRP assistance and permit application of funds to reduce/eliminate forbearance balances and as a curtailment when the mortgage loan meets KYHC's definition of affordability which will assist homeowners in active HAMP modifications without interfering with the Treasury incentive structure

Resources Available on the Website

- Program Descriptions
- List of participating servicers/servicer scorecards
- “Welcome” video to provide overview
- Eligibility calculator
- Income limits by county
- List of upcoming foreclosure prevention events throughout California
- Success stories
- FAQs
- Press releases, news stories, and other updates

Servicer Participation Update

- Participating Servicers as of October 16, 2013
  - Total 156 servicers currently participating in KYHC
  - 44 new servicers added since April 1, 2013
  - 3 servicers are no longer servicing loans
    - Homeward Residential, Santa Barbara B&T, and MetLife
  - 105 servicers currently enrolled in PRP
    - Bank of America added PRP-P on 9/20/13
    - Wells Fargo added PRP-P on 6/3/13
    - NationStar added PRP-K on 10/11/13; working on PRP-P
    - Finalizing Green Tree’s participation in PRP-K

NEW Monthly Newsletter

- Sent first issue of KYHC's monthly, digital newsletter on September 18, 2013
- Goal was to provide an option for stakeholders and partners to receive updates directly from KYHC on a recurring basis
- Nearly 3,000 subscribed to distribution list
- Plan to send each month's issue mid-month (October issue went out 10/16)

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** November 12, 2013

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL INVESTMENT REPORT

In 2012 the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is an investment report as of June 30, 2013, the end date for the most recent fiscal year. This report shows that CalHFA moneys continue to be invested in accordance with the Board-approved investment policy.

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INVESTMENT REPORT
JUNE 30, 2013

SUMMARY

As of June 30, 2013, CalHFA had $6.9 billion of assets, $5.5 billion of liabilities, and $1.4 billion of fund equity. Out of the $6.9 billion of assets, $1.9 billion (28%) consisted of cash equivalents and investments (together "investments").

When comparing the investment balance as of June 30, 2013 to the investment balance as of June 30, 2012, there is an $895.4 million decrease. The primary reasons for the decrease are attributable to the conversion, refunding and redemption of New Issue Bond Program ("NIBP") Escrow proceeds, previously invested in the Money Market Fund ("MMF"), and the use of investment funds to redeem bonds.

The portfolio is still heavily concentrated in the State Investment Pool (66% of the total), which means the investment earnings are likely to remain very low. The State Investment Pool's year-to-date yield at June 30, 2013 was 0.307%.

The persistence of lower interest rates is the principal risk of the investments portfolio. Looking at the entire balance sheet, however, the interest rate risk on the investments is partially offset by the Agency's unhedged variable rate bonds, which benefit from lower interest rates.

Amount Invested
($ in millions)

Investment Type	Bond Indentures	CalHFA G-O	Admin	NIBP	Total
Investment Agreements	$ 105.6	$ 0.0	$ 0.0	$ 0.0	$ 105.6
State Investment Pool	384.6	206.3	611.7	35.5	1,238.1
Securities (Fair market value)	132.1	82.3	0.0	275.6	490.0
U.S. Bank N.A. Open CP	1.4	3.6	0.1	26.9	32.0
Money Market and Bank Deposit	0.7	0.0	0.7	0.0	1.4
Totals	$ 624.4	$ 292.2	$ 612.5	$ 338.0	$ 1,867.1

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we have always strived to invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice. Balances invested in investment agreements decreased to $105.6 million ($211.9 million as of June 30, 2012). This decrease is primarily due to the withdrawal of principal that was used to make debt service payments and to redeem bonds during the fiscal year.

It is worth noting that the universe of investment agreement providers has diminished greatly due to credit rating downgrades and lower interest rates. The Agency will monitor this marketplace and attempt to acquire more eligible investment agreements as the opportunities arise.

Investment Agreement Balances
($ in millions)

	Bond Proceeds (For Loan Purchases)	Reserve Funds	Debt Service Funds	Totals
Single Family	$ 0.0	$ 27.2	$ 62.0	$ 89.2
Multifamily	0.0	0.0	16.4	16.4
Totals	$ 0.0	$ 27.2	$ 78.4	$ 105.6

The first two attachments show information about our $105.6 million of deposits with financial institutions providing us with investment agreements. If the financial institution's credit ratings were to fall below a certain threshold level, we have the right to request collateralization or the return of our deposits. In recent years, the Agency has liquidated its position in investment agreements provided by DEPFA bank, AIG, MBIA, Aegon and certain Westdeutsche LB investment agreements. The liquidated proceeds were invested in the State Investment Pool. In August of 2012 Moody's withdrew their rating for Westdeutsche LB (S&P had previously withdrawn their rating) the investment agreement has been liquidated, a majority of the proceeds were used to redeem bonds and the remaining proceeds were deposited in SMIF.

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

As shown in the table on page 2, we have $1.2 billion invested in the State Investment Pool, also referred to as Surplus Money Investment Fund ("SMIF"), which, over time, has given us security, a relatively competitive return (relative to similar investment vehicles such as Money Market

Funds), complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most of the non-bond indenture moneys (funds invested under our Housing Assistance Trust, Contract Administration Programs, money received from HUD for the Section 8 projects, servicing impound account moneys, funds held in the Agency's operating account and general reserves of the Agency), in the SMIF. In recent years the Agency has been investing an increasing amount of bond moneys in the State Investment Pool.

