



# BOARD OF DIRECTORS

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Thursday, May 17, 2001

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

9:30 a.m.

1. Roll Call.....	
2. Approval of the minutes of the March 8, 2001 Board of Directors meeting.....	.702
3. Chairman/Executive Director comments.....	
4. Discussion and possible action regarding purchasing liability insurance coverage, for Agency officers and directors.....	
5. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 2001/2002 to 2005/2006. (Linn Warren/John Schienle/Ken Carlson) Resolution 01-18.....	.886
6. Discussion, recommendation and possible action relative to the adoption of a resolution approving the 2001/2002 CHFA Operating Budget. (Jackie Riley) Resolution 01-19.....	.958

- 7. Other Board matters/Reports.....
- 8. Public testimony: Discussion only of other matters to be brought to the Board's attention.

**\*\*NOTES:**

**HOTEL PARKING: Day parking rate: \$7.50/car, plus 10% tax with no in and out privileges. (Cash at gate.)**

**FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be June 26, 2001, at the Host Airport Hotel, Sacramento International Airport, Sacramento, California.**

STATE OF CALIFORNIA  
CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS  
PUBLIC MEETING

Host Airport Hotel  
Camellia Room  
Sacramento International Airport  
Sacramento, California

Thursday, March 8, 2001  
9:30 a.m. to 2:13 p.m.

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E SDirectors Present:

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

EDWARD M. CZUKER

ANGELA L. EASTON

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN II

ANGELO R. MOZILO

PAT NEAL

LUPITA OCHOA

THERESA A. PARKER

JEANNE PETERSON

Staff Present:

TOM HUGHES, General Counsel

JOJO OJIMA

A P P E A R A N C E S ( C O N T I N U E D )For the Staff of the Agency:

LORRIE BLEVINS

KENNETH R. CARLSON

JAMES LISKA

DIANE RICHARDSON

GERALD SMART

LINN G. WARREN

KATHY WEREMIUK

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington &amp; Sutcliffe

Members of the Public:

JAN LINDENTHAL, South County Housing

ANN SILVERBERG, BRIDGE Housing Corporation

BRAD WIBLIN, BRIDGE Housing Corporation

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1 P R O C E E D I N G S

2 THURSDAY, MARCH 8, 2001 SACRAMENTO, CALIFORNIA 9:30 A.M.

3 CHAIRMAN WALLACE: Good morning and welcome to the  
4 CHFA Board of Directors meeting on March 8. Am I right?

5 MS. OJIMA: Yes.

6 CHAIRMAN WALLACE: Close. I think we have a  
7 quorum. Secretary, call the roll.

8 ROLL CALL

9 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson  
10 for Mr. Angelides?

11 MS. PETERSON: Here.

12 MS. OJIMA: Ms. Bornstein?

13 MS. BORNSTEIN: Here.

14 MS. OJIMA: Ms. Neal for Ms. Contreras-Sweet?

15 MS. NEAL: Here.

16 MS. OJIMA: Mr. Czucker?

17 MR. CZUKER: Here.

18 MS. OJIMA: Ms. Easton?

19 MS. EASTON: Here.

20 MS. OJIMA: Ms. Hawkins?

21 MS. HAWKINS: Here.

22 MS. OJIMA: Mr. Hobbs?

23 (No response).

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Here.

3 MS. OJIMA: Mr. Mozilo?

4 (No response).

5 MS. OJIMA: Mr. Wallace?

6 CHAIRMAN WALLACE: Here.

7 MS. OJIMA: Ms. Porini for Mr. Gage?

8 (No response).

9 MS. OJIMA: Ms. Ochoa for Mr. Nissen?

10 (No response).

11 MS. OJIMA: Ms. Parker?

12 MS. PARKER: Here.

13 MS. OJIMA: We have a quorum.

14 (Mr. Mozilo entered the meeting  
15 room.)

16 CHAIRMAN WALLACE: And Mr. Mozilo.

17 MR. MOZILO: Here.

18 CHAIRMAN WALLACE: Okay. We have got more than a  
19 quorum, that's terrific. This must be a popular meeting,  
20 Linn, with all those bank loans we are making. JoJo, I did  
21 not acknowledge the roll call. Do you want to finish it now.

22 MS. OJIMA: Mr. Mozilo?

23 MR. MOZILO: Here.

24 MS. OJIMA: Thank you. We have a quorum.

25 CHAIRMAN WALLACE: We do have a quorum.

**APPROVAL OF THE MINUTES OF THE JANUARY 11, 2001 MEETING**

Okay, Item 2 on our agenda is approval of the

3 January 11, 2001 Board Meeting minutes. Julie has a  
2 question.

3 MS. BORNSTEIN: Actually, I have a couple of  
4 corrections.

5 CHAIRMAN WALLACE: Okay.

6 MS. BORNSTEIN: I notice that I need to enunciate  
7 more clearly. But on page 798 at line 12 I think I said the  
8 word *rating* and it got recorded as *trading*.

9 CHAIRMAN WALLACE: Hang on, Julie. Page 798 line  
10 12?

11 MS. BORNSTEIN: Line 12.

12 CHAIRMAN WALLACE: And you said the state's bond  
13 rating?

14 MS. BORNSTEIN: Rating.

15 CHAIRMAN WALLACE: That's better.

16 MS. BORNSTEIN: I think that's what I said but I'm  
17 clear I did not enunciate well. And on page 809, line 11,  
18 the figure there should be \$300 million rather than \$3  
19 million.

20 CHAIRMAN WALLACE: Page 809, line 11, \$300 million.

21 MS. BORNSTEIN: Which is a better indication of the  
22 generosity of the Legislature and the Governor.

23 CHAIRMAN WALLACE: The defender of which you have  
24 become.

25 MS. BORNSTEIN: Yes, I have. Thank you,

1 Mr. Chairman.

2 CHAIRMAN WALLACE: Thank **you**, Julie. **Any** other  
3 comments or corrections from either the Board, or if you're  
4 lucky, the audience? If not the Chair will indicate a motion  
5 of approval as amended.

6 MS. BORNSTEIN: So moved.

7 CHAIRMAN WALLACE: Julie.

8 MS. EASTON: Second.

9 CHAIRMAN WALLACE: Angela. Any questions on the  
10 motion? Hearing and seeing none, secretary, call the roll.

11 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

12 MS. PETERSON: Aye.

13 MS. OJIMA: Ms. Bornstein?

14 MS. BORNSTEIN: Aye.

15 MS. OJIMA: Ms. Neal?

16 MS. NEAL: Aye.

17 CHAIRMAN WALLACE: That was an aye, Pat?

18 MS. NEAL: It was an aye. I'm sorry, I choked on  
19 it.

20 **MS. OJIMA:** Thank **you**.

21 CHAIRMAN WALLACE: It was a pretty critical item.

22 MS. OJIMA: Mr. Czucker?

23 MR. CZUKER: Aye.

24 MS. OJIMA: Ms. Easton?

25 MS. EASTON: Aye.



1 in a separate agency or Department of Insurance or wherever.  
2 In essence, for their purposes, to better, frankly, better  
3 serve their membership. For which you can't blame them. But  
4 even before I was president and Pat was president of CAR this  
5 was talked about.

6 California realtors can't really use FHA. The  
7 limits are too low. They can't get the Congress of the  
8 United States to pass the higher limits, in essence, for  
9 California when 49 other states and territories don't need  
10 the higher limits and the risks attendant thereto to serve a  
11 broader range of moderate housing. So the discussion was --  
12 The first time officially that Ron Kingston, the advocate for  
13 CAR, had come to us was 1st Thursday. I think, Pat, he has  
14 been to Agency. I know he has been to the Governor's Office  
15 and all those things, which you should do. But this was the  
16 first time we had been officially in on it, although Ron had  
17 made some calls and talked to Schienle and Terri, I guess,  
18 and Di, a year or a year and a half ago that this might be  
19 the case.

20 Having said that, it's not on for action, and we  
21 told Ron that, for us. But it is on for our -- He is asked  
22 to work -- I'm sure he has been told, if not by Agency, I  
23 don't know the discussions there, but he has probably been  
24 told you need -- and the common courtesy is for an advocate  
25 to talk to an affected agency. So we have been kind of

1 anticipating this. So officially, we have been requested to  
2 consider the impact of their bill; I told him we would do so.  
3 That we would take no action at this meeting but we would  
4 start analyzing its impact. So I want you -- We should get,  
5 Terri, and I doubt we have in your packets today -- we should  
6 get -- I hate to burden you with 60 pages of this stuff but  
7 it is part of your job. We should get you a copy of the  
8 bill, let you think about it and analyze it, reflect on it,  
9 make suggestions, and probably agendize it for the May  
10 meeting. Whether that fits his time line or not is another  
11 issue and we have told him that. But officially we cannot  
12 take action as a Board, if we choose to take any action,  
13 until then. Or a special meeting, which I don't anticipate,  
14 before the May meeting.

15           Frankly, I have seen this. And I understand the  
16 rationale for CAR members. I have seen this for 30 years,  
17 perhaps. On the other hand, in fairness you should know that  
18 our mission is probably not the same as their mission. We  
19 try and serve low and edge up into the moderate income  
20 category. They serve probably moderate, not low, and up to  
21 the higher echelons, income-wise.

22           And my sense is, therefore, we have two different  
23 purposes. Our's being to serve low and moderate, their's  
24 being to serve moderate to high. **As** a preliminary my  
25 reaction is, they should do their **own** thing if they can sell

it to the Legislature and the Administration. But not at the  
2 expense of the function that we serve and they don't, which  
3 really is the lower income echelon. Now that will have some  
4 implications to them because their bill calls for a taking of  
5 some of our funds in order to accomplish their goal.  
6 Probably not as much as they hope but it would impact our  
7 operation.

8           With that kind of overview I am happy to hear any  
9 preliminary expressions untainted by my remarks. No action,  
10 but at a minimum I think we would want you to do a little  
13 homework. We'll send you the bill sooner rather than later  
12 so you have some time to do it and you come back anticipating  
1 some discussion and possible action at the May meeting.

14           MR. MOZILO: Clark.

15           CHAIRMAN WALLACE: Yes, Angelo.

16           MR. MOZILO: Can I just suggest that, if possible,  
17 that you could produce an executive **summary** that would really  
18 be in two parts. Because I am having a problem understanding  
19 the rationale of *CAR*, to play out what that rationale is.  
20 And secondly, the second part of that executive summary to  
21 cover the high points of the bill. Because I think the  
22 chances of any of us who are working for a living reading 60  
23 pages of a bill are slim. But if that could be done I would  
24 appreciate it.

25           CHAIRMAN WALLACE: I think that is a good idea.

1 MR. MOZILO: Thank you.

2 CHAIRMAN WALLACE: And we had trouble kind of  
3 smoking out the rationale, but having been on that side I did  
4 kind of put it to Ron. **And** he kind of acknowledged that,  
5 yes, they would want to expand the program so that it could  
6 serve a broader array of people than we serve. So I think  
7 you have to consider that as a fundamental rationale.  
8 Furthermore, very -- And I don't know the numbers, Angelo,  
9 but they don't serve a broad array of the customer base that  
10 CHFA does. The very low, low to moderate. That is not where  
11 their membership survives.

12 Yes, I think we need to do a little executive  
13 summary or whatever and hit the highlights of the bill.  
14 Though if you just **look** at the changes, as I did, highlighted  
15 the changes, it won't take you very long to get the gist of  
16 it.

17 (Mr. Ken Hobbs entered the  
18 meeting room.)

19 Well, happy days are here again, Kenny.

20 MR. HOBBS: Mr. Chairman, it is good to see you.

21 CHAIRMAN WALLACE: Nice to see you. Ken Hobbs has  
22 been on this Board for probably eight years but he has had to  
23 miss about a year's worth. Ken, we are sure happy to have  
24 you back and we hope it is going to be on a continuous basis.  
25 You want to tell us how happy you are to be here.

1 MR. HOBBS: Mr. Chairman and Members, good morning,  
 2 and staff, guests and visitors. It is wonderful to be alive  
 3 and it is even more wonderful to be here. This is actually  
 4 my first outing and I want to thank my wife for making it  
 5 possible. Debbie is in the audience with us today.  
 6 Regrettably, I have been diagnosed with a terminal disease  
 7 that is extremely rare; there's about 200 adults in the world  
 8 with it. Unfortunately, It is something that I was born with  
 9 that we didn't find out until last year. But those of you  
 10 **who know** me know that I will never give up. I'm going to go  
 11 until I absolutely can't go anymore. It is really good to be  
 12 home, really good.

13 CHAIRMAN WALLACE: You're a rare individual and  
 14 we're proud of you and happy to have you back. We look  
 15 forward to having you any time you can make it, Ken.

16 MR. HOBBS: Thank you.

17 CHAIRMAN WALLACE: You're still on our list.

18 MR. HOBBS: Thank you.

19 CHAIRMAN WALLACE: The secretary will reopen the  
 20 **roll so we** can acknowledge under Stem **2** that Mr. Hobbs --

21 MS. OJIMA: Mr. Hobbs is here.

22 MR. HOBBS: Present. I'm present and available. I  
 23 have read the agenda. Mr. Klein has been busy.

24 CHAIRMAN WALLACE: Well, he said when **you** couldn't  
 25 make it he needed to **carry** your banner, Ken. So now it's

3 time to even out. We're very happy to have you, Ken, thanks.

4 We sure look forward to having your continued contributions.

5 Any other questions on the CAR situation?

6 Mr. Mozilo has suggested we do a little executive summary,  
7 Terri, accompanying the bill because most of them won't read  
8 60 pages. And if we can, do a little analysis that hits the  
9 highlights of what the bill would or would not do as  
E objectively as we can.

C MS. PARKER: We would be happy to. Actually, we  
10 will need to do that irrespective as the bill goes through  
11 the various committees. I know that Di is just sort of  
12 wringing her hands in anticipation of getting to do this. So  
13 we will be happy to share an analysis, give you the benefits  
14 of what is actually in the bill and our conversations with  
15 Mr. Kingston, and any background information that we possibly  
16 can for your consideration.

17 MR. KLEIN: Mr. Chairman.

18 CHAIRMAN WALLACE: Yes, Bob.

19 MR. KLEIN: If that summary could indicate whether  
20 there are any constituent support groups that we have and  
21 what their opinions are of this bill, and whether there are  
22 any constituent support groups that are supporting this  
23 bill's proposal, that would be helpful.

24 MS. PARKER: Absolutely.

25 CHAIRMAN WALLACE: Pat, anything?

1 MS. NEAL: No.

2 CHAIRMAN WALLACE: Premature to make any comments?

3 MS. NEAL: Absolutely.

4 CHAIRMAN WALLACE: Well, I think we have had a  
5 meeting with the Agency and/or expect to. And **Di** is dying to  
6 do this analysis so we will get that out, I'd say sooner  
7 rather than later. But let's agendize it for the May  
8 meeting.

9 MS. PARKER: And we can get an analysis, which we  
10 can send out to the members, between now and our May Board  
11 with no problem.

12 CHAIRMAN WALLACE: Okay. Any further questions on  
13 that item? Okay, that's all I had. **Terri**, you had a couple  
14 of items under Item 3.

15 MS. PARKER: A couple of items. Mr. Chairman and  
16 members, the first one being sort of an update on personnel.  
17 I am very pleased to introduce to you all, we have a new  
18 person joining us at the table as our CHFA General Counsel,  
19 Tom Hughes. Tom joins us from a private law firm of **Kronick,**  
20 **Tiedemann & Girard**, which is a very well-known law firm in  
21 Sacramento. He is a graduate of **McGeorge** Law School. He had  
22 a short stint **in** the public sector with the Department of  
23 Justice during his law school days. He has been with us  
24 about a month and he is trying to essentially get out of the  
25 mode of thinking of billable hours, but we are working on him

1 hard. We are very fortunate to have him and his background.

2 I think he was very excited about switching, sort  
3 of, his focus and coming into public service. He has told me  
4 that one of his favorite clients is CADA, which is the  
5 Capitol Area Redevelopment. He would take his family into  
6 Sacramento and point out projects that he was working on. He  
7 found that much more enjoyable than his other clients. So we  
8 figured he was ready to be signed up for state service.  
9 Again, he and his staff, and JoJo, they are the secretary of  
10 the Board. They are your point of contact. Tom is available  
11 to all of you for your needs.

12 So we have essentially been able to be successful  
13 in finding a Director of Multifamily, Mr. Warren, and we now  
14 have a General Counsel, Mr. Hughes. Our next position that  
15 we are working on is our marketing position. Jackie, Dick  
16 and I have been very actively interviewing and recruiting for  
17 months. We have actually talked to some very good people,  
18 people that we thought would be good candidates, and for a  
19 variety of reasons they have either decided to move on or had  
20 other opportunities. But we have talked to someone we think  
21 will be a very good candidate. We are in the process of  
22 sending some background to the Agency for the Agency to  
23 interview and consider so we are hopeful that we will be  
24 moving along and having a successful candidate in that  
25 position soon. Dick LaVergne and I promised that we are not

3 going to do an Annual Report again. So we will continue  
2 to --

CHAIRMAN WALLACE: It was a good one.

4 MS. PARKER: The last position that we will be  
5 working on is on the single family side. I will probably  
6 have more to talk with you about as we let that area evolve.  
7 But the Agency is very busy with its work and very busy with  
8 hiring a few good people to help us out.

9 The other thing that I just want to mention to you.  
10 We had quite a bit of discussion at our last Board Meeting  
11 about legislation to seek to increase our bond cap.  
12 Following our Board Meeting we have had additional  
13 conversations with the Agency. We have had permission from  
14 the Agency and the Governor's Office to pursue a bill. We  
15 have an author, which is Assemblywoman Migden. We are still  
16 negotiating what the dollar amount will be of how much to  
17 raise the cap but I think we can have a very good discussion  
18 on our Business Plan today without having to worry about  
19 whether or not, particularly for our stakeholder groups, that  
20 the issue of being able to sell bonds will be problematic, at  
21 least in the short run.

22 So, Mr. Chairman, that concludes my remarks.

23 CHAIRMAN WALLACE: Okay, let's move on to the  
24 projects. Item 4, Linn, Torrey Del Mar.

25 MR. WARREN: Thank you, Mr. Chairman. With me

1 today is Jim Liska. Jim, as many of you may know, is our  
4 senior mortgage officer in Sacramento and, really, the bulk  
3 of the production that we do does come out of Jim's shop. **So**  
4 I have asked Jim to help me today with the slides and he will  
5 be giving us the background on some of the projects.

6 As you can see from your materials, we have a large  
7 number of loans that are coupled with our Lender Loan  
8 Agreement and the MHP program. We brought up this program at  
9 the end of last year in a special needs project with an eye  
10 toward developing it toward our tax-exempt bond financing.  
11 We asked a couple of the sponsors to do it on a trial basis,  
12 with the idea of bringing maybe one or two of these things to  
13 the March Board. We are bringing seven. It had some degree  
14 of interest.

15 But I want to take a moment before I go into these  
16 projects to explain why we are doing this, why we think it is  
17 important and to give the Board the opportunity to ask any  
18 questions before we go through all of these new construction  
19 projects, because there is a **common** theme throughout all of  
20 them. **So** with that I will take a couple of moments to run  
21 through the Lender Loan program. You should have handouts of  
22 some of these slides. Hopefully, we can answer your  
23 questions.

24 (Video presentation begins.)

25 The Lender Loan program: The components,

1 basically, we have a low cost of funds that are bond money  
2 that we would pass through to the construction lender during  
3 the construction period. We would only participate with A-  
4 rated banks that have experience with construction lending  
5 for affordable housing projects. In your materials today  
6 there are three, Wells Fargo, B of A and Union. We think  
7 this complements the MHP program because of the prevailing  
8 wage issue. Many of the projects you have in front of you  
9 today are in high-cost areas. The other component is the  
10 CHFA review process for construction design would continue  
11 throughout the construction period.

12           The benefits: The interest rate that we are  
13 passing through is essentially our cost of funds for a period  
14 of about 18 months and it would also be linked to the CHFA  
15 financing. The construction lenders are limited as to the  
16 amount of spread they can put on top of our funds, with the  
17 object to pass the benefit of reduced construction interest  
18 on to the project.

19           The cost: Because we are not asking for a spread  
20 during the construction period there is some reduced income  
21 for the Agency and there is some additional risk during the  
22 construction period. We are taking, basically, an obligation  
23 to pay from these rated banks and not being backed by a  
24 letter of credit. If a lender wished to participate that did  
25 not meet the criteria set forth on the top, we would require

.1 a letter of credit.

2           Let me show you this graph. This might give you a  
3 better idea of how this works. On a normal deal for us today  
4 we have the private lender bringing up their taxable funds,  
5 maybe some equity, other funds, locality or perhaps some  
6 early MHP money. In the permanent stage, then, the other  
7 funds normally increase. CHFA's permanent loan would go on  
8 record, as it does today, and we would probably start with a  
9 bridge loan. Again, the benefit here is to leverage up the  
10 paying of the tax credits. As the tax credit pay-in  
11 continues, the bridge loan then reduces. At the end of this  
12 case in three years, in this model, the bridge loan is paid  
13 off and all that is left is the CHFA permanent loan.

14           As in most cases, the permanent loan has a fairly  
15 low loan-to-value and even lower loan-to-cost. The  
16 additional component now is that we are providing a source of  
17 funds--again, a fairly low-interest source of funds--to the  
18 private construction lender pursuant to the Lender Loan  
19 Agreement. The underwriting here all remains the same. In  
20 addition to this, in most cases the private construction  
21 lender will add on its own taxable tail. This is for scoring  
22 purposes for CDLAC. Plus, if you view this as the amount of  
23 the bond allocation that the Agency is pursuing with CDLAC,  
24 we limited the amount of allocation that we would pursue to  
25 approximately 60 percent of the basis. We still feel that

1 allocation is a scarce resource, even with the increase in  
2 the cap, so we elected not to go for allocation for the full  
3 amount but instead asked the borrowers, and the construction  
4 lenders would, again, add this taxable tail.

5 (Videopresentation ends.)

6 So that, in a nutshell, is the program. As I said  
7 before, this structure here is all pretty much what we have  
8 done for years. The additional piece of it is this Lender  
9 Loan linked in here. We are still working on the program.  
10 The Lender Loan documents are being sent out to borrowers and  
11 lenders this week. But we have tried to design something  
12 that is fairly non-impactive and reduces the risk for the  
13 Agency. So the end of the program is, we are trying to pass-  
14 through the benefit of the low cost of funds for the benefit  
15 of the project and to offset construction costs. So that, in  
16 a nutshell, is the program.

17 CHAIRMAN WALLACE: Questions? Do you want to pass  
18 out your test now?

19 MR. WARREN: If issues come up during the projects,  
20 Mr. Chairman, we can chat about it.

21 CHAIRMAN WALLACE: Bob.

22 MR. KLEIN: In terms of the energy exposure of this  
23 project, what is your evaluation of it? Where is the utility  
24 allowance today? Has it changed in the last year? Where do  
25 you think it is going to go? If it increases, how much, and

1 what impact will that have on debt service coverage?

2 MR. WARREN: Two issues. On all the projects,  
3 Mr. Klein, we have increased the utility expenses in the  
4 operating budget by 25 percent. We stress-tested all utility  
5 allowances in the projects that if the allowance is increased  
6 by up to 50 percent, the debt coverage ratios can handle it.

7 Some of them might dip below 1.10 but not that much. We did  
8 run that stress test. We don't know where utility allowances  
9 are going to go but we feel a 50 percent increase at the  
10 outside is probably reasonable at this juncture. But we did  
11 run them all with that in mind.

12 MR. KLEIN: And if you could explain to me -- And I  
13 think that is tremendous, by the way. But if you could  
14 explain to me, how does your stress test work when it starts  
15 at a 1.10 on the proforma we have? Where is the cushion  
16 buried that will protect it in terms of the additional  
17 increase to get it to a 50 percent increase without  
18 degrading the 1-10?

19 MR. WARREN: It would go below 1.10. We did  
20 leverage some of these loans up to the 1.10 debt coverage.  
21 On some of those projects that start out at 1.10 I believe it  
22 went down to, quite frankly, a 1.07. It did go down.

23 MR. KLEIN: That's a very reasonable outcome for  
24 that kind of a stress test.

25 MR. WARREN: Yes.

3 MR. KLEIN: In terms of the utility analysis for  
E this area, just as a matter of information. Has the utility  
7 allowance by the local authorities been kept up to date? Are  
4 they moving it significantly or has it been relatively  
E static?

6 MR. WARREN: I think it does vary. I think a lot  
7 of them, quite frankly, have remained static and have not  
E moved up. I don't have the specifics on a per-project basis  
9 with me but I do know, Mr. Klein, that everybody we have.  
10 talked to is looking at that with anticipation that all of  
11 the allowances are going to increase in some fashion.

12 MR. KLEIN: And are we attaching any significance  
13 to Energy Star-rated appliances or anything that would  
14 otherwise mitigate future increases?

15 MR. WARREN: A couple of areas in that. The  
16 architectural staff is updating the design manual to  
17 basically include all Energy Star appliances. The Title 24  
18 regulations that were passed earlier in the year which  
19 increase the requirements by 15 to 20 percent, those are  
20 being analyzed by architectural staff. Everyone's question  
21 though, as you can imagine, is, what is the cost?  
22 Particularly the Title 24 increases. What is this going to  
23 cost a project? Internally we are revisiting weather  
24 stripping, insulation, all of the fairly non-invasive things  
25 that we can do.

3           The next step for us, Mr. Klein, is renewable  
2 energy sources on site. There's been a lot of discussion  
3 about new photovoltaic. Obviously we want to look at that.  
4 There's also been some movements afoot over at the California  
5 Energy Department in which capitalized grants may be  
E available for projects. There's a lot of things on the  
7 horizon. Our concern with new technologies is the  
E sustainability of the technologies over the long-term, vis-à-  
c vis warranties.

10           We have obviously had issues over the years with  
11 solar panels. If a manufacturer extends their warranty will  
12 the manufacturer be here 20 years from now? All of these  
13 issues are being looked at. But I think that if I can  
14 separate the technology into two areas, the stuff we can do  
15 today, which are the appliances, the building materials and  
16 the Title **24**, and then the more appropriate advances, which  
17 are like photovoltaic.

18           MR. KLEIN: I think, speaking as one Board Member,  
19 it is an excellent approach you have taken. It would be  
20 helpful if as part of our standard write-up, given the period  
21 of energy volatility we are in, that we had a summary of just  
22 the energy characteristics of the underwriting. **As** you  
23 summarized it, I think it is an excellent basis.

24           **As** a separate item, Mr. Chairman, I would hope that  
25 we could have the staff look at micro-turbines, which have a

1 history which is proved out that particular technology, and  
2 fuel cells, which are much more cutting edge. To look at the  
3 potential of those technologies to protect our projects long-  
4 term. For the potential that CHFA might lead as a prototype  
5 agency in determining the efficacy of those technologies in  
6 protecting a particularly vulnerable group of projects and  
7 tenants.

8           CHAIRMAN WALLACE: No problem, those are good  
c suggestions.

10           MR. WARREN: It is, Mr. Chairman. I think, as  
11 Mr. Klein indicates, it is something that we are obviously  
12 compelled to look at. We have the staff in our LA office and  
13 that is one of their mandates.

14           CHAIRMAN WALLACE: Thank you, Bob. Ed.

15           MR. CZUKER: Thank you, Mr. Chairman. First, I  
16 wanted to commend staff for again coming up with a creative  
17 solution to a complicated problem and helping to fill the  
18 jigsaw puzzle that will help create more affordable housing.  
19 **So** I commend staff for this creative structure. I wanted to  
20 ask clarification on two points. One, **Linn**, you mentioned  
21 that the lender spread is fixed on a construction lender.  
22 What is that spread?

23           MR. WARREN: We are limiting them to no more than a  
24 200 basis point spread over our funds on the pass-through.

25           MR. CZUKER: And then secondly, is the same

3 creative structure available to an acquisition rehab  
2 repositioning to affordable housing?

3 MR. WARREN: That would be our hope. We have not  
4 seen one yet, Mr. Czuker, but there's no reason why it can't  
E be applied.

E MR. CZUKER: Thank you.

7 CHAIRMAN WALLACE: Bob.

E MR. KLEIN: In meeting the 50 percent test I take  
9 it that our bridge loan is tax-exempt in all of these  
10 projects. When we get to the full equity pay-in we are below  
11 the 50 percent but we have met -- Counsel has reviewed this  
12 and we have met the test through that interim tax-exempt  
13 financing.

14 MR. WARREN: Yes. By passing the tax-exempt money  
15 through during the construction phase, in talking to all the  
16 borrowers, that would satisfy the 50 percent test. On two of  
17 the projects today we have bridge loans and they are not for  
18 the purposes, necessarily, of achieving 50 percent but to  
19 leverage up tax credits. So theoretically, as with a stand-  
20 alone, single-issue bond transaction, if you take the tax-  
21 exempt funds through the construction period that gains your  
22 50 percent level. But we asked that question and if  
23 necessary we would leave a bridge loan in place to make sure  
24 the qualification occurs.

25 MR. KLEIN: Thank you.

3 CHAIRMAN WALLACE: Anyone else? Ken.

2 MR. HOBBS: *Mr.* Chairman, just a quick question  
3 with regard to potential impact of income to CHFA. I noted,  
4 *Linn*, in your presentation you indicated that there was a  
5 potential reduction of income. Given the fact that we have  
6 seven on today's agenda, do you see *long-term* impact in terms  
7 of our five-year plan?

8 MR. WARREN: I don't see a significant impact,  
9 *Mr. Hobbs*. We feel on a regular basis that we can give up  
10 income for public benefit. This is \$60 million worth of  
11 business. Given the overall Business Plan that we do it is  
12 not a large number, it really is not.

13 CHAIRMAN WALLACE: Or not yet.

14 MR. WARREN: Not yet.

15 MR. HOBBS: It would be good if we got there. Good  
16 public policy.

17 CHAIRMAN WALLACE: Probably. This whole program is  
18 comparatively new. And like *Ed*, we commend staff for being  
19 creative. We are sacrificing income frequently for our  
20 mission, but we don't want to do them all this way. In  
21 talking to *Linn* before the meeting, we are going to be  
22 monitoring this and seeing how big an impact it will be. **He**  
23 will have a section in the Business Plan. In fact, at the  
24 back of this attachment that you have he will talk about that  
25 in a little bit in the Business Plan. So we need to keep an



3 value for this particular project we felt comfortable with  
2 that, to go forward with that. With that, let me ask Jim to  
3 go through the project, the site.

4 MR. LISKA: Mr. Chairman, members of the Board, our  
5 first project is Torrey Del Mar. As Linn indicated, it is a  
6 new construction project, 112 units. The subject property is  
7 located in the community of Torrey Highlands, which is  
8 located in the Del Mar Highlands area in the Carmel Valley of  
9 the City of San Diego and west of the community of Rancho  
10 Peñasquitos. Del Mar Highlands is located east of Interstate  
11 5 and north of the Ted Williams 56 freeway that is scheduled  
12 for completion by 2004. The proposed extension of the Ted  
13 Williams 56 freeway is only one-half mile south of the  
14 subject. Once this freeway is completed the freeway will  
15 link Interstate 5 and Interstate 15 together.

16 The subject site is located on the east side of  
17 Torrey Del Mar, which is this main street out here. A new  
18 street is being put in over here. The main street is Carmel  
19 Valley Road and then the new street going in will be Torrey  
20 Del Mar. The subject parcel was created as part of the  
21 planned residential development, Torrey Del Mar, developed by  
22 D.R. Horton to satisfy the affordable housing requirements.

23 This planned residential development also includes  
24 320 single family detached homes and a two acre retail/  
25 commercial center. The retail center is located right here

3 on the corner and it is going to include a Chevron station  
4 and a food mart. Our site is over here on the adjacent  
5 parcel that starts -- Here is a continuation of our parcel  
6 view. Fairbanks Highlands, a golf course, is located on the  
7 other side of Carmel Valley Road. There is a 'golf course  
8 there, a residential community with low-density single family  
9 homes, and it is currently under construction.

10 Plans for the Torrey Highlands Sub Area 4 area,  
11 which contains our subject site, includes a total of 2,600  
12 housing units, a local mixed-use center, a regional  
13 employment center, parks, schools, hiking trails and a major  
14 wildlife corridor. D.R. Horton has mass-graded the entire  
15 176 acres and there's also models that Mr. Horton is putting  
16 up for the housing community of Villa Montes, which is a  
17 111 unit single family detached subdivision which is in back  
18 of the subject site over in here. Villa Montes has home  
19 sizes ranging from 2,156 square feet to 2,712 square feet.  
20 The sale prices range from \$470,990 to \$520,990.

21 The single family homes in the Torrey Del Mar  
22 community have a community facility district, a Mello-Roos,  
23 that costs the residents \$150 per month. The subject  
24 property is presently located in the same community but the  
25 Mello-Roos assessment will be paid at the beginning of  
construction. So at the completion of construction, the  
subject will have no Mello-Roos fees, master association fees

1 or landscaping/lighting district fees. Which is one reason,  
2 if you look in our Sources and Uses, in the development cost  
3 budget you will see quite a large figure. I think something  
4 like \$2,700,000 which is attributable to paying off this  
5 assessment.

6 Just another view of the site from the southeast  
7 portion of the site. This is a fire road access which is off  
8 the side of Torrey Del Mar and it wraps around the commercial  
9 portion that we just saw previously, which will house a  
10 Chevron gas station and the Food Mart. Here is an example of  
11 typical homes that are under construction in the area and  
12 here is a typical area home.

13 As far as shopping, schools and employment,  
14 neighborhood shopping is located approximately three miles  
15 west of the property in a newly-developed Cannel Plaza that  
16 contains a Vons Supermarket, a hardware store and retail  
17 shops. Another neighborhood is located in the community of  
18 Rancho Peñasquitos, which is approximately three miles east  
19 of the subject. A regional shopping center is located 12  
20 miles south at University Towne Center. This regional center  
21 includes a Nordstrom, Sears, Robinsons-May.

22 The subject is located in the Poway Unified School  
23 District and there are several existing schools as well as  
24 future school sites near the project site. In the Cannel  
25 Valley area, which includes Torrey Highlands, there are over

1 2 million square feet of office space in the San Diego  
2 Commercial Center. The Carmel Valley is an established  
3 office market and provides employment to its residents. In  
4 addition, residents can easily commute to La Jolla or  
5 downtown San Diego.

6 In conclusion, we think the subject is a well-  
7 located site. As far as improvements, the subject will  
8 consist of seven residential garden two-story walk-up  
9 buildings. In the center of the residential community will  
10 be a single-story community building. There are three floor  
11 plans being offered: 16 one-bedrooms at approximately 624  
12 square feet; 56 two-bedroom, one- and two-bath, 892 square  
13 feet; 40 three-bedroom, two-bath, 1,045 square feet. Units  
14 will have full kitchens with dishwashers, electric range and  
15 oven and electric wall heaters. All the units will have a  
16 private patio, a balcony. Hot water is provided by a boiler  
17 in each of the buildings. The residential buildings will be  
18 fully sprinkled as part of meeting zoning compliance.

19 Parking is 228 open spaces or 2.04 spaces per unit.

20 As far as the amenities: Again, the community room will  
21 contain a lounge, full kitchen, library, two offices, a  
22 computer room, pool, utility room, storage and laundry area.

23 Next to the community is a proposed tot lot, a swimming pool  
24 and a barbecue area. The proposed improvements and amenities  
25 are similar to other multifamily-type projects in the San

1 Diego area.

2           As far as rent levels, we are looking at rent  
3 levels at the 30 percent range, **45** percent range and 60  
4 percent range. As you can see, the market is slightly higher  
5 and we have a pretty good spread between what is being  
6 offered at the project for affordability versus what is out  
7 in the open market. We looked at -- six other markets were  
8 compared in the area. It is a tight market, as you can see.

9       Vacancy rates in the area are approximately **3** percent with a  
10 high of **4.41** percent. There's a couple of properties that  
11 are owned by real estate investment trusts in the area.  
12 Because of the way they run their properties, **you** will see a  
13 vacancy rate closer to **5** percent.

14           **As** far as rent or occupancy restrictions, in  
15 partnering ~~with~~ the HCD MHP program, **35** percent of the units,  
16 or 39 units, will be restricted to 30 percent of state area  
17 median income; 12 percent or **13** units will be restricted to  
18 **45** percent of area median income and **54** percent will be  
19 restricted to 60 percent. TCAC will require 100 percent and  
20 CHFA requires 20 percent at **50** percent.

21           We received an environmental assessment report,  
22 phase one environmental assessment prepared by LAW  
23 Engineering & Environmental Consultants dated February **13**,  
24 1997. It indicated there were no specific adverse conditions  
25 or anything. We are also requiring an update of that report.

1 Dudek & Associates, Inc. completed an exterior acoustical  
2 noise study and an interior noise assessment report on April  
3 6, 2000. To mitigate noise, a six-foot-high wall would be  
4 required adjacent to Carmel Valley Road, as was previously  
5 shown. Then there will be interior noise attenuation.

6 (Videopresentation of project ends.)

7 MR. WARREN: Other financing for the property is  
8 basically as we indicated, MHP with approximately \$4 million,  
9 tax credit equity of \$5.6 million. As Jim indicated, this is  
10 an inclusionary zoning transaction so the land and  
11 predevelopment loan is being contributed. The sponsor is  
12 well-known to us, it is BRIDGE Housing, and they will also be  
13 the property manager. So with that, we think this is  
14 obviously a well-positioned project and we would like to  
15 recommend approval and be happy to answer any questions you  
16 might have.

17 CHAIRMAN WALLACE: Questions? Jeanne.

18 MS. PETERSON: Mr. Chairman, I would like to read a  
19 statement. I will not be participating in the discussion or  
20 voting on the Torrey Del Mar project. Furthermore, the  
21 Treasurer has asked that the following statement be made a  
22 part of the meeting's official record. This is the  
23 Treasurer's statement:

24 "I have disqualified myself from  
25 participation in all decisions relating

1 to the Torrey Del Mar project located in  
2 San Diego County. D.R. Horton, San Diego  
3 Holding Company, the seller of the land  
4 for this project, may be related to a  
5 party who may become a source of income  
6 to me. Although I do not know for  
7 certain that I have an actual conflict in  
8 this matter, I have, in the abundance of  
9 caution, disqualified myself and will  
10 continue to do **so.**"

11 Thank you.

12 CHAIRMAN WALLACE: Thanks, Jeanne. I am going to  
13 recuse myself unless we really need me because I am a member,  
14 as the Board **knows**, of the BRIDGE Housing Board. Though I  
15 think counsel previously has opined I really don't have a  
16 conflict of interest. Angelo.

17 MR. MOZILO: Linn, just for clarification's sake.  
18 Does the lender take care of the administration of the  
19 construction loan? Are they responsible for the draws, the  
20 inspections, all of that? That's where the 200 basis, part  
21 of that covers that expense.

22 MR. WARREN: Right. They have their lien deed of  
23 trust against the property. They are responsible for all of  
24 that. They are the ones that will enforce anything --

25 MR. MOZILO: **And** they will be held accountable.

3           **MR. WARREN:** That's right. That is correct.

4           **MR. MOZILO:** Thank you.

5           **CHAIRMAN WALLACE:** I understand there is a  
6 correction to the resolution. Let's get that technical  
7 correction, Tom, on the record.

8           **MR. HUGHES:** Yes, Mr. Chairman.

9           **CHAIRMAN WALLACE:** That's page 858?

10           **MR. HUGHES:** Correct. Page 858 of the package  
11 which contains the resolution for this project indicates at  
12 the very bottom that the tax-exempt bridge loan is in the  
13 amount of \$4,200,000. The actual amount is \$4,245,000 and  
14 the record should reflect that the resolution being voted on  
15 will reflect that corrected number.

16           **CHAIRMAN WALLACE:** Thank you. Now, any further  
17 questions from the Board? Carrie.

18           **MS. HAWKINS:** I have one that is not very technical  
19 but I think significant. You mentioned a computer room and  
20 it states here, a tutoring room. So that would be a  
21 versatile-type room where you could set it up, and have  
22 classes. What is the size of that tutoring room?

23           **MR. LISKA:** That's correct, that's correct. That's  
24 a universal purpose room.

25           **MS. HAWKINS:** Great. I think that's very good  
because then we can combine that with other programs that  
could come in and facilitate that tutoring or the support.

3 The facility is already there, which is a real problem in  
4 many of our existing developments.

5 CHAIRMAN WALLACE: Carrie, was there a correction,  
6 then? I thought you said technical correction.

7 MS. HAWKINS: No, I heard him say a computer room  
8 but it is a computer/tutoring room. That's correct, right?

9 MR. LISKA: It will be -- Yes, there will be a  
10 computer room and there will also be --

11 MS. HAWKINS: Oh, those are separate?

12 MR. LISKA: -- a facility for tutoring also. For  
13 classes, yes.

14 MS. HAWKINS: Okay, great.

15 MR. LISKA: For social outreach.

16 CHAIRMAN WALLACE: So the record is correct as  
17 stated?

18 MR. LISKA: That's correct.

19 CHAIRMAN WALLACE: All right. **Any** further  
20 questions, Board? Ken.

21 MR. HOBBS: Just in follow-up to Angelo's question  
22 on construction. I noted during the preamble, the  
23 construction on this Loan-to-Lender program, staff felt some  
24 concern because the construction period is not covered with  
25 an LC. But we are comfortable? And I was going to ask the  
question Angelo asked, that the typical lender construction  
review, construction draw, etcetera, is in place and staff is

1 absolutely comfortable with that?

2 MR. WARREN: It is, Mr. Hobbs. And I think in the  
3 slide earlier I indicated that as we do, even in a  
4 traditional takeout situation, our construction inspectors go  
5 to the site and see that it is being built according to our  
6 guidelines.

7 MR. HOBBS: Right.

8 MR. WARREN: So in addition to the construction  
9 folks being out there with that lender the CHFA construction  
10 inspectors will be there as well.

11 CHAIRMAN WALLACE: Ed. Oh, excuse me, Ken.

12 MR. HOBBS: Mr. Chairman, just a last question.

13 CHAIRMAN WALLACE: Yes.

14 MR. HOBBS: And I won't get on my drum about Mello-  
15 Roos CFD. But I want to make sure that -- I'm on page 849.  
16 I believe the reference was to the \$2,779,384 being an up-  
17 front payment to pay off the assessment. I just want to  
18 verify that. It doesn't show as Mello-Roos, it just shows as  
19 local fees. Is that --

20 MR. LISKA: That is correct.

21 MR. HOBBS: Okay. Thank you, Mr. Chairman.

22 CHAIRMAN WALLACE: Thank you, Ken. Ed.

23 MR. CZUKER: I am supportive of the project, I was  
24 just curious. At the time this was written, it didn't  
25 indicate if they had identified the construction lender or

1 the tax credit investor. As of this date and time is there  
2 any update as to who the construction lender or tax credit  
3 investor is?

4 MR. WARREN: Wells Fargo Bank is the construction  
5 lender. And the tax credit investor, I don't know if that  
6 has been selected or not.

7 MR. LISKA: I don't think it has as of this date.  
8 To be determined.

9 MR. WIBLIN (FROM AUDIENCE): We're negotiating  
10 with, currently with CEF.

11 MR. LISKA: Brad Wiblin from BRIDGE, the southern  
12 California branch office, indicated that they are negotiating  
13 with CEF.

14 MR. CZUKER: Thank you.

15 CHAIRMAN WALLACE: Bob.

16 MR. KLEIN: There was an allusion to the softness  
17 in the tax credit market, which I think is consistent with  
18 the information I'm getting. What are we seeing in terms of  
19 impact on prices?

20 MR. WARREN: We're seeing, I'm going to say high 80  
21 cents. Mid 80 cents to high 80 cents on the dollar, I think  
22 is what I have heard anecdotally, Mr. Klein. The bridge  
23 loan, I think, would pick up 6 or 7 cents on the dollar, I  
24 think, or something along those lines. But I think it is  
25 below 90 cents on the dollar and down in the mid-range. It

1 is hard to get a good number, it is moving around, but it is  
2 definitely softer than it was this time last year.

3 MR. KLEIN: And is it expected that Edison and  
4 PG&E's sales into the secondary market are going to further  
5 soften that market?

6 MR. WARREN: We've looked at that because we have a  
7 number of bridge loans and equity investments that have both  
8 PG&E and Edison involved. I think anytime that there is a  
9 supply, obviously, there is going to be a dampening of  
10 prices. I think it's hard to say. One thing that may  
11 mitigate that is the fact that in spite of the slowdown in  
12 real estate around the country, California, by all accounts,  
13 is still very strong.