The State's treasury operations are managed in compliance with the California government code and according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The Pooled Money Investment Account (PMIA) operates with the oversight of the Pooled Money Investment Board (consisting of the State Treasurer, the State Controller and Director of Finance).

SECURITIES

The third attachment provides additional information about the $490 million (fair market value) of securities held by the Agency, which are largely Fannie Mae and Ginnie Mae securities backed by loans originated for our single family and multifamily programs.

U.S. BANK N.A. COMMERCIAL PAPER

As reported at the March 7, 2013 Board meeting, on February 28, 2013 the California Housing Finance Agency Investment Oversight Committee met and determined that under the current Investment Policy the Agency has the authority to invest in U.S. Bank N.A. Open Commercial Paper ("Open CP") and that the Open CP met the Agency's primary objectives of safety, liquidity and return on investment. The Agency began using this investment vehicle in March 2013. The Open CP agreements are unsecured promissory notes issued by U.S. Bank National Association and are not insured by Federal Deposit Insurance Corporation ("FDIC") or guaranteed by any governmental agency or authority, or by U.S. Bank N.A. The Open CP has a short term rating of A1+/P1 and a long term rating of AA- (stable).

MONEY MARKET AND BANK DEPOSITS

Our bond trustee sweeps overnight deposits into a U.S. Treasury money market fund. As of June 30, 2013, the amount deposited in the MMF was $1.4 million.

Attachments (3)

Attachment #1

SUMMARY OF CALIFORNIA HOUSING FINANCE AGENCY FUNDS DEPOSITED IN INVESTMENT AGREEMENTS - June 30, 2013

INVESTMENT AGREEMENT PROVIDER	COUNTRY	MOODY'S RATING	STANDARD & POOR'S RATING	AMOUNT INVESTED
Societe Generale	France	A2	A	$ 48,647,124
Transamerica Life Insurance Company	Netherlands	A1	AA-	32,892,741
*Bayerische Landesbank (State of Bavaria Guarantee)	Germany	Baa1	NR	6,058,897
Rabobank Int.	Netherland	Aa2	AA-	6,675,105
Trinity Funding Company, LLC	US	A1	AA+	6,077,544
**NATIXIS (French Government Guarantee)	France	A2	A	9,834
NATIXIS	France	A2	A	5,252,448
Total Funds Invested in Investment Agreements				$ 105,613,693
Foreign Sovereign Ratings				
**French Republic		Aa1	AA+	$ 53,909,406
Federal Republic of Germany		Aaa	AAA	-
*State of Bavaria		Aaa	AAA	6,058,897
Kingdom of The Netherlands		Aaa	AAA	39,567,846
U.S. Sovereign Rating		Aaa	AA+	6,077,544
				$ 105,613,693

*/**Institution's ratings based on state/government guarantee
"NR" Not Rated

Attachment #2

California Housing Finance Agency Funds Invested in Investment Agreements as of June 30, 2013 Totals by Financial Institution Ratings		
Moody's Ratings	**Amount Invested**	**Percentage of Total Invested**
Aaa	$ 6,058,897	5.74%
Aa1	9,834	0.01%
Aa2	6,675,105	6.32%
A1	38,970,285	36.90%
A2	53,899,572	51.03%
Total	$ 105,613,693	100.00%
S & P Ratings		
AA+	$ 6,087,378	5.78%
AA-	39,567,846	37.45%
A	53,899,572	51.03%
NR	6,058,897	5.74%
Total	$ 105,613,693	100.00%

Attachment #3

Summary of CalHFA Investments in Securities As of June 30, 2013

By Type of Security

Type of Investment	Par Value Program Account	Par Value Reserve Account	Total Par Value	Book Value	Market Value	Weighted Average Coupon	Weighted Average Remaining Maturity
GNMA Securities	$ 238,178,576	$ 5,006,479	$ 243,185,055	$ 243,185,055	$ 250,407,551	4.27%	30.57 Years
FNMA Securities	105,518,653	122,302,974	227,821,627	227,821,627	239,583,270	3.45%	17.11 Years
Totals	$ 343,697,229	$ 127,309,453	$ 471,006,682	$ 471,006,682	$ 489,990,821		

Summary of CalHFA Investments in Securities As of June 30, 2013

By Indenture or Account

Indenture or Account Description	Par Value Program Account Assets	Par Value Reserve Account Assets	Par Value Unencumbered Assets	Total Par Value	Market Value
Home Mortgage Revenue Bonds	$ 39,774,102	$ 57,327,799	$ -	$ 97,101,901	$ 99,767,219
Residential Mortgage Revenue Bonds	222,280,740	7,885,812	-	230,166,552	237,078,559
Multifamily Housing Revenue Bonds III	20,371,427	9,988,973	-	30,360,400	32,367,033
Affordable Multifamily Housing Rev. Bonds	37,884,486	-	-	37,884,486	38,485,381
Housing Assistance Trust	-	-	75,493,343	75,493,343	82,292,627
Totals	$ 320,310,755	$ 75,202,584	$ 75,493,343	$ 471,006,682	$ 489,990,821