14 As far as investment-driven alternatives, it is  
15 just very difficult to say. I think that if you look at that  
16 and then translate that into project viability issues I think  
17 the impact is probably going to be fairly minimal. CHFA  
18 would offer bridge loans to try to stem that somewhat.

19 MR. KLEIN: Okay.

20 CHAIRMAN WALLACE: Any other questions? Developer?  
21 Anything that we need, Brad? The Chair will entertain a  
22 motion.

23 MS. HAWKINS: I will move that we approve this  
24 request.

25 MR. HOBBS: Second.

CHAIRMAN WALLACE: Carrie Hawkins. You just edged out Bob, Ken.

MR. KLEIN: That's a good thing.

MR. HOBBS: I'll withdraw.

MR. KLEIN: No, no, no.

CHAIRMAN WALLACE: No, no, you're getting even now for **your** earlier comment so we will acknowledge your second, Mr. Hobbs. Any question on the motion from the Board or the audience? Motion to approve. Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

CHAIRMAN WALLACE: She abstained.

MS. OJIMA: Thank you. Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Czucker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

3 MR. KLEIN: Aye.

2 MS. OJIMA: Mr. Mozilo?

3 MR. MOZILO: Aye.

4 MS. OJIMA: Mr. Wallace?

5 CHAIRMAN WALLACE: Have you got enough?

6 MS. OJIMA: Yes.

7 CHAIRMAN WALLACE: I abstain.

8 MS. OJIMA: Thank you. Resolution 01-08 has been  
9 approved.

10 CHAIRMAN WALLACE: 01-08 has been hereby approved.

11 Moving on maybe a little quicker. If we take that long on  
12 all of them we will be here until tomorrow.

13 **RESOLUTION 01-09**

14 MR. LISKA: No, I got the hint.

15 CHAIRMAN WALLACE: Very thorough, you guys, but.

16 MR. WARREN: Mr. Chairman, we wanted to give you a  
17 flavor of the thoroughness of Mr. Liska's underwriting  
18 operation. Now that we have done that we can proceed with  
19 somewhat greater speed. (Laughter).

20 CHAIRMAN WALLACE: If we're still here at dinner  
21 then Jim pays.

22 MR. WARREN: All right. Our second project today  
23 is Grayson Creek Apartments. This is a 70-unit family  
24 project, new construction, in Pleasant Hill. The loan  
25 request today is for a lender loan in the amount of \$9.1

1 million, 2 years tax exempt and a permanent first mortgage  
2 loan amount of \$5.7 million, 5.7 interest rate, 30 years tax  
3 exempt fixed.

4 A couple of components here. The first is the  
5 sponsors have asked us to consider a bridge loan on Grayson  
6 similar to Torrey, which we will look at. Again, with the  
7 debt coverage ratios and such on this project we think that  
8 was probably an appropriate risk. We will evaluate that  
9 after this meeting.

10 The second issue is on your Cash Flows. You will  
11 notice that there is a pledge of annual income from the City  
12 of Pleasant Hill in the amount of \$235,000 annually and this  
13 goes to basically leverage up the amount of debt that is  
14 available for the project. This is a structure that is known  
15 to us. We have a similar structure with Hercules, also with  
16 BRIDGE Housing, which seems to be working quite well. So  
17 that is a little bit of a variation that we have here.

18 As far as additional financing on the property,  
19 again, we have MHP; we have the city/county land  
20 contributions of approximately \$2.6 million; various  
21 redevelopment and AHP funds; and we also have tax credit  
22 equity of \$3.8 million. With that, I'll let Jim run through  
23 some of the pictures.

24 (Video presentation of project begins.)

25 MR. LISKA: Grayson Creek Apartments is a proposed

1 70-unit family project. It is in Pleasant Hill, which is in  
2 east Contra Costa County, bordered by Martinez, Walnut Creek  
3 and Concord. The site, that you see here, is off of  
4 Chilpaqcingo. The site is formerly the old Velvet Turtle  
5 restaurant site, which has been demolished a couple of years  
6 ago and all that remains is the parking pad.

7           Adjacent on the east side of the site is Grayson  
8 Creek. Right across the creek is a shopping center which has  
9 K-Mart and Toys 'R' Us. Looking east down Chilpancingo in the  
10 background is Highway **680**, the shopping center is off to your  
11 left. Across the street is another shopping center and fast  
12 food restaurants, a gasoline station, what have you. If we  
13 go up the street --

14           Here is a rendering of the site layout. Right here  
15 is access to the site. There is an electrical stop sign here  
16 for cross traffic going out this way. In the background over  
17 here is DVC College. Adjacent to the properties over on the  
18 west side is a HUD-assisted project as well as low-density  
19 condominiums and other market rate projects.

20           The improvements will consist of three residential  
21 elevator-type buildings with double corridors. There's **16**  
22 one-bedrooms, **28** two-bedrooms and **26** three-bedrooms, two  
23 baths. The units will have full kitchens with gas ranges.  
24 The residential buildings will be fully sprinkled. Parking  
25 is a combination of open and subterranean parking garage.

1 There is a **community** building located within Building C,  
2 which is located on the first floor and has office area,  
3 laundry area, etcetera. With that we'll go to the -- Here is  
4 an exterior elevation rendering.

5 Here is the market. We have a variety of rent  
6 levels again due to MHP financing, TCAC and our financing.  
7 **35 percent, 40 percent, 50 percent, 60 percent** rent and  
8 market, so we have a pretty good variety. And even at the 60  
9 percent level you can see that we are substantially  
10 underneath the market in the area.

11 (Videopresentation of project ends.)

12 MR. WARREN: As with the prior project the project  
13 sponsor **is** BRIDGE Housing, and BRIDGE will also be the  
14 property manager. As Jim indicated, there is a wide range of  
15 rents on the project. This is a combination of MHP,  
16 redevelopment agency, CHFA and all the others that are  
17 involved in the project.

18 **So** with that, again, we think that this is, again,  
19 a well-situated project in the East Bay. We would like to  
20 recommend approval and be happy to answer any questions.

21 CHAIRMAN WALLACE: Questions?

22 MR. HOBBS: Mr. Chairman, I have driven the site  
23 and, again, like the San **Diego** project, I'm particularly  
24 struck with the difference between market and affordable  
25 income. Clearly there **is** a major need out in the East Bay

1 and I would like to add my two cents of support.

2 CHAIRMAN WALLACE: Does that translate into a  
3 notion?

4 MR. HOBBS: If there are no questions I'm -- I  
5 actually was delaying because your secretary, *Mr.* Chairman,  
6 is --

7 CHAIRMAN WALLACE: That's a good idea.

8 MR. HOBBS: But yes, I would very much like to make  
9 the motion.

10 CHAIRMAN WALLACE: Question here. Carol Galante, I  
11 would like your take on this Loan-to-Lender program, because  
12 you have got three of them here, I think today.

13 MS. PARKER: She *is* not here. Carol *is* not here.

14 CHAIRMAN WALLACE: Isn't Carol here?

15 MS. PARKER: No.

16 CHAIRMAN WALLACE: Who --

17 MR. LISKA: Ann Silverberg from BRIDGE --

18 CHAIRMAN WALLACE: Ann.

19 MS. SILVERBERG: I'm Ann Silverberg, I am Director  
20 of Real Estate Development for BRIDGE Housing.

21 CHAIRMAN WALLACE: **Ann**, why don't you go lean on  
22 Linn's mike.

23 MS. SILVERBERG: Unfortunately, Carol Galante  
24 wasn't able to make it here today but we do have Brad Wiblin  
25 who *is* the Director of Southern California, as well as Kevin

3 Griffith who is project manager for this project. We are  
4 very much supportive of the Loan-to-Lender program. We see  
5 some significant savings in our developments because of this  
6 program. The interest rate that we would be paying on a  
7 conventional loan taxable rate would be much higher. We see  
8 a savings of up to \$200,000 in this project, as an example.  
9 So we think it's a great program. We're happy that CHFA has  
10 been so creative and inventive and we're happy to be part of  
11 the first one.

12 CHAIRMAN WALLACE: Thank you, Ann. That's part of  
13 the input we need to see how voluminous this may get as we go  
14 ahead, apropos of some earlier comments by Ken and Bob,  
15 etcetera. Do you want to quit while you're ahead?

16 MS. SILVERBERG: Yes.

17 CHAIRMAN WALLACE: Jeanne.

18 MS. PETERSON: I just had a suggestion, perhaps,  
19 for staff. Perhaps it's a question. We find this repeated  
20 in virtually all of the developments that we are looking at  
21 today and that is, when we get to the occupancy restrictions  
22 virtually in every deal there are at least three or more  
23 restrictions that are going to be placed on a property by  
24 different funding sources.

25 Because the MHP program now has a different  
methodology for determining restrictions, which is based on  
statewide median income as opposed to area median income, I

1 notice that the reports are all across the board. Some  
2 mention the difference between state and area, some don't.  
3 At least one, I think, is incorrectly mentioned at some  
4 point. So I'm wondering if -- I'm pointing that out for the  
5 future that it would be helpful to be able to know which is  
6 which or just to always say, the MHP program is always going  
7 to be based on statewide median as a percent and all of the  
8 rest of them are always going to be based on area median. So  
9 that's in the written part. Then it gets a little confusing,  
10 and I'm not quite sure that I have a good suggestion but I'm  
11 sure that you can think of one, as to how to show it on the  
12 income and expense pages.

13           And lastly, that sort of goes to -- Maybe this is a  
14 question for Ms. Bornstein because it really is -- Is the  
15 regulatory agreement, the restrictive covenant that CHFA is  
16 going to have on these properties, only going to mention the  
17 20 at 50 restrictions of CHFA and leave to the other funding  
18 sources their own restrictive covenants? Because what we are  
19 going to do in the tax credit program, what we are  
20 anticipating doing with the MHP ones is to translate,  
21 whatever. If it's 40 percent of statewide median, for  
22 example, to translate that into whatever it is in the area  
23 median. So that going forward one will always be able to see  
24 what the rent limitation in any given year will be. Because  
25 in some counties it will be lesser than the statewide median

and others it will be greater.

4 MR. WARREN: The short answer is we contemplate now  
placing the standard CHFA regulatory agreement on the  
4 properties with the basic restrictions and then behind that  
5 would be the other regulatory agreements. We have not  
6 contemplated modifying that to incorporate the other  
7 restrictions and we probably need to look at that. The  
8 suggestion about the presentation is very good, Ms. Peterson.

9 In the simple days when we had simple restrictions  
10 this was the model that we used. Life has become more  
11 complicated and I think where we are going to go is what you  
12 suggest, which is basically a grid which will show  
13 everything, both in the cash flow analysis and in the  
14 narratives. Because it just, quite simply, has gotten  
15 confusing and we are not up to pace yet. But we will remedy  
16 that for the next Board Meeting.

17 MS. PETERSON: Thank you.

18 CHAIRMAN WALLACE: Further questions? Board?  
19 Audience? The Chairman will accept the motion that Mr. Hobbs  
20 tried to proffer earlier. You still want to do it?

21 MR. HOBBS: I move the project.

22 MR. CZUKER: I'll second.

23 CHAIRMAN WALLACE: Czuker seconds it. Any question  
24 on the motion? Hearing and seeing none, secretary, call the  
25 roll.

1 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

2 MS. PETERSON: Aye.

3 MS. OJIMA: Ms. Bornstein?

4 MS. BORNSTEIN: Aye.

5 MS. OJIMA: Ms. Neal?

6 MS. NEAL: Aye.

7 MS. OJIMA: Mr. Czucker?

8 MR. CZUKER: Aye.

9 MS. OJIMA: Ms. Easton?

10 MS. EASTON: Aye.

11 MS. OJIMA: Ms. Hawkins?

12 MS. HAWKINS: Aye.

13 MS. OJIMA: Mr. Hobbs?

14 MR. HOBBS: Aye.

15 MS. OJIMA: Mr. Klein?

16 MR. KLEIN: Aye.

17 MS. OJIMA: Mr. Mozilo?

18 MR. MOZILO: Aye.

19 MS. OJIMA: Mr. Wallace?

20 MR. WALLACE: Abstain for reasons previously  
21 explained.

22 MS. OJIMA: Thank you. Resolution 01-09 has been  
23 approved.

24 MS. PARKER: Linn, before you start. I forgot to  
25 mention this during my comments. JoJo has left at all of

1 your chairs a menu for lunch today. Given the length that we  
2 have of the Board Meeting we thought maybe we should try to  
3 provide some sort of food for you so you don't pass out on  
4 us. If you would just fill it out, we can collect money  
5 during the lunch hour. I'm sorry I couldn't find somebody to  
6 sponsor this lunch but we will provide it for you.

7 We can get sandwiches through some of the stands  
8 across the street that the airport has or there is a  
9 California Pizza Kitchen, which is the second part of the  
10 menu. So if you could just fill it out and let JoJo collect  
11 it, that way we can make sure that we can have lunch sometime  
12 around 12, **12:30**.

13 CHAIRMAN WALLACE: And apropos of that, we are not  
14 going to ask for your dinner orders yet. Having said that,  
15 I'm hoping we get out of here by 1:30-2 o'clock. Maybe it  
16 will move faster. You're doing better, everybody. Let's  
17 hold a good thought and keep that in mind. The secretary  
18 called the roll and the Grayson Creek, 01-09 is hereby  
19 approved. Moving on. Carrie, you want to take this one for  
20 Old Grove.

21 **RESOLUTION 01-10**

22 MS. HAWKINS: Okay, Mr. Chairman, I will. Moving  
23 on to number 01-003-S. We are ready for your presentation.

24 MR. WARREN: Thank you, Madam Chairman. The first  
25 loan request today on the Old Grove Apartments. This

1 property is located in the City of Oceanside in San Diego  
2 County. We have a request for a lender loan in the amount of  
3 \$5,210,000 and a first mortgage loan in the amount of  
4 \$770,000. Again, 5.7 interest rate, 30 year fixed.

5           As you can see from the Sources and Uses on page  
6 889, there are a large number of other financial sources in  
7 this project. We have the City of Oceanside with \$2 million  
8 in the project, an MHP loan for almost \$2.5 million and then  
9 a series of HPOWA grants and Farmworker Grants and AHP grants  
10 resulting in a loan-to-value for our first loan of  
11 approximately 13 percent. With that, I think we'll move  
12 along and Jim will go through the pictures.

13           (Videopresentation of project begins.)

14           MR. LISKA: Here is a picture of the site, across  
15 Mission and Old Grave. This is looking at the top of the  
16 site down towards the bottom where the pads will be. The  
17 site appeared to be the greatest part of a formal proposed  
18 single family residential use in the late 1980s.

19           Mission and Old Grove will not be the main access  
20 to the site but instead it will be this street, which is not  
21 in as of this date, and it is called Via Pelicano. The cost  
22 to install this street is approximately \$140,000 but this  
23 will be the primary access. It will be 60 feet wide when  
24 it's constructed and our site will bisect this street.  
25 Again, it's 56 units. One bedrooms; two bedrooms, one bath;

1 three bedrooms, two bath.

2           The other note. On amenities there will be two  
3 parts. There will be a day care center as well as a tenants  
4 community center. The day care center will accommodate **24**  
5 children and it will be on a triple net. It is not in our  
6 income cash flows or expenses. Priority will be given to the  
7 community at-large. If tenants at the project want to use it  
8 they probably will. It's anticipated that probably 75  
9 percent of the tenants' children at our facility will attend  
10 this day care center.

11           Here is another picture of the cross street and the  
12 subject is in the background. Our rents again are a variety  
13 of rents. Twenty percent, **35** percent, 50 percent, 60  
14 percent. Looking at the 60 percent level versus our market  
15 we have a pretty good spread.

16           (Videopresentation of project ends.)

17           MR. WARREN: The sponsor for this project is --  
18 Excuse me. There is one more cash flow issue I would like to  
19 comment on real quickly. If you will notice on your Cash  
20 Flows the final ten years of the proforma, the cash flow does  
21 run negative. This is a function of a fairly small loan and  
22 fairly high expenses. Given the size of the loan and the  
23 project itself, we feel that is a fairly acceptable risk for  
24 the Agency so we are not overly concerned about the financial  
25 condition in the final third of the loan.

1           The sponsor is Community Housing of North County.  
2 They are **known** to us on a prior acq-rehab project that we  
3 did, also in San **Diego** County, and they have had experience  
4 with other new construction and acquisition rehab in the  
5 entire San **Diego** area. So with that we would like to  
6 recommend approval and be happy to answer any questions.

7           MS. HAWKINS: **Any** questions from the Board? Yes,  
8 Mr. Klein.

9           MR. KLEIN: If I look at the cash flows, in year **21**  
10 we are at a .99 debt service coverage?

11          MR. WARREN: Yes.

12          MR. KLEIN: I'm concerned that perhaps we should  
13 give you some -- First of all, I think it is a very good  
14 project but I'm concerned that perhaps we should give you  
15 some flexibility in working with the sponsors. Such that  
16 there's more latitude in the income restrictions in the  
17 latter years so you don't get into this position where right  
18 after the recapture period has expired on the tax credits  
19 there just is not enough debt service coverage and there is  
20 not enough room in case there is a problem in the project,  
21 which has a lot of deep income targeting. Achieving a lot of  
22 good social goals but you might need some room in terms of  
23 debt service cushion in those later years.

24          MR. WARREN: Um-hmm.

25          MR. KLEIN: So I am in favor of approving the

3 project but delegating to staff the authority to work out  
2 with the sponsors some easing up of those restrictions in  
1 those later years to create some more long-term viability.

4 MR. WARREN: I think that's right, Mr. Klein.  
5 Also, with a loan like this it would go on a monitoring  
6 knowing it is an issue that could happen. It could happen  
7 sooner versus later so I think this is a risk management  
8 issue that we have to look at. But that said, the relative  
9 dollar risk is relatively small.

10 MR. KLEIN: Right.

11 MR. WARREN: But I appreciate that.

12 MR. KLEIN: But if you had the authority right now  
13 to negotiate some room in your --

14 MR. WARREN: Yes.

15 MR. KLEIN: -- out-years' rent levels then you  
16 could get some agreement up front between all the parties  
17 where your room would come from as a contingency if we're  
18 stressed under this project.

19 MS. HAWKINS: I would like clarification on that.  
20 In other words, being able to shift some of the income  
21 requirements as far as the number of units at various income  
22 levels?

23 MR. KLEIN: Yes.

24 MS. HAWKINS: The restrictions.

25 MR. KLEIN: Yes. Essentially delegating to the

1 staff the ability to work out, with the sponsors and the  
2 various agencies that are involved, some out-year  
3 modifications in the amount of number of units at certain  
4 income levels, to create enough cushion in the debt service  
5 coverage that downstream we have some income flow management  
6 capacity if there is a problem.

7 **MR. CZUKER:** Point of clarification, though. That  
8 is, you have a high debt coverage ratio in the early years.  
9 It may be possible to set up some form of reserve, working  
10 capital operating reserve to meet the future demands by  
11 current set-asides.

12 **MR. KLEIN:** If I could comment on that.

13 **MS. HAWKINS:** Go ahead.

14 **MR. KLEIN:** I looked at that as well. It's a high  
15 debt service coverage ratio but it's a nominal amount, it is  
16 not very large. And early on when they are trying to get  
17 their programs working, they may well have to subsidize those  
18 programs with as many deeply subsidized units as they have  
19 here. **So** I would still encourage giving this some back end  
20 flexibility if possible.

21 **MR. WARREN:** I think it's fair for us to look at,  
22 as Mr. Czuker indicated, that there may be some options there  
23 to supplement that with some set-asides or something along  
24 those lines to help with the back years.

25 **MR. HOBBS:** Madam Chair.

1 MS. HAWKINS: Yes, Mr. Hobbs.

2 MR. HOBBS: Mr. Klein and Linn, is there some  
3 tweaking we can do in the resolution, Tom, now, to facilitate  
4 that? We don't want this back here five years from now or  
5 ten years from now. I think that's Mr. Klein's concern. And  
6 to the extent that we can facilitate that latitude to you,  
7 Bob, now, I'm not sure. It may be in terms of the number of  
8 units, it may be the terms of the deal.

9 MR. KLEIN: I was thinking that we could, in our  
10 resolution.

11 MR. HOBBS: Okay.

12 MR. KLEIN: Since the staff knows the objective,  
13 delegating to the staff.

14 MR. HOBBS: Got it.

15 MR. KLEIN: Working out the modifications to  
16 achieve that objective. If that works, Mr. Hobbs.

17 MR. HOBBS: Yes, sir. I was trying to get counsel  
18 involved to maybe help give you the wbrds so that we could --

19 MR. HUGHES: Yes, Mr. Wobbs. I think if the motion  
20 reflects what the delegation to staff, what the Board's  
21 pleasure is on that --

22 MR. HOBBS: I agree.

23 MR. HUGHES: -- we can tweak the resolution to  
24 reflect that.

25 MS. HAWKINS: Would you state what that

1 modification would be? I think there were some questions  
2 first. Do you want -- Ms. Peterson.

3 MS. PETERSON: I just wanted to comment that  
4 although I shared the concerns looking at the projections,  
5 I'm a little concerned about going down that road with  
6 respect to this project and having a resolution authorizing  
7 staff to try to have some back end protections for the income  
8 and rent restrictions. The income and rent restrictions,  
9 virtually all of them are non-CHFA income and rent  
10 restrictions. It's really the 20 at 50 that is the CHFA one.

11 MR. HOBBS: Right, right, right.

12 MS. PETERSON: These are programs of other  
13 entities. I'm not even sure that we know as we sit here  
14 whether or not there are provisions in some of these other  
15 entities' programs for responding at a later point in time if  
16 there is a problem with the debt service coverage ratio, for  
17 example. While I share your concern, I think that it may be  
18 both premature and inappropriate for this Board to be  
19 authorizing, through resolution, staff to try to figure out a  
20 way to deal with eventualities that we have no idea whether  
21 they are going to happen or not and that are other entities'  
22 programs.

23 MS. HAWKINS: Ms. Ochoa, did you have a question?

24 MS. OCHOA: No, I just wanted to make certain that  
25 Ms. Peterson was observed.

1 MS. HAWKINS: Okay, thank you. Mr. Klein.

2 MR. KLEIN: Yes. Certainly, if staff could not  
3 work out the program I was thinking that they would go to  
4 those other entities, see what flexibility they had. **And** if  
5 they couldn't work it out, they could bring it back to the  
6 Board for further direction or they could propose a  
7 structuring change in the mortgage to deal with this. But I  
8 think as a general policy, looking at this debt service  
9 coverage going to .99 in year 20, it does give someone  
10 concern to try and proactively come up with some programmatic  
11 solution. **So --**

12 MS. PETERSON: Although the CHFA loan is, I  
13 believe, less than 20 percent of the cost.

14 MR. KLEIN: Right.

15 MR. WARREN: I think Mr. Klein is correct in that  
16 we would do something subject to the ability to modify other  
17 restrictions against the property, which is a problem that we  
18 always have. There are things that we can do. We have equal  
19 dispersion language, we could move some rents into others.  
20 There are tics and tweaks. But as with most multifamily  
21 projects -- It's kind of unscientific to say these things,  
22 they have a way of working themselves out sometimes. But I  
23 think if we have some latitude to go again, to modify  
24 existing underwriting guidelines, policy subject to the  
25 restrictions of other regulating entities, I think that would

1 be sufficient for us to mitigate the problem.

2 MS. HAWKINS: I just want to add that I think,  
3 Mr. Klein, that was a good suggestion, subject to the fact  
4 that we can do it based on all the other issues. Because  
5 with Century Housing we had some units as a state agency that  
6 were vacant as a result of this, and by being privatized we  
7 ended up being able to adjust the restrictions to where now  
8 we are fully occupied, where it was a real dilemma if that  
9 had not occurred.

10 MS. PETERSON: Well, I would also like to mention  
11 that in the tax-credit program, for example, there is an  
12 ability to, in unusual circumstances, look at and perhaps  
13 change the income and rent restrictions. That is a  
14 programmatic thing. So I would expect that that would happen  
15 if a deal got into a situation where it really needed it, but  
16 without singling out this particular deal and saying, go now  
17 and negotiate with TCAC or with HCD what may happen in the  
18 future. I would much prefer to leave it on a case-by-case  
19 basis when the need arises. Understanding, as Mr. Warren  
20 said, that these things do have a way of working themselves  
21 out, generally speaking.

22 MS. HAWKINS: Yes, Mr. Hughes.

23 MR. HUGHES: I think the question is whether the  
24 resolution to approve this loan as it is stated with the  
25 direction to staff to try and work out its best deal. And

1 the question is whether the staff will need to come back to  
2 the Board, if in fact, they can't get a better deal or  
3 whether they are authorized to go ahead with this loan if  
4 they can't get: additional terms.

5 **MS. HAWKINS:** *Mr. Klein.*

6 **MR. KLEIN:** I have an experience of seeing projects  
7 like this, tremendous sponsorship, great backing, income  
8 restrictions.strangled the project. They could not deed it  
9 away, they could not give it to a nonprofit, they could not  
10 give it to a profit sponsor. **And** political changes over time  
11 meant that the income restrictions, even though logical to  
12 save the project, they just couldn't get made. **So** from my  
13 perspective **it is** very important. Whether it is anecdotal  
14 history, it's logical to try to set it up on the front end  
15 that you have the ability to manage it and there's sufficient  
16 cash flow to deal with the contingencies.

17 And **I** realize on a case-by-case basis over time in  
18 a normal situation we can expect very good staff, whether at  
19 CHFA or at TCAC, to really be innovative and responsive.  
20 Sometimes political changes leave us with, over 20 years,  
21 different people than we might otherwise expect.  
22 Proactively, if we can get some room here **I** think we would be  
23 healthy. Respectfully, I would still like to offer at this  
24 time a motion, if it's appropriate, that could then be  
25 considered.

1 MS. HAWKINS: You would like to make a motion to --

2 MR. KLEIN: Approve.

3 MS. HAWKINS: -- approve the project subject to  
4 your recommended modifications. Is that --

E MR. KLEIN: I would like to make a motion to  
6 approve the project subject to -- with a delegation to staff  
7 of the authority to renegotiate the income restrictions at  
8 the back end of the project, or otherwise modify the mix and  
9 underwriting structure to give us something in the range of a  
10 1.10 debt service coverage. Since I have great confidence in  
11 the staff I would not ask them to come back unless they felt  
12 they could not achieve some reasonable underwriting solution  
13 which, in their judgment, would get us through this period  
14 with some cushion.

15 MR. HOBBS: Madam Chair, I will second for  
16 discussion.

17 MS. HAWKINS: Okay, it has been moved by Mr. Klein  
18 and seconded by Mr. Hobbs. Is there further discussion?

19 MS. NEAL: Yes.

20 MS. HAWKINS: Ms. Neal.

21 MS. NEAL: I would kind of like to have Jeanne go  
22 back through what she went back through on that comment  
23 because I'm not seeing the rationale of your motion,  
24 Mr. Klein.

25 MS. PETERSON: Let me give you my comment.

3 Actually, I would prefer if we do vote on the amendment, as  
2 it were, to the resolution separately from the major  
3 resolution, if you don't mind. But my comment is simply that  
4 the debt service coverage ratio that we are concerned about  
5 begins to happen in year 20. As Mr. Czucker pointed out  
6 earlier, in the early years there's a quite high debt service  
7 coverage ratio. So there are things that could be done to  
8 deal with our concerns today. Reserves established or  
9 whatever.

10 The income limitations -- My understanding of  
11 Mr. Klein's motion is that he would like for staff to go back  
12 and negotiate the income limitations on this project. The  
13 income limitations, apart from 20 percent at 50 percent of  
14 area median, which I believe is, if not statutory, certainly  
15 policy by this Board, all the rest of them are imposed by  
16 different funding sources.

17 So it would require CHFA staff to go and negotiate  
18 with other funding sources, some of whom are represented at  
19 this table, to, as I understand it, if not lift those  
20 limitations so that we could achieve the debt service  
21 coverage ratio from years 20 and out tomorrow, at least  
22 provide that that will happen in the eventuality that it is  
23 needed to. My concern is that although I might have a  
24 concern with what happens after year 19, that to require CHFA  
25 staff at this time to go and negotiate with these other

1 sources who have their own programmatic income and rent  
2 limitations, some of which we may not even know.

3 Some of them -- I was giving the example of the tax  
4 credit one, which already has that provision in it. But I am  
5 not sure that I would be willing to say today, for this  
6 project we are willing in year 20 to change our limitations.

7 I'm not sure that the other funding sources would do that.  
8 So that is actually, I think, a reiteration of my comments,  
9 perhaps not very articulately. That is why I would be  
10 opposed to this amendment at this time.

11 MS. HAWKINS: Clark.

12 CHAIRMAN WALLACE: Linn, it sounds to me like the  
13 amendment gives you quite a bit of wiggle room to negotiate.

14 Not necessarily to change their statutory or programmatic  
15 requirements but to see. Have you been through that already?

16 Do you feel uncomfortable with going forward? Otherwise, as  
17 I understand it, Bob is saying you have the right to go  
18 forward, if you can't work this out to a better debt coverage  
19 ratio in the late years.

20 MR. WARREN: As I understand, the discussion is it  
21 would give staff the ability, if necessary, to perhaps change  
22 some CHFA programmatic requirements or guidelines, dispersion  
23 of units or such, in the event there is a problem, subject to  
24 the agreement of concurrence of other regulatory agencies.  
25 And Ms. Peterson is right in that these folks may be unable

3 to make any changes whatsoever.

2 I think what I am hearing is staff is being given  
3 the latitude, if necessary, to make these modifications. If  
4 we can't then we employ our normal and customary processes to  
5 deal with projects that are not cash flowing according to  
6 expectations. And we are talking about a situation that by  
7 our count is going to occur 20 years from now. I think the  
8 staff is comfortable with the ability to go forward. I do  
9 not think it is a sufficiently large problem at this juncture  
10 that we necessarily need that latitude, but if the Board  
11 wishes to give it to us then the staff would be happy to take  
12 that additional latitude and employ it as necessary.

13 (Tape 1 was changed to tape 2.)

14 MR. MOZILO: Mr. Chairman.

15 MS. HAWKINS: Yes.

16 MR. MOZILO: Madam Chairman, I'm sorry. I just  
17 wanted to clarify it with counsel. It is my understanding  
18 that the way the amendment was structured that you would have  
19 to come back to the Board in the event you were unable to  
20 negotiate. Is that correct, counsel?

21 MR. WARREN: That would be my -- I defer to General  
22 Counsel on that, but that is my understanding.

23 MR. MOZILO: And if that is the case I would be  
24 opposed to the amendment. If it gives you the latitude to go  
25 ahead and do it, if you can't do it just go ahead anyway,

1 then I would support it.

2           **MR. HUGHES:** Well, I think the amendment, perhaps,  
3 should be stated so that point is clearer on the record.  
4 Whether it is really a delegation to the staff so that they  
5 can proceed in their judgment and get this loan through if  
6 they are comfortable with it. Or if there is an expectation  
7 it is going to come back, on what set of criteria the Board  
8 would want it to come back.

9           **MR. MOZILO:** Bob, could you structure the amendment  
10 that way?

11           **MR. KLEIN:** Yes. Specifically, I was thinking that  
12 if they couldn't, for example, renegotiate the income set-  
13 asides they could also change slightly the structuring of the  
14 loan so that they could give themselves some room in those  
15 years. But if the staff, in their discretion, felt it was a  
16 reasonable risk after reviewing all of these options, they  
17 could proceed. If they felt, after reviewing all of these  
18 options, they needed to come back to the Board, they could,  
19 but they would not be required to.

20           **MS. HAWKINS:** Yes, Ms. Bornstein.

21           **MS. BORNSTEIN:** I would like to, maybe, join in on  
22 Ms. Peterson's comments. I was under the impression that the  
23 staff roughly had this ability already, certainly as part of  
24 their normal process of monitoring the collateral for loans.  
25 I would assume that they would keep track of what is

1 happening in a property. So if they are unable in year 20 or  
2 21 -- well, let me back up. If the property is getting into  
3 some difficulty in the year 20, 21 and year 22 and the staff  
4 is monitoring that and feels that there are some changes to  
5 be made, they would come back to the Board at that time.  
6 That is certainly what we do under the MHP program.

7           If, on the other hand, we say, we don't want to  
8 wait until that point, we want to try and restructure it now,  
9 I'm concerned that the same issue of change in political  
10 outlook and philosophy that is being used to justify the  
11 amendment as to the unforeseeability of the future would also  
12 then mitigate against any action that the staff could take at  
13 this particular time as well. The same political changes  
14 might make any renegotiation or any discussion staff would  
15 have with, whether it's us through the MHP program or whether  
16 it's San Diego or some of the other funding sources. That  
17 same change in political realities could make today's  
18 discussions not of that much value when we arrived at year 21  
19 or year 22 on this project.

20           So I guess I would appreciate a clarification. I  
21 thought staff had somewhat of that flexibility in the  
22 monitoring function on the property anyway.

23           MS. HAWKINS: Who can clarify that for us?

24           MR. WARREN: Certainly, any loan modification is  
25 more art than science, in many cases, but staff does have a

1 fair amount of latitude with tweaking projects to make them  
2 work. 'These are budget approvals and such like that.  
3 Anything that constitutes a material change to a loan is  
4 brought to the Board. When we are uncertain as to what is a  
5 material change we bring it to the Board anyway.

6 So staff, by definition, as any lender, has  
7 latitude to try to do stuff. It's not **so** much that we don't  
8 want to come and do it, it is a matter of time, you are under  
9 time constraints. So there are things that we can do on any  
10 loan and tweak it and keep it going along. If it does not  
11 get to the point of satisfactory performance, then yes, we do  
12 bring it to the Board.

13 Ms. Bornstein, I cannot give you a specific set of  
14 what we do do, but we do, as a matter of course, as any  
15 prudent lender does, modify guidelines to try to keep things  
16 going. And we do that without, you know -- implied authority  
17 from the Board.

18 MS. HAWKINS: Ms. Parker.

19 MS. PARKER: Madam Chair, let me just speak at  
20 least from my perspective of this. I think I can understand  
21 what Mr. Klein is trying to achieve. I guess the dilemma is  
22 trying to judge today what may be occurring in 20 years. I  
23 think there is enough evidence of the philosophy of CHFA to  
24 try to keep our projects affordable.

25 To that sense there is a demonstration over the

3 years of ways that we have tried to work with individual  
2 products that may be in danger financially, of ways to  
3 essentially going in and working through to keep them  
4 financially solvent, protect the tenants, protect the  
5 projects. So the question is whether or not you really want  
6 to try to make a judgment, guesstimate there may be a problem  
7 20 years from now and try to do something today, as opposed  
8 to essentially going on the basis that the Agency will  
9 continue to operate as it has operated: That if this should  
10 occur that our primary goals and missions, as they have  
11 always been, are to try to maintain and protect the tenants  
12 and to try to protect the project for affordability.

13 MR. KLEIN: My problem is that from a policy point  
14 of view -- These dollars are not large. From a policy point  
15 of view, if we underwrote every loan this way we would lose  
16 our rating. From a policy point of view we are setting up  
17 something to fail. We can't be setting a policy and a  
18 programmatic course where our projects do not have debt  
19 service to the term or we will have significantly different  
20 oversight by the rating agencies over what our program goals  
21 are, what our cash flows in the future are going to be.

22 This is a small project, it is a small loan. I am  
23 concerned with the policy precedent here. We should set up  
24 our programs so each one independently has integrity and  
25 stands on its own over time from the beginning in the program

1 design. If we need to put more subsidy in this, let's put  
2 some more subsidy in it, but let's have the integrity of a  
3 project that over time meets the normal test of debt service  
4 coverage.

5           Setting a policy precedent to deviate from that is  
6 something I cannot vote for.

7           MR. CZUKER: Can I ask for a clarification? What  
8 is the motion?

9           MS. HAWKINS: Just a moment. Angela, did you --  
10 Ms. Easton, did you have a question?

11           MS. EASTON: I was just going to comment in terms  
12 of -- we finished the Loan-to-Lender, which is our, CHFA's,  
13 big portion of the loan. Then the mortgage, our mortgage, is  
14 a pretty small mortgage, under \$1 million. So by the time  
15 year 20 rolls around, given CHFA's track record of managing  
16 their portfolios and coming to properties when there could be  
17 potential problems and bringing them forward to the Board, I  
18 feel confident with the resolution as it would stand without  
19 the amendment.

20           MS. HAWKINS: Any other questions? Mr. Czuker.

21           MR. CZUKER: I would just like -- for clarification  
22 purposes, can we repeat the amendment, and hopefully have it  
23 in a format that would be more universally acceptable?

24           MS. HAWKINS: Mr. Hughes, do you have that recorded  
25 or is Mr. Klein going to restate the amendment?

3 MR. HUGHES: I think, as I heard it, the request is  
4 to restate the amendment; is that correct?

MS. HAWKINS: Yes, please restate it, following  
4 discussion.

5 MR. KLEIN: I was proposing we approve the project  
6 but delegate to the staff the authority to renegotiate the  
7 income restrictions in the out-years so as to retain  
8 something in the range of a normal debt service coverage in  
9 those years. And that if they cannot achieve that, to  
10 somehow restructure the loan so that the loan from the  
11 beginning is intended in those years to have a more normal  
12 debt service coverage. However, after those best effort  
13 attempts, if the staff feels it is still a reasonable risk,  
14 they are authorized to proceed with the loan. It is at their  
15 discretion whether they return to the Board.

16 MS. HAWKINS: Okay. Yes, Ms. Neal.

17 MS. NEAL: Mr. Klein mentioned this from a policy  
18 point and I am curious whether this is a major change in  
19 policy that you have not employed before in your  
20 deliberations and one that you want to go forth in every  
21 project?

22 MR. KLEIN: From a policy point of view I am -- it  
23 depends upon the underwriting. Some of the underwriting  
24 projects have such substantial cushions in the vacancy rate  
25 or some other assumptions that there could be exceptions.

1 But as a general policy I do not believe we should do  
2 underwritings that go below a 1.00 debt service coverage  
3 during the original term of the loan.

4 CHAIRMAN WALLACE: What do you do now, Linn?

5 MR. WARREN: A couple of things. Most cash flow  
6 analyses today, that you see, only run 15 years. We are  
7 probably one of the few lenders that I know of--and  
8 Mr. Klein, correct me on this--that actually publicly show a  
9 30 year run. We also have higher expenses on our proformas  
10 and we almost force negative numbers as a stress test. In  
11 the past we have taken projects to this Board with some  
12 negative numbers in the out-years simply because that is the  
13 way the math works.

14 But we bring these to the Board with these  
15 situations because in staff's estimation, the risk is  
16 minimal. In the interest of making the project go forward  
17 without modifying our underwriting guidelines for a  
18 particular project to make it work, which we don't do, we  
19 would prefer to come to the Board with these, "negative  
20 numbers" as you have seen and say, there is a situation here  
21 which could occur 20 years from now, we don't know. Perhaps  
22 my children can answer this but I don't know what is going to  
23 happen.

24 But more importantly, we feel it is an acceptable  
25 risk. And as has been discussed earlier, the Agency has

1 demonstrated the ability to modify loans, what few defaults  
2 we have ever had, effectively, when it occurs. And that is  
3 what lenders do.

4           So my intention in bringing this to the Board today  
5 was to simply disclose we have a potential problem, it is  
6 under the heading of **disclosure** to the Board; disclosure to  
7 our asset management people, they are obligated to look at  
8 this on a go-forward basis.

9           But from an overall risk standpoint, we did not see  
10 any need to take any extraordinary measures to mitigate this  
11 problem because we do not think it is a big enough problem  
12 right now to worry about. That was the rationale for  
13 bringing it to the Board. We will always do that because our  
14 goal is to share with the Board the good and the bad and this  
15 is one of the marginal issues we wanted to share. I think I  
16 appreciate all the efforts to give us latitude but I think we  
17 have sufficient resources to deal with the problem should it  
18 occur, you know, 5 years from now or 20 years from now.

19           MS. HAWKINS: Mr. Czuker. Oh, Mr. Wallace.

20           CHAIRMAN WALLACE: I'm going to call the question  
21 when he gets through.

22           MS. HAWKINS: Okay. Okay.

23           MR. CZUKER: That's exactly what I was about to do.

24           MS. HAWKINS: Yes.

25           MR. CZUKER: I was going to say, as amended and

1 restated I would like to call the question.

2 MS. HAWKINS: With the amendment attached --

3 MS. PETERSON: Separate.

4 MS. HAWKINS: Separately?

5 MS. PETERSON: Can we have *it* separate, please?

6 MS. BORNSTEIN: Can we divide the question?

7 MS. HAWKINS: Yes.

8 CHAIRMAN WALLACE: Then we vote --

9 MS. PARKER: On the amendment.

10 CHAIRMAN WALLACE: We vote on the amendment first.

11 MS. HAWKINS: Yes. Would you please call the roll  
12 on the amendment.

13 CHAIRMAN WALLACE: State the amendment one more  
14 time.

15 MS. HAWKINS: One more time, Robert.

16 CHAIRMAN WALLACE: ' Have you recorded it, Tom? I  
17 saw you writing furiously earlier.

18 MR. HUGHES: I have taken notes as to the .  
19 previously stated amendment, yes.

20 MR. KLEIN: Mr. Chairman, I believe that there  
21 isn't any separate resolution on the table. I believe that I  
22 made a proposal that included this provision. So I think you  
23 would vote on this provision and if it fails you would have  
24 another motion that would be for approval without the  
25 provision that I have included in the --

1 CHAIRMAN WALLACE: But, Bob, there was a request to  
2 separate and vote on the amendment separately. Am I correct,  
3 Jeanne?

4 MR. KLEIN: Let me then amend my proposal to --

5 MS. PETERSON: I would prefer that if he wants  
6 to --

7 MR. KLEIN: Let me then amend my resolution --

8 MS. PETERSON: Okay.

9 MR. KLEIN: -- that I had originally proposed to  
10 separate the amendment from the approval.

11 CHAIRMAN WALLACE: It's all going to come out in  
12 the wash.

13 MR. KLEIN: That's fine. I'm just trying to get  
14 the record to track.

15 CHAIRMAN WALLACE: But Jeanne did request that.

16 MR. KLEIN: That's fine, yes.

17 MS. HAWKINS: Okay, so --

18 CHAIRMAN WALLACE: **So you** are voting on the  
19 amendment. I suggest you have one more recitation of the  
20 amendment because we have tried it about four times.

21 MS. HAWKINS: Yes, a final.

22 MR. KLEIN: The **amendment** is to direct staff to use  
23 their best efforts to negotiate the income restrictions in  
24 the out-years such that we can have in the range of a 1.10  
25 debt service coverage in those out-years, when we otherwise

1 go negative. And if that were not successful to then  
2 otherwise modify the loan terms or one of the underwriting  
3 provisions so as to achieve that goal. In any case, after  
4 those attempts, if we cannot achieve that objective, if the  
5 staff still feels it is a reasonable risk, to be authorized  
6 to proceed without coming back to the Board. If the staff  
7 after those attempts feels it is necessary they could bring  
8 it back to the Board, but that would be in their discretion.

9 MS. HAWKINS: Okay. May we now have the roll.

10 MS. OJIMA: Thank you. Ms. Peterson?

11 MS. PETERSON: No.

12 MS. OJIMA: Ms. Bornstein?

13 MS. BORNSTEIN: No.

14 MS. OJIMA: Ms. Neal?

15 MS. NEAL: No.

16 MS. OJIMA: Mr. Czucker?

17 MR. CZUKER: Yes.

18 MS. OJIMA: Ms. Easton?

19 MS. EASTON: No.

20 MS. OJIMA: Ms. Hawkins?

21 MS. HAWKINS: Yes.

22 MS. OJIMA: Mr. Hobbs?

23 MR. HOBBS: Yes.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Yes.

1 MS. OJIMA: Mr. Mozilo?

2 MR. MOZILO: No.

3 MS. OJIMA: Mr. Wallace?

4 MR. WALLACE: No.

5 MS. OJIMA: It does not pass.

6 MR. HOBBS: Madam Chair, I would like to move  
7 approval of the project.

8 MR. CZUKER: Second.

9 MS. HAWKINS: It has been moved and seconded. **Any**  
10 other discussion? Hearing none let's take the roll.

11 MS. OJIMA: Originally the main project had  
12 Mr. Klein with a second, Mr. Hobbs. That was the original.

13 CHAIRMAN WALLACE: That is still on the table after  
14 the failure of the amendment.

15 MR. HOBBS: Right.

16 MS. PETERSON: Right.

17 CHAIRMAN WALLACE: You don't need another motion.

18 MR. MOZILO: That's right.

19 MR. HOBBS: I will withdraw my motion, Madam Chair.

20 MR. CZUKER: Call the question.

21 MS. HAWKINS: So we are going forward on the  
22 resolution now without the amendment?

23 CHAIRMAN WALLACE: Correct.

24 MS. HAWKINS: Okay. May we have the roll.

25 MS. OJIMA: Thank you. Ms. Peterson?

1 MS. PETERSON: Aye.  
2 MS. OJIMA: Ms. Bornstein?  
3 MS. BORNSTEIN: Aye.  
4 MS. OJIMA: Ms. Neal?  
5 MS. NEAL: Aye.  
6 MS. OJIMA: Mr. Czucker?  
7 MR. CZUKER: Aye.  
8 MS. OJIMA: Ms. Easton?  
9 MS. EASTON: Aye.  
10 MS. OJIMA: Ms. Hawkins?  
11 MS. HAWKINS: Aye.  
12 MS. OJIMA: Mr. Hobbs?  
13 MR. HOBBS: Aye.  
14 MS. OJIMA: Mr. Klein?  
15 MR. KLEIN: No.  
16 MS. OJIMA: Mr. Mozilo?  
17 MR. MOZILO: Aye.  
18 MS. OJIMA: Mr. Wallace?  
19 MR. WALLACE: Aye.  
20 MS. OJIMA: Resolution 01-10 has been approved.  
21 MS. HAWKINS: And I now turn the chair over to  
22 Mr. Wallace and I am going on vacation. (Laughter).  
23 CHAIRMAN WALLACE: Carrie, you did that so well why  
24 don't you take one more here. Okay, moving on. We are on  
25 Riverwood Grove Apartments. Linn.

1 (Ms. Ochoa and Ms. Peterson  
2 exited the meeting room.)

3 **RESOLUTION 01-11**

4 MR. WARREN: Thank you, Mr. Chairman. Our next  
5 project is Riverwood Grove Apartments. This is a 71 unit  
6 family project, new construction, in Santa Clara. There is a  
7 loan request for a lender loan of **\$8,985,000** and a permanent  
8 first loan of **\$4,500,000**. Additional funding for the  
9 property is in the form of tax credits in the amount of  
10 almost **\$4,600,000**; MHP, almost **\$3.8** million; the city loan  
11 from Santa Clara of **\$3,860,000**; plus an AHP grant and some  
12 deferred developer fee. And with that, I will let Jim show  
13 you -- go through the pictures.

14 (Videopresentation of project begins.)

15 MR. LISKA: Here is a view of the site across  
16 Tasman. The property is located in the City of Santa Clara.  
17 The subject is located along the south side of Tasman Drive  
18 between Lafayette Street and Lick Mill Boulevard in the  
19 northeastern part of Santa Clara. Here is another view from  
20 Lick Mill and Tasman. This front portion corner part is also  
21 owned by our borrower and they are proposing to build a 148  
22 unit single SRO resident occupancy project. Our site is on  
23 the background in the further part.

24 I would like to make one comment here. There is a  
25 pedestrian walkway that now passes through this site. The

1 pedestrian path is provided for both public use and Riverwood  
2 Grove and is a requirement of the City of Santa Clara. The  
7 path will allow neighbors to traverse the site from Calle de  
Escuela, which is what we are looking at right now, to Tasman  
E Drive, giving them access to the light rail system. This  
6 pedestrian walkway will be relocated to the western boundary  
7 of the site and meet the needs and requirements of the City  
E of Santa Clara. Here is another elevation view.

9           **As** you can see, our rent affordability is way below  
10 what the current market is. We have 20 percent, 35 percent,  
11 50 percent rents, 60 percent rents. **You** can see where we are  
12 in relationship to the market and there is a need for  
13 affordability. With that.

14           MR. WARREN: Okay. **As** the graph indicates, this is  
15 indicative of what is going on in Silicon Valley/San Jose  
16 area. Rents just keep going up, seemingly with no end in  
17 sight, although I imagine there will be, sometime in the near  
18 future. We have already seen some softening of market rents  
19 but as you can see from the differentials between 60 percent  
20 and market, it would take quite a bit to impact the project.

21           (Videopresentation of project ends.)

22           The sponsor for the project is Mid-Peninsula  
23 Housing, well-known to us. We have a number of projects with  
24 them. Obviously, Mid-Peninsula's track record in affordable  
25 housing speaks for themselves. Mid-Peninsula manages their

1 own properties and the housing management corporation for  
2 Mid-Peninsula will also be managing. **So** with that, again, we  
3 think this is a good contribution to the affordable housing  
4 problem for the San Jose area. We would like to recommend  
5 approval and happy to answer any questions.

6 CHAIRMAN WALLACE: **Any** questions, Board Members?  
7 Are you here?

8 MR. HOBBS: This is a very worthy project,  
9 Mr. Chairman.

10 MS. HAWKINS: Yes.

11 CHAIRMAN WALLACE: On that note that it's a very  
12 worthy project I will accept a motion.

13 MS. BORNSTEIN: Move approval.

14 CHAIRMAN WALLACE: Move approval, Julie. Seconded  
15 **by?**

16 MR. CZUKER: I'll second.

17 CHAIRMAN WALLACE: Ed. Okay. **Any** questions on the  
18 motion from the Board or the audience? Hearing, seeing none,  
19 secretary, call the roll.

20 MS. OJIMA: Thank you, *Mr.* Chairman. Ms. Peterson?

21 CHAIRMAN WALLACE: Ms. Peterson? Let's pick her up  
22 in a lighter moment. Jeanne, how do you like the project we  
23 have just been discussing?

24 MS. PETERSON (APPROACHING TABLE): It's a winner.

25 CHAIRMAN WALLACE: Okay. That's 180 degrees

1 different from what the Board said before you arrived. No,  
2 I'm going to -- You're first up, Jeanne. It's the --

3 MS. PETERSON (TAKING HER SEAT): I'm sorry, I  
4 didn't realize we were voting.

5 CHAIRMAN WALLACE: It went very quickly.

6 MS. PETERSON: Riverwood Grove?

7 CHAIRMAN WALLACE: Yes, Riverwood Grove. And the  
8 comment so far was positive.

9 MS. PETERSON: I vote aye.

10 MS. OJIMA: Thank you, Ms. Peterson.  
11 Ms. Bornstein?

12 MS. BORNSTEIN: Aye.

13 MS. OJIMA: Ms. Neal?

14 (No response).

15 MS. PETERSON: She is in the hallway.

16 CHAIRMAN WALLACE: Let's pick her up tomorrow too.

17 MR. CZUKER: We can come back.

18 CHAIRMAN WALLACE: Yes, pick her up at the end.

19 MS. OJIMA: Mr. Czucker?

20 MR. CZUKER: Aye.

21 MS. OJIMA: Ms. Easton?

22 MS. EASTON: Aye.

23 MS. OJIMA: Ms. Hawkins?

24 MS. HAWKINS: Aye.

25 MS. OJIMA: Mr. Hobbs?

1 MR. HOBBS: Aye.

2 MS. OJIMA: *Mr.* Klein?

3 MR. KLEIN: Aye.

4 MS. OJIMA: Mr. Mozilo?

5 MR. MOZILO: Aye.

6 MS. OJIMA: Mr. Wallace?

7 CHAIRMAN WALLACE: Aye.

8 MS. OJIMA: Resolution --

9 CHAIRMAN WALLACE: Hang on a minute. Pat, we are  
10 looking for a vote, which **so** far, just for your information,  
11 is unanimous, on Riverwood Grove in Santa Clara.

12 MS. NEAL (TAKING HER SEAT): Aye.

13 MS. OJIMA: Thank you, Ms. Neal.

14 MS. NEAL: You're welcome.

15 MS. OJIMA: Resolution 01-11 has been approved.

16 CHAIRMAN WALLACE: Resolution 01-11 is hereby  
17 approved. Moving on.

18 **RESOLUTION 01-12**

19 MR. WARREN: Thank you, Mr. Chairman. The next  
20 project is Monticelli Apartments, which is a **52** unit project  
21 of new construction located in Gilroy in Santa Clara County.  
22 The request for loans is for a Lender Loan in the amount of  
23 **\$5,735,000** and a first mortgage for **\$2,990,000**.

24 You will note from your materials that this is  
25 labeled as a family and a senior project. We have done a

1 number of these types of projects in the past. They are  
2 really general occupancy projects. If a family wishes to  
3 reside in the senior portion--and Jim will talk about that in  
4 just a minute--or vice versa, if there is a senior that  
5 wishes to reside in the units that are generally for the  
6 family, that is allowable under fair housing laws.

7           The owners of the property will certainly not  
8 restrict the ownership but will certainly do an outreach and  
9 try to encourage residencies in the two respective areas.  
10 But as I said, this is a successful model that we have seen  
11 in the past. Obviously, we are concerned about any steering  
12 of tenants, any untoward steering, and the sponsors will  
13 certainly be made aware of our concerns in that area. So  
14 with that I will ask Jim to go forward with the pictures.

15           CHAIRMAN WALLACE: Excuse me, Linn.

16           MR. WARREN: Yes.

17           CHAIRMAN WALLACE: What do you want to do about  
18 page **928**?

19           MR. WARREN: I would like to get rid of it. Our  
20 error. Mr. Chairman, **928** is a duplicate page which is  
21 redundant. It has to do with a further-on project so it can  
22 be ignored.

23           CHAIRMAN WALLACE: But don't throw it out. Just  
24 put an X on it because **929** is pertinent.

25           MR. WARREN: That is correct.

CHAIRMAN WALLACE: Okay.

MR. WARREN: You may eliminate one side of it.

CHAIRMAN WALLACE: Jim.

(Videopresentation of project begins.)

MR. LISKA: Monticelli is located in the City of Gilroy. The subject property is located at the north end of the City of Gilroy just south of the city limits. I wanted to start out with the site rendering. It's basically a landlocked site right now and the horseshoe access will be put in. The cost will be about **\$400,000**. This is part of a planned unit development. It is not inclusionary zoning but the **PUD** will include **373** dwelling units, of which **313**, approximately, will be single family detached.

Right in front of the site here, on this side, will be a two-and-a-half acre park and over here will be a day care center that will be built. Currently under construction in the background are single family homes. Right now this is the access to the site. It's stub-nose, it dead ends right here. This is Monticelli. We are surrounded by a drainage channel. This is the North Morey Channel and it loops around to the south. There is a drainage plan with the city. They are very conscious of it and they are adhering to all requirements. A further view of the site. In the background is new construction, more new construction.

Basically, this is the growth area of the City of

1 Gilroy. Housing prices on average are running from \$524,000  
2 to \$590,000 --

3 CHAIRMAN WALLACE: What?

4 MR. LISKA: -- for a predominant value.

5 CHAIRMAN WALLACE: In Gilroy?

6 MR. LISKA: In Gilroy.

7 CHAIRMAN WALLACE: That's single family detached  
8 housing?

9 MR. LISKA: These are single family detached  
10 housing. This is what we are looking at now. As the impetus  
11 from Silicon Valley has pushed your commuters down into this  
12 area, now people are moving further south down into Salinas.  
13 This is a high-cost area. We feel this is an excellent  
14 location and we are recommending approval.

15 (Video presentation of project ends.)

16 MR. WARREN: The sponsor for the project is South  
17 County Housing. This is a locality-based nonprofit in the  
18 Greater San Jose area. The Agency does not have any loans  
19 with them, I believe at this time, but they are an  
20 experienced nonprofit. They have approximately 11 projects  
21 that they have developed on their own in the area. As is  
22 with other nonprofits, they also manage their own property  
23 management company and they have been reviewed by our asset  
24 management folks and we are comfortable with their  
25 experience. **So** with that we would like to recommend approval

1 and be happy to answer any questions.

2 CHAIRMAN WALLACE: Yes, *Mr.* Czuker.

3 MR. CZUKER: Under "Sources and Uses", page 930,  
4 TCAC/Other Costs, \$1.2 million. Is there somewhere you can  
5 explain what that is?

6 MR. WARREN: Under "Other", we have environmental  
7 audit for \$11,000; permit processing fees of \$100,000;  
8 capital fees, which would be the local processing fees, of  
9 \$1,138,000; and other costs there as well. We have a fairly  
10 large locality fee charge on this particular project.

13 MR. CZUKER: Since the line above is "Local Fees",  
12 shouldn't it have been moved up?

13 MR. WARREN: Yes, the \$100,000 would be incorrect, (1  
14 Mr. Czuker. The locality fees are down in the other costs.  
15 We misplaced them.

16 MR. CZUKER: Thank you.

17 MR. WARREN: Okay.

18 CHAIRMAN WALLACE: Enough is enough, Ed? Bad  
19 enough. Julie.

20 MS. BORNSTEIN: I wanted to follow up,  
21 Mr. Chairman, on the comment that Mr. Warren made on not  
22 steering individuals one way or the other, just to make sure  
23 that I understand it. I'm assuming that bedroom size and  
24 income restrictions based on family size, when applied, will  
25 have a lot to do with who ends up in the one-bedroom units (1

1 and who ends up with the three-bedroom units. But if there  
2 is a non-senior one person household who wants to rent a one-  
3 bedroom apartment they would not be denied, then, on the  
4 basis of age.

5 MR. WARREN: That's correct.

6 MS. BORNSTEIN: And **if** there were three seniors who  
7 got together and wanted to share a three-bedroom apartment,  
8 provided the incomes met the regulatory agreements, they  
9 would also be able to do that.

10 MR. WARREN: It **is** my understanding that they would  
11 have the ability to occupy -- it is on a general occupancy  
12 basis, yes.

13 MS. BORNSTEIN: Thank you.

14 CHAIRMAN WALLACE: Jeanne.

15 MS. PETERSON: I would just like to speak to that a  
16 little bit and ask, perhaps, that there be an amendment to  
17 Page **925** of the report. I did raise this issue, there are  
18 some fair housing law issues. It is impossible to designate  
19 a project as a senior project, which meets the exemption of  
20 both federal and state civil rights laws, to have an exempt  
21 project if it **is** solely for seniors. This used to be  
22 something that was done fairly commonly in the Section 8  
23 days. To have, for example, a high-rise senior building and  
24 a low-rise family component. It has not been possible since  
25 the Fair Housing Amendments Act of **1988**, which was a long

1 time ago.

2           The way this reads under the project description--  
3 and I would just like to read it--it says, one parcel. It  
4 makes it seem as though it's going to be two different  
5 projects, almost, and that was what raised my question as to  
6 whether or not it would be. Because it says:

7                        "One parcel will contain a **26** unit  
8                        senior project, the other will contain a  
9                        **26** unit family project."

10 But then it goes on to talk about it as one project. The  
11 next sentence also talks about **26** family units, **26** senior  
12 units. I think for purposes -- if this ever were to become  
13 the subject of litigation, then for our own protection this  
14 should be re-written to say something that indicates that it  
15 is one project, that it is unrestricted, although the primary  
16 intention might be for seniors to live in part of it and  
17 families to live in another part of it. The way this is  
18 written I think it really might leave us open for a legal  
19 challenge.

20           MR. WARREN: Certainly.

21           CHAIRMAN WALLACE: You have no problem with that?

22           MR. WARREN: No. Ms. Peterson is right, it is not  
23 as artfully worded as it should be.

24           MS. PETERSON: This isn't a formal amendment.

25           MR. WARREN: It is one project and we will view it

1 as one project.

2 MR. HOBBS: Can we vote on that amendment.

3 (Laughter).

4 MR. KLEIN: I would like you to separate it.

5 MR. HOBBS: Yes, please.

6 CHAIRMAN WALLACE: I would like to clarify. You  
7 will rewrite this to effect what Jeanne's and Julie's  
8 concerns are. And when we approve the minutes at the next  
9 Board meeting we would have a different write-up.

10 MR. WARREN: I believe that ~~is~~ correct. As  
11 directed by the Board, we would modify the credit package  
12 that ~~is~~ being approved to basically reflect what Ms. Peterson  
13 has asked us to say.

14 CHAIRMAN WALLACE: Okay, Jeanne?

15 MS. PETERSON: Absolutely.

16 CHAIRMAN WALLACE: Tom?

17 MR. HUGHES: I think we can go ahead with that. If  
18 there are members of the public that will not be at the next  
19 meeting that would like to get a copy of the amended staff  
20 report they should leave their name and we will get **you** that.

21 CHAIRMAN WALLACE: Good advice. That is what we  
22 will do, then. **Any** other comments on any other aspect of the  
23 project? From the Board? From the audience? Hearing none,  
24 seeing none -- I don't think I have gotten a motion yet, have  
25 I?

1 MS. OJIMA: No.

2 CHAIRMAN WALLACE: But Pat would like to move that  
3 we approve.

4 MS. NEAL: Absolutely I'll move.

5 CHAIRMAN WALLACE: And Angela would like to second.

6 MR. WARREN: Mr. Chairman, we have been talking  
7 with the sponsor and we apparently have somewhat of a  
8 difference of opinion. There is an opinion on their part  
9 that they feel they have under their rulings the ability to  
10 set forth some senior restrictions. I think it would be  
11 appropriate at this point in time to have the sponsor address  
12 these issues, and perhaps have a greater clarification.  
13 Because it certainly was staff's understanding that there  
14 would be this ability to occupy other units. The sponsor  
15 would like the opportunity to perhaps address the Board and  
16 explain their interpretation of this. So I think if we could  
17 take a moment and present that perhaps we can clarify this.

18 CHAIRMAN WALLACE: Surely, please do.

19 MR. WARREN: Okay.

20 MS. LINDENTHAL: Good afternoon. My name is Jan  
21 Lindenthal, I am the Housing Development Director at South  
22 County Housing. I just wanted to apologize for the confusion  
23 about this. The staff made a fine report, there's just a  
24 couple of clarifications with respect to the fair housing  
25 issue. This is intended to be an inter-generational project.

1 It is part of a master planned community that South County  
2 Housing is developing. It has been designed as two separate  
3 projects, a senior project and a family project, and it will  
4 be operated as two separate projects. However, it has a  
5 common plan of financing for purposes of the bond financing  
6 and the tax credits.

7 The senior portion of the project will be  
8 restricted by the City of Gilroy. That project, which is on  
9 a separate parcel, will have a regulatory restriction on it  
10 that those units must be rented to seniors. In working with  
11 the HCD and MHP folks and with the requirements of the City  
12 of Gilroy we have intended to structure this so that it meets  
13 the requirements of Fair Housing. That is, two separate  
14 projects, and the senior portion of the project meets the  
15 definition of a senior project.

16 CHAIRMAN WALLACE: Stay where you are, please.  
17 Thank you. Now, Jeanne.

18 MS. PETERSON: Well, I think I prefaced my remarks  
19 by saying, part of the staff report seems to read as though  
20 it is two projects but then it goes on to talk about it being  
21 one project. Does that mean that there will be separate  
22 entities that are the owners of these two projects? For  
23 example, ABC Limited Partnership and XYZ Limited Partnership.  
24 One will own one of them and one will own another one of  
25 them?

3           **MS. LINDENTHAL:** We did not anticipate that. It  
2 would be one limited partnership that would own the two  
3 projects. And that is essentially a function of the fact  
4 that we are financing the two projects together.

5           **MS. PETERSON:** I see.

6           **MS. LINDENTHAL:** And the reason for that is that  
7 standing alone, the two projects would not be financially  
8 feasible from a size standpoint.

9           **MS. PETERSON:** It strikes me that given what you  
10 have said that the legal issues related to the fair housing  
11 law are solved by the act that they are two distinct  
12 projects, one of which will be a senior project and one of  
13 which will not be a senior project. I would still ask staff  
14 to rewrite page 925, but now to say something different.  
15 Which is, to make it clear that these really are two separate  
16 projects that are going to be financed by a common plan of  
17 financing. I wonder, do we still just need to have the one  
18 report and the one mortgage loan? Because, presumably, there  
19 will now be two mortgage loans, two sets of documents  
20 securing the mortgage loan, etcetera, etcetera.

21           **MR. WARREN:** I think there is one plan of financing  
22 but there are two separate operating parcels. I do apologize  
23 to the Board, my understanding was somewhat different than  
24 what the sponsor has indicated. But I think we still need to  
25 rewrite the credit package to reflect the separate nature of

1 it. And since there are restrictions now I think that we  
2 need to reflect that and at the same instant talk about the  
3 common plan of financing, which seems to be the confusing  
4 issue on this.

5 CHAIRMAN WALLACE: And at the same time, Linn, I  
6 think we need our own -- Jan has told us that they have -- If  
7 I'm hearing you right, Jan, you have an opinion, a legal  
8 opinion that you qualify under the Fair Housing Acts, both  
9 state and federal, to do what you are talking about. So one,  
10 I think, Linn, I think it is appropriate to rewrite based on  
11 this, whatever the plan is; and two, for us to get our own  
12 clarification, Tom, about the fact that for our own liability  
13 that we are comfortable with whatever they are proposing and  
14 then rewrite accordingly.

15 MR. WARREN: We'll do that, Mr. Chairman.

16 CHAIRMAN WALLACE: Pat.

17 MS. NEAL: Did I hear the sponsor say that  
18 separated, the projects would not stand on their own or just  
19 the senior part would not stand on its own?

20 CHAIRMAN WALLACE: Jan, do you want to come back  
21 and help us?

22 MS. LINDENTHAL: The question related to the  
23 financial feasibility of the two projects as separate  
24 projects?

25 MS. NEAL: Yes.

1 MS. LINDENTHAL: Essentially, the costs to  
2 construct the projects separately, to finance the projects  
3 separately in terms of fees for financing. The projects  
4 separately would not be large enough to meet the tests for  
5 the bond issue. It would require two separate tax credit  
6 allocations, which is two separate sets of fees. The  
7 construction costs associated with constructing them  
8 separately. Also, a 26 unit senior project, it would require  
9 more subsidy than what we have available to us.

10 CHAIRMAN WALLACE: Any other questions? I can't  
11 remember. Did I have a motion?

12 MS. OJIMA: From Ms. Neal.

13 CHAIRMAN WALLACE: And a second -- I forced it down  
14 you.

15 MS. NEAL: You did.

16 CHAIRMAN WALLACE: Do you want to retract?

17 MS. NEAL: Yes, I want to retract it because I am  
18 not comfortable with this until we have some of those issues  
19 cleared up.

20 MR. MOZILO: I'll move the project.

21 CHAIRMAN WALLACE: I will then call for an --

22 MR. HOBBS: Second.

23 MR. KLEIN: I'll make a second.

24 CHAIRMAN WALLACE: -- unsolicited motion and  
25 second. Mr. Mozilo.

1 MR. KLEIN: And Mr. Hobbs. I defer. I defer to  
2 Mr. Hobbs.

3 CHAIRMAN WALLACE: Are you okay with that, Ken?

4 MR. HOBBS: Absolutely.

5 CHAIRMAN WALLACE: We're jamming things here.

6 MR. HOBBS: No, no, no, no, I --

7 MR. KLEIN: He did.

8 MR. HOBBS: I spoke.

9 CHAIRMAN WALLACE: Okay. And that motion, Angelo  
10 and Ken, would effect subject to staff rewriting as  
11 appropriate the sections discussed and getting an opinion  
12 from our counsel as to the fact that what we are doing here  
13 would comply with both state and federal fair housing laws.

14 MR. HOBBS: Right.

15 CHAIRMAN WALLACE: Okay. Is the motion clear? Any  
16 discussion on the motion from the Board or the audience?  
17 Hearing, seeing none, secretary, call the roll.

18 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

19 MS. PETERSON: Aye.

20 MS. OJIMA: Thank you. Ms. Bornstein?

21 MS. BORNSTEIN: Aye.

22 MS. OJIMA: Ms. Neal?

23 MS. NEAL: Aye.

24 MS. OJIMA: Mr. Czucker?

25 MR. CZUKER: Aye.

1 MS. OJIMA: Ms. Easton?

2 MS. EASTON: Aye.

3 MS. OJIMA: Ms. Hawkins?

4 MS. HAWKINS: Aye.

5 MS. OJIMA: Mr. Hobbs?

6 MR. HOBBS: Aye.

7 MS. OJIMA: Mr. Klein?

8 MR. KLEIN: Aye.

9 MS. OJIMA: Mr. Mozilo?

10 MR. MOZILO: Aye.

11 MS. OJIMA: Mr. Wallace?

12 MR. WALLACE: Aye.

13 MS. OJIMA: Resolution **01-12** has been approved.

14 CHAIRMAN WALLACE: I'm inclined to keep going  
15 through the projects if possible, we're rolling pretty good.  
16 Try and get them put to bed before lunch. Having said that,  
17 is that okay and have you gotten your lunch orders in?

18 MS. PARKER: We've taken care of it.

19 CHAIRMAN WALLACE: I'm out to lunch. Okay. Linn,  
20 let's go into Skyline Village.

21 **RESOLUTION 01-13**

22 MR. WARREN: Thank you, Mr. Chairman. The next  
23 loan for your consideration is Skyline Village. This is a **73**  
24 unit new construction family project in Los Angeles. The  
25 lender loan request is **\$6,805,000** and the first mortgage loan

1 amount is \$2,750,000. We have one issue we want to spend  
2 just a moment on and that is there are some environmental  
3 issues on the site **so** I am going to ask Jim to go right to  
4 that particular issue and show the site to you. Then we will  
5 come back **with** the balance of the financing discussion.

6 (Videopresentation of project begins.)

7 **MR. LISKA:** This is the subject site on the left  
8 side, facing west on Fourth Street. To our right is a  
9 school. Facing east on Fourth Street you can see a view of  
10 downtown. We are in the central district. Facing east on  
11 Maryland the subject is on the left side, facing west on  
12 Maryland the subject is on the right. It's a series of  
13 apartments and single family residences. Across **Bixel** to our  
14 east and Fourth Street there is a film studio. At the corner  
15 of Fourth and **Bixel** there is a Children's Home Society Center  
16 offering social programs.

17 As far as rents: We have a variety of rents, 35  
18 percent, 60 percent. As you can see, with the market we're  
19 substantially underneath market rates. We have conducted on  
20 the environmental a Phase 1, a Phase 2. I have spent some  
21 time discussing the concerns with Charlie **Buckley** at  
22 California Environmental and there has been some cleanup. It  
23 is not a brown field site, it just requires some remediation.  
24 It is being monitored by the Regional Water Quality Control  
25 Board. Once they go out and take a look at the work that has

3 been done and conduct their own tests we will be getting a  
2 letter indicating that the site is clean.

3           The other part that is a concern: The existing  
4 buildings are older, they were built circa 1900 to the 50's  
5 and they have lead-based paint and asbestos. **An** operating  
6 and management plan will be in effect for removal of the  
7 debris once those units are demolished.

8           (Videopresentation of project ends.)

9           MR. WARREN: As Jim indicated, our normal procedure  
10 on projects like this is, prior to the permanent loan funding  
11 there will be sign-off from the Regional Water Quality  
12 Control Board for the project. The additional financing on  
13 the project is approximately \$1.8 million from the LA Housing  
14 Department, MHP in the amount of approximately \$4 million,  
15 and tax credit equity of \$4.2 million.

16           The sponsor is Thomas Safran & Associates, an  
17 organization that has a number of projects with us. They are  
18 LA-based and actually specialize in being involved in these  
19 types of in-fill-type projects. **So** with that, we think this  
20 is a good addition to the LA area and we would like to  
21 recommend approval.

22           CHAIRMAN WALLACE: We have been having trouble  
23 getting projects in greater Los Angeles over the years and  
24 now we know why. But it is all remediatable.

25           MR. WARREN: Yes, it is our understanding.

1           **CHAIRMAN WALLACE:** We have wanted a better foothold  
2 in **LA**. Our numbers are low, generally, there. Having said  
3 that, any discussion about the project? Any questions from  
4 the Board? Bob.

5           **MR. KLEIN:** I think the sponsor is highly  
6 accomplished and very sophisticated, which gives me a lot of  
7 confidence. This project goes negative at the end of a 40  
8 year amortization so I am not as concerned about it as I  
9 would be if the negative occurred in the twentieth year.

10          **CHAIRMAN WALLACE:** You are not going to propose an  
11 amendment?

12          **MR. KLEIN:** I am not going to propose an amendment.  
13 But I would point out that we are trending rents at **2.5**  
14 percent in the **LA** area. Because of the demographics and  
15 migration issues affecting the **LA** area the income index for  
16 affordability went three to five years with zero change. So  
17 I want us to understand that we are assuming that there is  
18 going to be some creativity here. Because of my great  
19 confidence in the sponsor, along with the staff, I think this  
20 can be handled. It is an excellent project and it is  
21 difficult to get them in the LA area.

22                 But I would suggest that that is another reason why  
23 when you get negative coverage in the twentieth year in a  
24 project, for example, that were in **LA**, looking at the income  
25 history and realizing the trending that is reflected in our

1 numbers may not be there, that deficit may occur in the  
2 fourteenth year or the thirteenth year and not the twentieth  
3 year. I would, however, say that this is a great project.  
4 The staff has done a very good job and they have the benefit  
5 of an extremely competent sponsor.

6 MR. HOBBS: Mr. Chairman.

7 CHAIRMAN WALLACE: Ken.

8 MR. HOBBS: Thank you, Mr. Chairman. A question on  
9 the environmental. Do we yet know as to whether or not the  
10 monitoring wells would be required to be maintained on the  
11 property?

12 MR. LISKA: No, they will not. They will be  
13 removed at such point in time as the Regional Water Quality  
14 Control Board is satisfied. They will be capped and removed.

15 MR. HOBBS: Okay. Thank you, Mr. Chairman.

16 CHAIRMAN WALLACE: Julie.

17 MS. BORNSTEIN: I just wanted to echo some of the  
18 positive comments about the project. This meets a number of  
19 goals of not only CHFA, and I suspect of TCAC, but certainly  
20 in our MHP program, you can see we are one of the lenders.  
21 It's a project that is very close to downtown LA so it meets  
22 all the requirements of in-fill. It's across from an  
23 elementary school and provides family housing, it's on public  
24 transit, and it is in an area of Los Angeles that is  
25 particularly job rich, particularly at the low income level

1 because of the new hospitality venues that are cited in the  
2 staff report. So it is just the kind of project that we are  
3 trying to encourage and we appreciate it being brought  
4 forward.

5 CHAIRMAN WALLACE: **Any** further questions or  
6 comments from the Board?

7 MS. HAWKINS: I would echo those comments. I am  
8 **very** familiar with that area and am in that area frequently.  
9 I would like to make a motion to approve the project.

10 MS. PETERSON: Second.

11 MS. NEAL: Second.

12 MR. CZUKER: Second.

13 CHAIRMAN WALLACE: Moved and -- we're going to draw  
14 straws for the three of you on the second.

15 MR. CZUKER: I yield to one of the ladies.

16 CHAIRMAN WALLACE: Okay, pick one, Ed.

17 MR. CZUKER: Don't put me in that position.

18 MR. MOZILO: You're the Chairman.

19 CHAIRMAN WALLACE: Jeanne seconds the motion, Pat,  
20 ~~because~~ I had you on the last one, I think.

21 MS. NEAL: That's right, but you pulled me off.

22 CHAIRMAN WALLACE: So a motion by Carrie and second  
23 by Jeanne. **Any** comments from the Board on the motion? The  
24 audience? Hearing and seeing none, secretary, call the roll.

25 MS. OJIMA: Thank you. Ms. Peterson?

1 MS. PETERSON: Aye.  
2 MS. OJIMA: Ms. Bornstein?  
3 MS. BORNSTEIN: Aye.  
4 MS. OJIMA: Ms. Neal?  
5 MS. NEAL: Aye.  
6 MS. OJIMA: Mr. Czucker?  
7 MR. CZUKER: Aye.  
8 MS. OJIMA: Ms. Easton?  
9 MS. EASTON: Aye.  
10 MS. OJIMA: Ms. Hawkins?  
11 MS. HAWKINS: Aye.  
12 MS. OJIMA: Mr. Hobbs?  
13 MR. HOBBS: Aye.  
14 MS. OJIMA: Mr. Klein?  
15 MR. KLEIN: Aye.  
16 MS. OJIMA: Mr. Mozilo?  
17 MR. MOZILO: Aye.  
18 MS. OJIMA: Mr. Wallace?  
19 MR. WALLACE: Aye.  
20 MS. OJIMA: Resolution 01-13 has been approved.  
21 CHAIRMAN WALLACE: 01-13 is hereby approved.  
22 Moving on to Marina Tower Annex, Linn.  
23 **RESOLUTION 01-14**  
24 MR. WARREN: Thank you, Mr. Chairman. Marina Tower  
25 is an existing project. This is an at-risk preservation

1 project in which BRIDGE Housing is the sponsor. There's a  
4 couple of elements here that I will touch on briefly. First  
3 of all, there are three loans that we are asking for. The  
4 first is a loan for \$1,000,000, 5.7, 30 year fixed. The  
E second is a loan for \$1,225,000, 5.7 for 15 years, and I will  
E spend a little bit of time on that one in just a minute. The  
7 third is a tax credit bridge loan for \$835,000 at 7 percent,  
E one year, for the purposes of leveraging tax credit.

9 In the past, on preservation projects, the Agency  
10 has only set its debt level to the tax credit rents that can  
11 be achieved on a long term basis, even if there is a Section  
12 8 contract in place on the property. What we are proposing  
13 here, and for this project and really as a pilot, is to do  
14 what we normally do with our first loan, which is the  
15 \$1,000,000 loan, but to leverage up a piece of debt, which is  
16 the second debt for \$1,225,000, based upon the differential  
17 of the Section 8 contract levels.

18 We think it is appropriate for a couple of reasons.  
19 This is a senior project in a tight market area and the  
20 likelihood of contract extensions from HUD on these types of  
21 projects we think is good. In the event the contracts are  
22 not extended then certainly HUD will be obligated to give  
23 vouchers to the existing senior tenants at whatever the  
24 prevailing pay standard would be, which means that the debt  
25 service could also continue.

1           Even if vouchers are given to the tenants the  
2 likelihood of an out-migration of the tenants on a project  
3 like this is pretty remote. This is their home. Our  
4 experience has been over the years that with senior Section 8  
5 tenants, by and large, once they move into a project like  
6 this and it becomes their residence, they do not leave.

7           There is a risk. The risk is that, as I said, the  
8 appropriations may not continue with HUD and if that is the  
9 case we would have to look at this property in somewhat  
10 different light. We have been asked to do this in the past  
11 on a number of family projects with Section 8 and we have  
12 declined to do so for the reasons that I have stated in that  
13 tenants may leave the project and we have a re-tenanting  
14 problem. Not on a long term basis, on a short term basis.

15           But with that, we think this is an appropriate risk  
16 to try to save what we think is at-risk housing. This is  
17 not, at this point in time, going to be a standard procedure  
18 for the Agency or a product guide. But we do want to work  
19 with BRIDGE Housing on this, who we think is a very strong  
20 sponsor and can support the project, and see if there is a  
21 model in here that we can replicate for our 236 portfolio and  
22 for other preservation projects. So with that I will have  
23 Jim show you the pictures and then we can finish up the  
24 financing discussion.

25           (Videopresentation of project begins.)

MR. LISKA: This is access to the site. It's a split site. Marina Tower Annex is right behind the front here. This front portion is an on-site senior drop-in center run by the Solano County Agency For Housing serving the broader senior community. And right down the pedestrian walkway to the left is the two-story elevator project. Right adjacent to it is a high-rise elderly project. Both of these projects were built by Jack Baskin (phonetic), a very successful contractor/developer back in the 70s and they have maintained their character.

This is the access to the subject property. Courtyard. Right through the pedestrian walkway is the open parking lot. In the back is City Hall. Beyond that is a waterfront complex which is in the early stages of being developed and then the Napa River. Here is another picture looking south down Sacramento Street and our subject, again, is on the right, right by the stop sign. Right in front of the subject is a bus stop and across the street is another bus stop. Major shopping for downtown Vallejo is right in the area on Georgia Street and on Sonoma Boulevard.

Again, we are looking at rent levels of 35 percent, 45 percent, 50 percent. Market, for our case -- Section 8 is probably a little bit below this right now. Again to reiterate, we are looking at Markup-To-Market on a 20 year contract with one year annual appropriation renewals.

1 (Videopresentation of project ends.)

'2 MR. WARREN: Also as a component of this project is  
3 we are setting aside a transition reserve of approximately  
4 \$150,000 which would be taken out of excess project cash in  
5 the early years--this is standard for us--that we hold for  
6 the benefit of the project if there are appropriations  
7 problems that occur through the Section 8 and there is a re-  
8 tenanting of the projects. This reserve would be used to  
9 offset any debt service shortfalls. Again, this is standard  
10 procedure for us. If the reserve is inadequate we may elect  
11 to increase that but we think the \$150,000 is probably an  
12 appropriate level given this project.

13 So with that, as I said, this is somewhat of a  
14 departure, but we think, on a pilot basis, it is an  
15 underwriting worth looking at. I would also note that both  
16 the first and second loan combined yield a loan-to-value  
17 ratio of 74 percent so it is within guidelines. With that we  
18 would be happy to recommend approval and answer any  
19 questions.

20 MS. HAWKINS: Are there any questions from the  
21 Board?, Yes, Ms. Peterson.

22 MS. PETERSON: I just had a question about why it  
23 says that the tax credit rents, that 100 percent of the units  
24 will be restricted to 50 percent as a programmatic  
25 requirement. I do not believe that is a programmatic

1 requirement. That is just what they are promising to do?

2 MR. LISKA: Yes.

3 MR. WARREN: Yes, I believe that --

4 MR. LISKA: That's right, yes. That's correct.  
5 That's the way it should have been phrased.

6 MS. PETERSON: Because there are two places where  
7 it indicates that is a programmatic requirement and it really  
8 is not.

9 MR. LISKA: No. This is just self-imposed by the  
10 borrower.

11 (ChairmanWallace returned to  
12 the meeting room.)

13 MS. PETERSON: I think that I would like to speak  
14 in support of the project. I think that it is stepping out,  
15 perhaps a little bit, but that it is the kind of thing that  
16 CHFA should be stepping out on.

17 MS. HAWKINS: Thank you, Ms. Peterson. Mr. Klein.

18 MR. KLEIN: Yes. How close is this to the Vallejo  
19 Redevelopment Project area? Is it in the project area?

20 MR. LISKA: Yes. It's right in there. The Marina  
21 Tower and the Annex I believe are in the redevelopment area.  
22 Right adjacent to it are some other HUD-assisted projects,  
23 Marina Village or something like that. But it is right in  
24 that redevelopment area of downtown Vallejo. So it is all  
25 right there within --

1 MR. KLEIN: This is near where the new ferry  
2 station is going to be?

3 MR. HOBBS Right across the street.

4 MR. KLEIN Right across the street?

5 MR. LISKA Right.

6 MR. KLEIN: Okay. This is approximate to where  
7 there may be another affordable project, although I think  
8 this is a very good resource. At the end of five years, if  
9 you could repeat the discussion about what you expect to be  
10 the options.

11 MR. WARREN: At the expiration of --

12 MR. KLEIN: Of the five year **HAP** contract renewal.

13 MR. WARREN: What would occur? Well, the contract  
14 would --

15 MR. LISKA: It's going Markup-To-Market and they  
16 are going to be requesting a **20** year **HAP** contract. The **20**  
17 year **HAP** contract is based upon one year annual appropriation  
18 renewals.

19 MR. WARREN: That's right. I was thinking of the  
20 five year contract. It is on annual renewals now, it's my  
21 understanding.

22 MR. LISKA: That's right.

23 MR. WARREN: And when they go in for the **20** year  
24 contract -- it's a contract without a commitment for funding.

25 MR. KLEIN: But a five year contract extension does

3 have a commitment for funding for five years.

4 MR. LISKA: No, no.

MR. WARREN: Not that I know of, no.

4 MR. LISKA: A five year contract is on the same  
5 basis, it is subject to annual appropriation renewal.

6 MR. KLEIN: Okay.

7 MR. LISKA: All they are doing is giving you a five  
8 versus one and now they are extending it to a 20. So there  
9 is some type of commitment from HUD. As Linn has indicated,  
10 nothing is guaranteed, but we do feel confident that what the  
11 senior citizen and the direction that HUD has been taking in  
12 recent months and the past year that we should be able to at  
13 least see ourselves clear to get these annual renewals for a  
14 period of time.

15 MS. HAWKINS: Are there any other questions from  
16 the Board?

17 MR. HOBBS: Madam Chair, I have had an opportunity  
18 to drive by the project. I am very familiar with the goals  
19 and objectives of the City of Vallejo. This project has been  
20 integrated within their downtown senior housing population  
21 for a number of years. It is a very good project. If there  
22 are no other questions I would certainly like to offer a  
23 motion in support.

24 MS. HAWKINS: Mr. Hobbs has moved; is there a  
25 second?

1 MS. BORNSTEIN: Second.

2 MS. HAWKINS: Ms. Bornstein has seconded. I'm not  
3 sure. *Mr.* Chairman, do I ask the audience? I have forgotten  
4 the procedure before we vote on this.

5 CHAIRMAN WALLACE: Yes.

6 MS. HAWKINS: Are there any questions from the  
7 audience? Hearing none, let's call the roll.

8 MS. OJIMA: Thank you. Ms. Peterson?

9 MS. PETERSON: Aye.

10 MS. OJIMA: Ms. Bornstein?

11 MS. BORNSTEIN: Aye.

12 MS. OJIMA: Ms. Neal?

13 MS. NEAL: Aye.

14 MS. OJIMA: Mr. Czucker?

15 MR. CZUKER: Aye.

16 MS. OJIMA: Ms. Easton?

17 MS. EASTON: Aye.

18 MS. OJIMA: Ms. Hawkins?

19 MS. HAWKINS: Aye.

20 **MS.** OJIMA: Mr. Hobbs?

21 MR. HOBBS: Aye.

22 MS. OJIMA: Mr. Klein?

23 MR. KLEIN: Aye.

24 MS. OJIMA: Mr. Mozilo?

25 MR. MOZILO: Aye.

1 MS. OJIMA: Mr. Wallace?

2 MR. WALLACE: Abstain.

3 MS. OJIMA: Thank you. Resolution **01-14** has been  
4 approved.

5 MS. HAWKINS: Okay. *Mr.* Wallace, I turn the chair  
6 back to you.

7 CHAIRMAN WALLACE: Okay, let's go to International  
8 Boulevard, Linn.

9 **RESOLUTION 01-15**

10 MR. WARREN: Mr. Chairman, thank you. I am going  
11 to ask Kathy Weremiuk from my staff to join me for this  
12 particular project. Kathy, as you know, runs our special  
13 needs program and this is a special needs loan.

14 International Boulevard Housing Phase II. We have  
15 two loan requests, the first is a Loan to Lender program loan  
16 in the amount of **\$3,150,000**, two years. Then we have a first  
17 loan in the amount of **\$415,000**, 3 percent, **25** year fixed,  
18 fully amortizing. This is an in-fill project. I will ask  
19 Kathy to go ahead and take you through the site real fast,  
20 then we will finish up the financing discussion.

21 MS. WEREMIUK: Okay. This is International  
22 Boulevard. Our site is behind the red car. I am going to  
23 give you a slightly clearer view. This is the site; this is  
24 International Boulevard. Just --

25 CHAIRMAN WALLACE: Kathy, pull the mike a little

1 closer, please.

2 MS. WEREMIUK: Oh, sorry.

3 CHAIRMAN WALLACE: Thank you.

4 MS. WEREMIUK: This is International Boulevard in  
5 front of us, which used to be East 14th Street. The site  
6 wraps around the corner. It goes to the blue house and to  
7 the house beyond that. It is an in-fill project. It is a 24  
8 unit family project. This is looking north down  
9 International Boulevard. Our site is where you see the  
10 trailer home. The first phase of the project is wrapped  
11 around the brick building that you see and on the other  
12 corner is part of what is a 35 unit large family housing  
13 project. The two projects combined are 59 units. The first  
14 is in construction and it was financed with 9 percent tax  
15 credits and a city loan.

16 This is looking up into the hills. This is the  
17 site, looking at the site going down 61st.

18 MR. WARREN: And that is not the site.

19 MS. WEREMIUK: And that is not the site. The site  
20 is in East Oakland. It is a corner lot on International and  
21 61st. It is close to public transit. It is one mile from  
22 the Fruitvale BART station and a half mile from Coliseum,  
23 served by several major bus trunk lines. It is 24 units, it  
24 is part of a 59 unit project; it is large family. There are  
25 11 three-bedroom, 2 four-bedroom, 6 two-bedroom and 5 one-

bedrooms.

The proposed construction: The architecture is by Pyatok, they have done some projects with us. They have a very strong reputation for urban design and urban in-fill. It is going to be 17 townhouse units facing, wrapping around the street **so** that we maintain a sense of street with an interior courtyard and then interior parking. There will be some flats as well.

There is a very strong locality involvement in this. The City of Oakland has given over \$2 million. That money is coming in, I think in a couple of days. They are using it to take down the land. MHP is involved in this. They have made a \$1,262,000 loan. There is a HUD grant to the property for \$300,000, AHP is in for \$92,000 and there will be tax credits available for **\$1,700,000**.

In this instance the Loan-to-Lender program allows this project to access **4** percent tax credits because it is very low income. With only a \$400,000 first they would not meet the **50** percent test without our **\$3,150,000** Loan to Lender. **So** not only does the project get a price break but they also access a major chunk of equity.

There ~~is~~ a very strong demand for this housing. It is in an area where there has been no market rate or even affordable housing built since at least **1975** and possibly going back to the 1940s when the area was built out. There

1 is a strong demand. The rents that are proposed range from  
2 20 percent of median up to -- In the write-up you saw 45 but  
3 they will be regulated to 50 percent of median. Both the  
4 market study and the appraisal indicated that the units would  
5 be absorbed the day they went on the market.

6           It is a special needs project. The specials  
7 involved, there are eight units that are Shelter Plus Care.  
8 Those units will be dedicated for families where the head of  
9 household or an adult has a history of mental illness, is  
10 diagnosed with HIV or AIDS or has a problem and is dealing  
11 with substance abuse issues. There will be two additional  
12 units which will be special needs, but there will be a  
13 slightly broader definition to give the sponsor some  
14 flexibility in terms of how many families they may have that  
15 have mental illness or very serious illness in the project.

16           The Shelter Plus Care income has been -- Eight  
17 units. It's a five year contract, not year to year, and that  
18 money has been set aside. Not for debt service but to allow  
19 some flexibility **so** that the project can hire a social  
20 service coordinator and have some services on site. They are  
21 intending to have case management, peer counseling and also  
22 children's programs available on site. They are working with  
23 four partners and the partners have services available that  
24 range from after school programs for children to credit  
25 counseling to mental health counseling. So there will be

1 both on and off-site facilities. The service center is  
2 actually going to be set up in Phase I where they will have a  
3 room available. On the site itself there will be a community  
4 room but not a service room for the families.

5 (Videopresentation of project ends.)

6 MR. WARREN: The interest rate will be three  
7 percent, which the Agency will subsidize. The sponsor is --  
8 Actually, I am going to let Kathy comment on the sponsor real  
9 briefly.

10 MS. WEREMIUK: There are two sponsors: Resources  
11 For Community Development, which is a very strong special  
12 needs sponsor, they have **14** other special needs projects in  
13 the Bay Area, and the East Oakland Community Development  
14 Corporation, which has been in the area since, I believe, the  
15 70s. But these are its first two housing projects and they  
16 will be involved with the project as well.

17 MR. WARREN: With that, Mr. Chairman, we think this  
18 is, again, a good special needs project that actually couples  
19 in with the Loan-to-Lender. I would like to recommend  
20 approval, be happy to answer any questions.

21 CHAIRMAN WALLACE: Okay. Questions from the Board?  
22 Bob.

23 MR. KLEIN: I think this is a difficult project  
24 that staff has done a very good job on. I think it's an  
25 extremely challenging project. It has to have, because of

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1 all the things they are trying to accomplish, some  
2 significant inherent risk in it but I think it is within our  
3 public policy objectives to try and meet those challenges,  
4 accept those risks and try to do the best we can with them.  
5 Therefore, I would be supportive of that. In this facility,  
6 what kind of long term source of funds do they have for their  
7 special services?

8 MS. WEREMIUK: What we do with our special needs  
9 program is we generally require that the first year's budget  
10 be funded at the time we close the permanent loan. In this  
11 instance they have five years of funding from Shelter Plus  
12 Care that they have set aside for it. Shelter Plus Care is  
13 currently now renewing contracts so there is some expectation  
14 they will continue to receive that subsidy.

15 But if they don't, they will have forged  
16 relationships with the City of Oakland, with their mental  
17 health department. The state has a program that is called  
18 SHIA right now which is funding grants for social services  
19 for supportive housing. There is a very active, what they  
20 call a HISM (phonetic) program in the Bay Area, which  
21 Corporation for Supportive Housing has founded through HUD  
22 which offers supportive services on site for projects like  
23 this.

24 So we think that with the first five years funded  
25 with some room in the budget if they get the Shelter Plus

1 Care re-funded, and with the other programs that are  
2 available in the Bay Area and through the county, that there  
3 will be continued resources.

4           This is a large organization. We usually don't do  
5 stuff on these loans unless the sponsor also has a grant-  
6 writing capacity and a history of being able to fund the  
7 social services part of their program. Resources for  
8 Community Development has that history. With **14** projects  
9 currently ongoing that require services they have developed a  
10 capacity and a skill to keep that service program going.

11           MR. KLEIN: I think it is an admirable program and  
12 I would hope we kind of have an internal monitoring two years  
13 before the expiration of that five years to look at it.  
14 Because with the complexity of this, it takes quite a while  
15 to get grant funding cycles. But my compliments for the  
16 intense effort it must have taken to get through this.

17           MS. WEREMIUK: Thank you.

18           CHAIRMAN WALLACE: Further questions? **As** an aside,  
19 Kathy, how many special needs projects have you got in the  
20 pipeline? Have you got quite a few working?

21           MS. WEREMIUK: They are very hard to put together.  
22 We have probably four or five that are in front of us right  
23 now.

24           MR. WARREN: Yes, we have four or five. In the  
25 early days of the program, Mr. Chairman, we spent an

1 inordinate amount of time trying to make them work and it's  
2 still there. We have told sponsors that if they wish to come  
3 to us for special needs financing they need to be further  
4 along in the development process because we have limited  
5 resources. And some of them, quite frankly, we have turned  
6 down because they have not developed sufficiently for staff  
7 to address it. So we have a number in the pipeline but, as  
8 Kathy indicated, they are very labor-intensive and it limits  
9 the number that we can do on an annual basis.

10 CHAIRMAN WALLACE: No questions but you're to be  
11 commended. This is tough. I sold the first home as a  
12 realtor in 1958 right around the corner from here and  
13 collected a **\$105** commission, which has seen me through ever  
14 since. (Laughter). I have watched the area. It's tough. I  
15 represented clients in that area. It's a tough area, you're  
16 to be commended. It badly needs what you are talking about.

17 MS. WEREMIUK: It's badly needed. In the rest of  
18 Oakland there's a lot of development going on but this is the  
19 one area that really has not had any.

20 CHAIRMAN WALLACE: Tough. Good for **you**. Any  
21 further questions from the Board or the audience? The Chair  
22 will entertain a motion.

23 MS. NEAL: Move approval.

24 CHAIRMAN WALLACE: Motion by Pat.

25 MS. EASTON: Second.

1 CHAIRMAN WALLACE: Second by Angela. Further  
2 questions from the Board or the audience on the motion?  
3 Hearing none, seeing none, secretary, call the roll, please.

4 MS. OJIMA: Thank you. Ms. Peterson?

5 MS. PETERSON: Aye.

6 MS. OJIMA: Ms. Bornstein?

7 MS. BORNSTEIN: Aye.

8 MS. OJIMA: Ms. Neal?

9 MS. NEAL: Aye.

10 MS. OJIMA: Mr. Czucker?

11 MR. CZUKER: Aye.

12 MS. OJIMA: Ms. Easton?

13 MS. EASTON: Aye.

14 MS. OJIMA: Ms. Hawkins?

15 MS. HAWKINS: Aye.

16 MS. OJIMA: Mr. Hobbs?

17 MR. HOBBS: Aye.

18 MS. OJIMA: Mr. Klein?

19 MR. KLEIN: Aye.

20 MS. OJIMA: *Mr. Mozilo?*

21 MR. MOZILO: Aye.

22 MS. OJIMA: Mr. Wallace?

23 MR. WALLACE: Aye.

24 MS. OJIMA: Resolution 01-15 has been approved.

25 CHAIRMAN WALLACE: 01-15 is hereby approved. Let's

1 take this loan modification, Item 5, and then we will break  
2 for lunch.

3 **RESOLUTION 01-16**

4 **MR. WARREN:** Thank you, Mr. Chairman. The final  
5 loan for your consideration today is the Cascade Apartments.  
6 This is a request for a modification. This project came to  
7 the Board last year. It's a preservation deal in Sacramento.  
8 The sponsors, the A.F. Evans Company, have experienced some  
9 cost increase and some increase in fees. When they went with  
10 us and to CDLAC initially, they neglected to put their full  
11 developer fee in the basis application so they were limited  
12 to that.

13 So what we are asking the Board to consider is an  
14 increased bridge loan from \$70,000 to \$390,000, 6.2 percent  
15 interest for one year for purposes of qualifying for the 4  
16 percent tax credits. The primary loan in the amount of  
17 \$2,025,000, and all our terms and conditions of the project  
18 remain the same. The application to CDLAC would be just for  
19 this incremental increase for the bridge loan so that they  
20 may qualify for the credits. We know the Evans people. They  
21 are very active in preservation, both in the Sacramento Area  
22 and in San Francisco, and we certainly support the request  
23 for this incremental bridge loan increase.

24 **CHAIRMAN WALLACE:** As they got into it --

25 **MR. WARREN:** Yes.

CHAIRMAN WALLACE: -- as often happens in rehab, you found a lot of problems.

MR. WARREN: And Sacramento has experienced trade cost increases. And their application, quite frankly, did not contain all the costs they needed to when they first went in they are trying to rectify that now.

CHAIRMAN WALLACE: It still pencils out?

MR. WARREN: It still pencils out, yes.

CHAIRMAN WALLACE: Questions? Bob.

10 MR. KLEIN: Unless we need further discussion I  
13 move approval.

12 MR. HOBBS: Second.

13 CHAIRMAN WALLACE: Even if it needs further  
14 discussion, I accept your motion and your second, Ken. Is  
15 there any further discussion? A-ha.

16 MS. PETERSON: I just had one question and that is:  
17 Is one year a long enough term to assure --

18 MR. WARREN: Yes, it is enough.

19 MS. PETERSON: -- the completion and occupancy?

20 MR. WARREN: For the bridge loan? Yes.

21 MS. PETERSON: Yes, to meet the requirements to get  
22 the four percent.

23 MR. HOBBS: Do you want to give staff some more  
24 latitude there?

25 MR. WARREN: Yes, it is our understanding that

1 that's adequate.

2 CHAIRMAN WALLACE: It sounds like you could get two  
3 if you needed it but you're comfortable.

4 MR. HOBBS: Take it, Linn, take it.

5 CHAIRMAN WALLACE: You're comfortable?

6 MR. WARREN: We are comfortable, yes, Mr. Chairman.

7 CHAIRMAN WALLACE: Fine. Any further questions  
8 from the Board or the audience? Hearing none, secretary,  
9 call the roll.

10 MS. OJIMA: Thank you. Ms. Peterson?

11 MS. PETERSON: Aye.

12 MS. OJIMA: Ms. Bornstein?

13 MS. BORNSTEIN: Aye.

14 MS. OJIMA: Ms. Neal?

15 MS. NEAL: Aye.

16 MS. OJIMA: Mr. Czucker?

17 MR. CZUKER: Aye.

18 MS. OJIMA: Ms. Easton?

19 MS. EASTON: Aye.

20 MS. OJIMA: Ms. Hawkins?

21 MS. HAWKINS: Aye.

22 MS. OJIMA: Mr. Hobbs?

23 MR. HOBBS: Aye.

24 MS. OJIMA: Mr. Klein?

25 MR. KLEIN: Aye.

1 MS. OJIMA: Mr. Mozilo?

2 MR. MOZILO: Aye.

3 MS. OJIMA: Mr. Wallace?

4 MR. WALLACE: Aye.

5 MS. OJIMA: Thank you. Resolution **01-16** has been  
6 approved.

7 CHAIRMAN WALLACE: 01-16 is hereby approved.

8 Before you run off let's kind of coordinate here.  
9 We are going to have lunch right here in Restaurant Camellia  
10 and I guess half an hour. Is that okay? I have **12:23**.  
11 Let's see if we can crank it back up at ten of one-ish. I'll  
12 kind of watch your mouths. At any rate, let's make it ten of  
13 one, five of one. I think we can move through the rest of it  
14 pretty respectively so let's break for lunch.

15 (The luncheon recess was taken  
16 off the record. Mr. Hobbs and  
17 Mr. Mozilo were not present for  
18 the afternoon session.)  
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1 The blue line represents our monthly purchases, roughly  
2 about \$85 to **\$90** million a month. Reservations, presently  
3 about \$108 million per month, which is in about the **\$4-5**  
4 million per day reservation goal.

5 This is our present rate schedule. This has been  
6 in effect since February 6. As you know, our present plan  
7 is to keep our interest rates approximately one percent  
8 below the conventional rate market and that is with our low  
9 statewide rate, six percent. I believe, as of this morning,  
10 the **Fannie Mae** 60 day conventional rate was seven percent **so**  
11 we are pretty much within the 100 basis point spread that we  
12 like to keep. We don't change our rates often. We try to  
13 keep within a reasonable 100 basis point spread. The rates  
14 are adjusted, basically, when the volume either -- when the  
15 interest rates in the market drop and our volume picks up  
16 beyond what would be our present goal rate. Then we make an  
17 adjustment.

18 The single family mission: To provide home  
19 ownership opportunities for very low, low and moderate  
20 income home buyers. Our primary objectives: To provide  
21 below market, long term fixed rate loans; provide funding  
22 throughout the year every day of the year, which is  
23 something that we have been able to achieve since **1993**. I  
24 should say that we have been in the market every day since  
25 that point in time. Also to provide equitable distribution

1 of our loans throughout the state. We use some products,  
2 subordinate loan programs and interest rates to adjust and  
3 attempt to do that. **As** well as providing loan products to  
4 expand our supply of affordable housing new construction.

5 Our present proposed plan for the coming fiscal  
6 year is \$1 billion and each year thereafter for the next  
7 four years, as well as providing a \$15 million junior  
8 mortgage program, our 100 percent loan program, at \$15  
9 million per year. And our Self-Help program, which we have  
10 actually increased this amount from \$2 million to \$2.5  
11 million. In that program, we are proposing to increase the  
12 development loan size from \$300,000 to \$500,000, as well as  
13 reducing the permanent loan interest rates to low income  
14 self-help first time home buyers.

15 We are also analyzing and reviewing two proposed  
16 pilot programs that we would hope to present at the  
17 beginning of this new fiscal year. The CDLAC Extra Credit  
18 Teachers Program -- Actually, we have already submitted an  
19 application to CDLAC for \$20 million. What we propose to do  
20 if this allocation is granted, would be to leverage the  
21 funds to \$40 million total. The program would be designed  
22 to provide housing opportunities to potential teachers who  
23 are employed in low-performing schools, the bottom 30  
24 percent of schools throughout the state.

25 With that would come a down payment assistance

component. We would offer \$7,500 down payment assistance with an interest rate that would start at three percent and if they remain employed for five years would basically be zeroed out and basically become a grant. Forgivable interest, I should say. The loan would be repaid. It would be a deferred payment second mortgage.

Another program that we are currently analyzing would be an extreme high cost down payment assistance program. Given the conditions the Bay Area is facing, the shortage of affordable housing, high priced homes and the fact that the gap between low and moderate income prospective home buyers is so great, we are looking at a proposed program to provide either permanent funding in the form of revenue bonds for the first mortgage and a down payment component using some housing purchase assistance funds which we have had for -- that's accumulated from prepayments from a junior mortgage program that we had, I believe, about ten years ago. These are the residual funds that have been repaid.

We would look into either providing down payment assistance or perhaps interest rate buy-downs to see if we can do something in these particular areas. Particularly Santa Clara, San Mateo and San Francisco. Areas which represent ten percent of the state's population but areas in which we have very little loan activity.

3 CHAIRMAN WALLACE: How did you get Marin in there,  
2 Jerry? What criteria are you using to identify those areas?

3 MR. SMART: Primarily, they are the highest cost  
4 areas in the state.

5 MS. PARKER: Mr. Chairman, we just --

6 CHAIRMAN WALLACE: What if it is self-imposed, like  
7 Marin and Santa Barbara? They stopped growth and you have  
8 no supply so your prices go up. At least San Francisco gets  
9 some in-fill and attempts -- At any rate, it's not for me to  
10 determine. But when I see Marin up there I want to say,  
11 they brought it on themselves.

12 MS. PARKER: Mr. Chairman, let me add a little bit  
13 to what Jerry is saying. I think what we were talking about  
14 when we were essentially doing our internal discussions, and  
15 perhaps having some of our discussions with stakeholder  
16 groups, some of the counties in the Silicon Valley and the  
17 Bay Area just seem to stand out. And even some of the down  
18 payment assistance programs that have been designed in the  
19 past and/or that we are currently operating are not making  
20 any kind of an effect in this area.

21 Just recently, as part of our annual update to  
22 sales price limits, the staff has gotten some preliminary  
23 information. Those four counties all have median sales  
24 prices that are in the \$440,000 to \$480,000 range. Every  
25 other county is below \$400,000. So what we did was we

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picked these four because you could make the argument that they were similarly situated. Clearly there are other Bay Area counties and there may be even counties in Southern California that may say, hey, we are high cost too. But these were so strikingly above.

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We are not even sure that what we are proposing may be helpful but we thought we might be able to, on a pilot basis, with a limited amount of monies, try something to see if there was some benefit for people who are in our targeted income group, low to moderate, that may make a difference to help them get in. A good example that we had the other day when we were doing our focus groups was--not that it would necessarily play in here--was we have self-help builders that are building in the south part of Santa Clara County. They have ways to essentially help low income people qualify for homes. A 1,400 square foot home was appraised at \$425,000. Right now, our sales price limits don't allow us to provide a first mortgage.

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As Jerry was saying, this is about ten percent of the state's population. We are doing less than a percent in this area. So in order to try to see if we can be a statewide program we thought, if the Board was interested--and we recognize, obviously, these are very high-priced pieces of property--if on a limited basis we could see if we could design some sort of a program that on a very small

1 scale may be helpful.

2 CHAIRMAN WALLACE: Well, Marin just sticks out.  
3 And not to pick on them. Yes, pick on them.

4 MS. BORNSTEIN: Mr. Chairman, I'll be happy to join  
5 you in picking on them.

6 CHAIRMAN WALLACE: I'm just saying Santa Clara, San  
7 Mateo and San Francisco all have sort of a balance and a  
8 real need. Marin has chosen -- My son lives there. I don't  
9 think they would accept a program if you handed it to them,  
10 anyway. And maybe that's the game plan. But just because -  
11 -

12 MS. PARKER: We're just giving you the rationale  
13 about why we chose it.

14 CHAIRMAN WALLACE: Sure. Sure.

15 MS. PARKER: Again, this is the first time you have  
16 heard this.

17 CHAIRMAN WALLACE: I understand.

18 MS. PARKER: I think the question is, do you  
19 think --

20 CHAIRMAN WALLACE: This is the first time you have  
21 heard this.

22 MS. PARKER: Right. (Laughter). Is it something  
23 that you think we as a staff should try to pursue, and do  
24 you have some parameters that you would like us to work  
25 within?

3           CHAIRMAN WALLACE: Yes, jobs/housing balance. And  
2 in Marin that doesn't -- my impression is that doesn't  
2 exist. San Francisco, yes; San Mateo, yes; Santa Clara,  
4 yes. You cut down on the commute and all those evils that  
5 we have heard about. Marin, I don't see much of a -- It's  
E all -- They don't want -- Knock them off.

7           MR. SMART: We understand.

E           CHAIRMAN WALLACE: But jobs/housing balance has got  
9 to be your big criteria here.

10          MR. SMART: There again, this was a pilot program  
11 to see how it would work. If it's successful then we would  
12 expand it --

13          CHAIRMAN WALLACE: Good, pursue it.

14          MR. SMART: -- under the financing capacity that we  
15 have.

16          CHAIRMAN WALLACE: Julie.

17          MS. BORNSTEIN: Mr. Chairman, I think that the  
18 folks at HCD really appreciate your remarks and if I could  
19 just pass along to you. We, of course, are putting more and  
20 more attention to housing element compliance. Every county  
21 and every jurisdiction within every county does have an  
22 obligation under California law to provide housing  
23 opportunities across the income spectrum.

24                 So your comments about some jurisdictions, perhaps  
25 Marin is one of them, that have approached growth in a

1 limited way and have not provided diverse housing options  
2 will be dealt with in another arena. This is, of course,  
3 important state policy and I just wanted to assure you that  
4 your remarks, as always, are well-respected by our  
5 department and I will pass that along.

6 I think, personally, I would like to see staff  
7 pursue the development of such a program, including Marin  
8 and other high cost areas, because the individual home owner  
9 still wants the opportunity to purchase a home in the area,  
10 even if the decision-makers in the political jurisdictions  
11 might make it difficult.

12 And in terms of jobs/housing balance, which is  
13 clearly a factor that is also driving state housing policy,  
14 we are finding folks that, because they may not find  
15 affordable housing in Marin, go beyond Marin and then have  
16 to drive through the county to get to their jobs. So there  
17 is still, I think, something to be gained in terms of jobs/  
18 housing balance analysis to make more affordable programs  
19 available, even in Marin County. But we will take your  
20 remarks to heart and that will help drive our state policy.

21 CHAIRMAN WALLACE: Well, if they go north of Marin  
22 into Sonoma County that's okay because I'm developing up  
23 there. (Laughter).

24 (Tape 2 was changed to tape 3.)

25 MS. BORNSTEIN: So you buy bus passes.

CHAIRMAN WALLACE: They have shut down water. We  
4 had to send our water across the San Rafael Bridge, pipe it  
over there. I just think -- At any rate, those are my  
4 horrible biases showing. There isn't a balance there. It's  
5 worth pursuing Jerry and Terri, it's a good idea. But I  
6 think when push comes to shove you reward the ones that --  
7 You **h o w**, if you come over to my neck of the woods you can't  
8 find affordable housing because they have largely excluded  
c the ability to do that. Limits apply and you limit growth  
10 and you limit utility and infrastructure expansion. If  
13 that's what they want, hallelujah. But I am not going to  
12 reward them by giving them a CHFA program down there until  
13 you guys outvote me. Which you'd do easily.

14 MR. KLEIN: Mr. Chairman, maybe Julie can tell us.  
15 What is the status of the legal enforcement mechanisms if  
16 somebody is out of compliance with their housing element?  
17 Is there an ability to stop building permits for other than  
18 1 to 4 family housing if someone is out of compliance?

19 MS. BORNSTEIN: Under current statute, no. There  
20 are certain restrictions on funding. If a jurisdiction is  
21 out of compliance, then a number of our programs are not  
22 available. But, frankly, as the Chairman has indicated, if  
23 you don't want to build housing in the first place, being  
24 told you can't have access to low income housing money is  
25 not usually that much of a motivation to get yourself into

1 compliance.

2           Probably the largest carrot that we have right now  
3 is the jobs/housing balance incentive grant program, which  
4 currently is funded at \$100 million. The Governor has  
5 proposed to increase it to **\$300** million. It provides  
6 unrestricted monies back to jurisdictions to use any way  
7 they wish in exchange for increased production of housing.  
8 But you cannot participate in that program unless you have a  
9 housing element in compliance.

10           Now, an area like Marin arguably may find that it  
11 doesn't care if it gets unrestricted funds to put into  
12 public amenities so we don't know if this will be an  
13 incentive for Marin or not. Most of the other political  
14 jurisdictions in the state have expressed a strong interest  
15 in the program. Generally, housing element compliance runs  
16 around 70 percent. It is a little bit below that right now  
17 because the SCAG (phonetic) region's elements were due  
18 December 31 and a number of them don't have them in yet.  
19 But it's generally run at 70 percent. I know there are  
20 several bills in the Legislature this session that put  
21 stronger enforcement mechanisms into the law for areas that  
22 don't have housing element compliance.

23           MR. KLEIN: Do we need to testify to support those?

24           CHAIRMAN WALLACE: No, because in the end, they  
25 will never take away -- Even Jerry Brown, I can remember,

would not take away the right of local control. That's like motherhood, I don't blame him. He had a blueprint for housing, regional, oversight and so on. In retrospect, he probably wishes he had that now where he is. In fact, you should hear him these days. With all due respect, local control will always prevail.

MR. KLEIN: Are there other categories of state funds that could also be used as a similar incentive to not transfer your burden to your adjoining jurisdictions? Like transportation funds.

CHAIRMAN WALLACE: Still is.

MS. BORNSTEIN: Yes.

MR. KLEIN: Transportation funds are affected.

CHAIRMAN WALLACE: Sure.

MS. BORNSTEIN: I was looking. The Deputy Secretary had something in her mouth at the time. But I know the Agency and the Agency's Secretary, given that there is an interest in both transportation in housing within the same agency, has looked into the relationship between transportation funds and housing planning.

MS. NEAL: What we would like in the Agency, our mission is that jobs, housing and transportation all go together. That's the way we are trying to look at everything insofar as our planning. It would be very nice if we could use the transportation club against them as far

1 as the housing. In other words, you can't have the transit  
2 dollars if you don't do the housing. However, we cannot do  
3 this at this point in time. In other words, so much of our  
4 transportation money is federal money to begin with so we  
5 really can't do that.

6 What we can do, and are trying to do, is to  
7 establish that if **you** are going to have the transportation  
8 there that means you are going to have the people, that  
9 means you are going to have the housing for the people. **And**  
10 if you want the jobs, you need to have the housing for the  
11 people that are going to take the jobs. So we are using  
12 that tack at this point in time.

13 I agree with what Clark said. Local control is the  
14 main issue that you could not overcome insofar as putting  
15 the kind of teeth into this that many of us that are very  
16 concerned about the housing situation -- at all levels, by  
17 the way. We don't have those clubs.

18 CHAIRMAN WALLACE: You try and override that and  
19 you will be back home selling real estate again.

20 MS. NEAL: Yes, that's right.

21 CHAIRMAN WALLACE: That's not going to be --

22 MS. NEAL: Unfortunately, there isn't any to sell  
23 right now. We think that the carrot approach, as Julie  
24 brought up, the community amenities, helping their building  
25 departments have better inspectors, showing them how to

streamline their process. We think it will work; we do.  
4 But places that don't want it, it isn't going to work.

5 One thing about Marin I will say. They don't want  
6 any of these things, probably. But they were there putting  
7 in applications last year when I sat on the SHIA grants.  
8 They wanted SHIA money for supportive housing. Marin did.  
9 They had two applications from two different groups in there  
E and they got one of them. Of course, I used that tack that,  
C why should we even consider them. I did.

10 CHAIRMAN WALLACE: I understand. Let's not belabor  
11 this. Poor Jerry just brought it out in all his innocence.  
12 It's probably a good idea to look at it but you're never  
13 going to make a dent in Marin.

14 MS. NEAL: No.

15 CHAIRMAN WALLACE: Where I think you have got some  
16 potential in San Francisco relating jobs, housing and  
17 transportation issues.

18 MS. NEAL: Yes.

19 CHAIRMAN WALLACE: San Francisco, San Mateo, Santa  
20 Clara and downtown LA. I wouldn't waste your time on Santa  
21 Barbara, Marin, and with all due respect, probably Palm  
22 Springs.

23 MS. NEAL: And we are doing good jobs in LA.

24 MS. BORNSTEIN: Actually, that's a misnomer. Palm  
25 Springs is very aggressive and quite wonderful in the

1 provision of affordable housing.

2 MS. NEAL: Yes.

3 CHAIRMAN WALLACE: Now let's talk about my home  
4 town.

5 MS. BORNSTEIN: It's just Indian Wells, I think.

6 CHAIRMAN WALLACE: Oh, that's it.

7 MS. BORNSTEIN: It's Indian Wells.

8 MS. NEAL: But on Downtown LA. Of course, we have  
9 the other program, Downtown Rebound, which is our in-fill  
10 rehab, which is extremely -- We have a tremendous amount of  
11 inquiries on that one. We just need to pump up the amount  
12 of money that we have in it and we have gone in and asked  
13 for more. But it's an excellent program.

14 CHAIRMAN WALLACE: Let's go back to our six-year  
15 plan now. It's going to take that long.

16 MR. KLEIN: Mr. Chairman.

17 CHAIRMAN WALLACE: Yes, Bob.

18 MR. KLEIN: In discussing these programs, could  
19 someone just give me a summary of how this fits with the  
20 other down payment programs. There's a school fee rebate  
21 program that is still out there. Which of these can get  
22 used together? And in the aggregate, what percentage of the  
23 cost can they cover.

24 CHAIRMAN WALLACE: Jerry, you want to try.

25 MR. SMART: Sure. We do offer the school facility

3 fee down payment assistance program under our contract  
2 administrated programs. Those are basically grants.  
7 Actually, I should back up and say that there are four  
4 programs, three of them are down payment assistance, one is  
E for rental housing. We currently have allocated **\$67.5**  
E million for down payment assistance. It's a program that  
7 offers a partial or full rebate of the school facility fees  
E paid by developers in those areas where the schools are  
9 compliant with the government codes under the Prop 1A. It's  
10 a statewide program that we offer.

11 However, there are certain programs which are  
12 restricted to certain economically distressed areas.  
13 Program 1 is 12 counties in the Central Valley. The second  
14 program is a sales price program up to \$140,000, that's  
15 statewide. The third program is a first-time home buyer  
16 moderate income program that is statewide offering rebate/  
17 grant assistance.

18 MR. KLEIN: Which of these can be used --

19 MS. PARKER: Bob, let me try to see if I can do it.

20 MR. KLEIN: Okay.

21 MS. PARKER: Again, Jerry is talking about the  
22 school facility fee program. That is only for new  
23 construction. Any home buyer that is typically within our  
24 income, first mortgage, that is in a school area that meets  
25 the proposition's requirements, the home buyer can apply for

2 that money. We have a down payment assistance program, the  
3 second one that is the \$50 million that the state put in.  
4 Those two programs can be combined. We can also -- We have  
5 a CHFA down payment assistance program which in certain  
6 areas for low income that can be a third layer, a third  
7 tier. All three of those could be levered.

8 If we did do the program that we just talked about,  
9 though, we would not be able to do that program with the  
10 three that I just mentioned. It would be in lieu of --  
11 Isn't it in lieu of the California Downpayment Assistance  
12 Program?

13 MR. SMART: The high cost program?

14 MS. PARKER: Right. You could combine it with the  
15 school facility fees program and you could be combined with  
16 'aCHFA CHAP loan; correct?

17 MR. SMART: Correct.

18 MS. PARKER: But not the CHDAP?

19 MR. SMART: The CHDAP can go in a junior position  
20 and is available.

21 MS. PARKER: So it could even with that.

22 MR. SMART: The CHAP program would have to be in a  
23 second but all four of them, actually, could go together.

24 MS. PARKER: Okay. So in that particular case --

25 MR. SMART: They're available in certain  
circumstances.

1 MS. PARKER: In those areas, if it was a newly  
2 constructed home --

3 MR. KLEIN: Right.

4 MS. PARKER: -- and they were within the income  
5 limits you could have four different down payment assistance  
6 programs that would either be mortgage rate write-down or  
7 down payment assistance to try to get somebody into a house.

8 MR. KLEIN: Okay. I think these are very helpful  
9 programs, they are needed, but to be able to be conversant  
10 in them it would be great if the Board could have just a  
11 chart that shows, for existing in a high-cost area and a  
12 standard area, giving us an example, as well as for new  
13 construction giving us an example, so we can see what the  
14 maximum is you can qualify for to figure out whether we are  
15 getting to real credibility.

16 MS. PARKER: I think what we have done in the past  
17 -- Last year I think we tried to show how some of these  
18 programs could be worked. We wanted to get, again, get an  
19 idea if this was something you're interested in. What we  
20 would do is come back as part of the May meeting when we  
21 have worked out what would be a proposal and then give you a  
22 couple of examples. How in Santa Clara County, that the  
23 median income is \$87,000, median sales price is \$440,000 --

24 MR. KLEIN: Right.

25 MS. PARKER: How this could actually work.

1 MR. KLEIN: That would be great.

2 CHAIRMAN WALLACE: Jerry, moving on.

3 MR. SMART: Um.

4 CHAIRMAN WALLACE: I noticed that. Do you have to  
5 do it, Jeanne?

6 MS. PETERSON: No.

7 CHAIRMAN WALLACE: Moving on.

8 MR. SMART: And last is our California Downpayment  
9 Assistance Program. That was the \$50 million state  
10 appropriated funds program that the Board approved last  
11 October. We will continue to run that program through the  
12 coming fiscal year. The way it is going right now we  
13 probably will have just enough funds to cover next year.  
14 Beyond that, I think this program will be fully funded.  
15 That's pretty much the single family proposed Business Plan  
16 that we preliminarily put together.

17 CHAIRMAN WALLACE: There's not a lot of deviation  
18 from what you told us in January.

19 MR. SMART: That's correct.

20 CHAIRMAN WALLACE: Okay, any questions? Jeanne,  
21 any questions?

22 MS. PETERSON: Well, Mr. Chairman, it sounded like  
23 there was a chilling effect on the asking of questions  
24 (laughter).

25 CHAIRMAN WALLACE: How could you say so?

3 MS. PETERSON: I just wanted to say really quickly,  
4 and we were just having a little side bar about it, that to  
5 the extent that we had -- I thought Mr. Klein's question was  
6 a really good one and I'll be looking forward to seeing some  
7 of those things. But to the extent that we have a limited  
8 amount of dollars to use for down payment assistance, for  
9 example, my concern would be that we want, at least from my  
10 perspective, and I believe the Treasurer's perspective, that  
11 we would generally want it to go to the most needy people  
12 who are still eligible to be home owners.

13 So to talk about instituting a program in the very  
14 highest cost counties if you have limited resources, I would  
15 have some concerns about how many of our limited resources  
16 we would devote to that. Ms. Parker was just telling me  
17 that the already extant programs don't really work in the  
18 really high income counties. So to that extent and to the  
19 extent that we could get some of our programs to work in the  
20 counties that would be a good thing.

21 MS. PARKER: I think the issue is that people who  
22 have relative to median income in those counties, the  
23 biggest challenge of home ownership relative to their  
24 incomes, all things being equal -- Obviously, their incomes  
25 are greater than what somebody who is in a county like Butte  
or some of the more rural. But if you look at how much  
their dollars will buy given their burden, this is just

1 trying to see if there is anything that can help those  
2 people.

3 CHAIRMAN WALLACE: Yes. And my point was, there is  
4 a mix of housing and incomes in San Francisco, in San Mateo  
5 and in Santa Clara County. So when you look at this I think  
6 you are going to be stretching it to do it in Marin County,  
7 Indian Wells, Santa Barbara and so on. Even though --

8 MS. PARKER: Well, we would propose to limit where  
9 this would be available.

10 CHAIRMAN WALLACE: Right.

11 MS. PARKER: We are not proposing to make it be  
12 available in Indian Wells. And if the Board is  
13 uncomfortable about any of those counties, we would propose  
14 to limit it further. This is really, in some respects --  
15 And I think that Pat and Julie can both attest to this. I  
16 think that folks continue to ask us, members of the  
17 Legislature are concerned about how to try to help  
18 constituents in their areas. And a lot of us, we don't  
19 know. We don't know what it would take.

20 Now, there's programs in San Francisco where they  
21 are providing for police officers \$100,000 worth of down  
22 payment assistance. CHFA does not have the resources and I  
23 don't know if the state is ready to do that kind of a  
24 situation. We thought that on a very small basis maybe we  
25 could pilot something. That might give state policy makers

3 an opportunity of seeing what it might take. Or in that  
4 sense, if it can't be effective, what policy makers have to  
5 do to focus on the creation of more rental housing so that  
6 people can live in those areas to maintain the businesses  
7 that are driving sales prices through the roof.

8 MS. NEAL: Mr. Chairman, one other comment. I  
9 agree with what Terri just said. It is a dilemma for us.  
10 Even in the high, high cost areas you have -- The bulk of  
11 the population that keeps that community going cannot afford  
12 to live there, policemen, fire fighters, teachers, hospital  
13 workers, small business owners, people who work in  
14 hospitals. These are the people that keep that community  
15 going and they can't afford to live there. That is very  
16 dangerous for the community.

17 CHAIRMAN WALLACE: I agree.

18 MS. NEAL: Because when you have an emergency  
19 situation the people that you need to be there immediately  
20 are not easily available. So that is why we, I think, have  
21 to look at it.

22 CHAIRMAN WALLACE: Just as long as you leave out  
23 Marin I'm happy.

24 MS. HAWKINS: I would say you are very kind, Pat.  
25 I think that they can work out that problem because they  
should be more concerned about it than we should. So  
therefore I would give moving assistance to someone who

1 can't afford a house there and let them move someplace where  
2 there is the mixed-use.

3 MS. NEAL: You want them all in Rancho Cucamonga,  
4 Carrie.

5 CHAIRMAN WALLACE: See, Orinda won't accept that  
6 anyway so why waste our time.

7 MS. NEAL: That's a good point.

8 CHAIRMAN WALLACE: Marin, Indian Wells, Santa  
9 Barbara.

10 MS. HAWKINS: Right.

11 CHAIRMAN WALLACE: Those are different enclaves for  
12 good and valid reasons --

13 MS. HAWKINS: Yes, right.

14 CHAIRMAN WALLACE: Of their own choosing.

15 MS. HAWKINS: Right.

16 CHAIRMAN WALLACE: So let's put our -- San  
17 Francisco could use a heck of a lot.

18 MS. NEAL: Yes, they can.

19 CHAIRMAN WALLACE: And Oakland and Downtown LA,  
20 like the project **we** saw this morning. Where there's going  
21 to be limited dollars -- When all this fleshes out there's  
22 going to be limited dollars. I would say concentrate on --

22 MS. PARKER: This is basically -- What did we  
24 figure, Jerry, maybe 400 loans? We are not talking about  
25 many.

3 CHAIRMAN WALLACE: You could place those in --

2 MS. PARKER: Just give me some sense about what  
7 your consensus is. Three of these counties? Just let us  
4 know because that is the way we will write it up.

5 MR. KLEIN: Does our teacher program deal with high  
6 cost areas?

7 MS. PARKER: The teacher program -- Let me talk a  
8 little bit about why we are doing this and why the  
9 Treasurer's Office asked us to be involved in this. The  
10 Treasurer started this program last year and we were  
11 eligible to apply for it. We did not apply for it, really  
12 for two reasons. One of them was because we were trying to  
13 make the school facility fees program work; and secondly,  
14 because of the Governor's proposal for down payment  
15 assistance, the \$50 million that we were given.

16 That new program we wanted to start -- We obviously  
17 had some loss in our brain trust and we felt it was  
18 important to not take on more than we thought we could  
19 accomplish for our consumers so we did not apply. The  
20 entities that applied for the program the first round were a  
21 number of localities so what they have right now is -- I  
22 don't know. Jeanne, is it like four or five localities?  
23 Actually, Gene Slater may know this because he is a  
24 consultant for many of them. I think there's about four or  
25 five, maybe six localities that are running teachers

1 programs.

2 MS. PETERSON: More than that.

3 MR. KLEIN: Which ones are those? .

4 MR. SMART: I believe Los Angeles. I think Santa  
5 Clara has an MCC program.

6 MS. PETERSON: Right, San Jose.

7 MS. PARKER: So what ends up happening is they,  
8 because they are confined within their jurisdiction -- So if  
9 a teacher was teaching in San Jose but wanted to buy a house  
C in Modesto and be willing to commute, those programs --

11 MR. KLEIN: Right.

12 MS. PARKER: -- have to do the house in their  
13 geographical region. I think the interest in having CHFA do  
14 it is that, if we do it, we can be operating statewide.  
15 There are no jurisdictional or geographical boundaries. So  
16 we thought, in that sense, we would help as an evaluative  
17 tool to see whether that could be a successful program for  
18 recruitment and retention on a statewide basis.

19 MR. KLEIN: I'm just thinking that if we have a  
20 limited number of loans, in high cost areas maybe we might  
21 start by combining some of our funds with the teacher  
22 program and target teachers with deep assistance in those  
23 high cost areas.

24 MS. PARKER: And that is the intention. In this  
25 case, we will be matching what those other programs are

1 doing by providing \$75,000 --

2 **MS. PETERSON:** Hundred.

3 **MS. PARKER:** \$7,500, excuse me, of a forgivable  
4 loan interest that can go along, again, with the other down  
5 payment assistance programs that we mentioned and we are  
6 proposing to use our lowest interest rate loan.

7 **MS. PETERSON:** But **I** think Mr. Klein is suggesting  
8 that maybe for San Jose, for example, being an eligible  
9 community, that we might even extend this additional program  
10 to further benefit the teachers program that already exists.  
11 Right?

12 **MS. PARKER:** I don't know. Could we combine those?  
13 Could you get --

14 **MR. SMART:** For the down payment assistance?

15 **MS. PARKER:** Yes. Could you do --

16 **MR. SMART:** We would be using the same source of  
17 funds so we would only be able to do one of the down  
18 payments.

19 **MS. PARKER:** **So** then it would be a question of  
20 which would be the more advantageous.

21 **MR. KLEIN:** I was really thinking about we had our  
22 teacher program and our deep subsidy program. Maybe we  
23 could combine the high cost area program with our teacher  
24 program because they may need deep assistance in those  
25 areas.

MS. PARKER: Why don't you let us look at it.

MS. PETERSON: That's what I said.

MS. PARKER: We understand. Why don't you let us  
4 look at it.

MR. KLEIN: Okay.

MS. PARKER: We will, again, come back with  
f examples of what could be.

MR. KLEIN: Right. Because our high cost area  
I funds were coming from a different source.

MS. PARKER: No, the extreme high cost area down  
10 payment assistance program, both of those are coming from  
11 the same funding source.

MR. KLEIN: Okay, I understand.

CHAIRMAN WALLACE: Okay.

MS. HAWKINS: Clark.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: I mean, Mr. Chairman.

CHAIRMAN WALLACE: Perfectly acceptable.

MS. HAWKINS: We are getting very casual here.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: From the good old days when you were  
21 not so important.

CHAIRMAN WALLACE: And after my Marin escapade I'll  
23 be tarred and feathered.

MS. HAWKINS: You have always been important. I  
25

3 just wanted to support what you said. There are so many  
4 high cost areas that have a broader band of population that  
5 we can really make an impact in that we don't have to go to  
6 the high, high cost. Those people are being left out  
7 already over in these lower areas. So I just want to say --

8 MS. NEAL: Good point.

9 CHAIRMAN WALLACE: And that's my point.

10 MS. NEAL: That's a good point.

11 CHAIRMAN WALLACE: You can say San Francisco, San  
12 Mateo, San Jose, and I can give you some good reasons for  
13 this. And I'll even say, if you want to include Marin in  
14 your study, fine.

15 MR. SMART: Okay, Mr. Chairman.

16 CHAIRMAN WALLACE: But you don't have my vote.

17 MS. PARKER: Well --

18 CHAIRMAN WALLACE: No, no, no, I'm being -- Let's  
19 get on with it.

20 MS. PARKER: What we want to hear today is where  
21 there is consensus.

22 MS. HAWKINS: You're sorry you asked.

23 MS. PARKER: This is a proposal. What I've heard,  
24 my sense is, let's come back with three counties. That will  
25 certainly give us a test.

CHAIRMAN WALLACE: Come back with four, maybe the  
contrast will be what I said. It's worth pursuing.

1 MS. PARKER: This is what our single family home  
2 ownership proposal is.

3 CHAIRMAN WALLACE: Yes. Who is next?

4 MS. PARKER: Let me introduce Lorrie Blevins,  
E Lorrie is sitting in for Mr. Schienle who is pursuing an  
E academic endeavor at Northwestern University. Lorrie has  
7 basically been running the CaHLIF housing insurance program  
a during his short sojourn into academia. She has got a  
9 presentation to go through which will give you a little  
10 background on where CaHLIF stands and what we have as a  
11 proposal for the Business Plan.

12 CHAIRMAN WALLACE: And we have a handout on that.

13 MS. BLEVINS: Yes you do, Mr. Chairman. I am going  
14 to break my presentation down into three very brief parts.  
15 First of all, a review of CaHLIF's current status for our  
16 fiscal year production, a short discussion on CaHLIF's  
17 transition from CHFA-type loans into the non-CHFA-type  
18 loans, and then finally, our proposed Business Plan.

19 MS. PARKER: Lorrie, speak up just a tad.

20 MS. BLEVINS: How is that? Okay. This graph here  
21 shows our current status broken down by program. CaHLIF is  
22 currently at 65 percent of goal at approximately \$271  
23 million. About \$236 million of that is the RDA and the  
24 PERS/ STRS loans which make up about 83 or 87 percent of our  
25 total production. CaHLIF fully expects to meet our \$400

1 million production goals by July.

2 We still continue to see a dramatic shift from what  
3 was predominately CHFA book of business into the non-CHFA-  
4 type financing. In January of this year 93 percent of our  
5 loans were non-CHFA-type loans. Those loans are going to  
6 Fannie Mae, Freddie Mac, CalPERS, and recently, CalSTRS.  
7 CaHLIF expects to continue in this direction as we continue  
8 to develop relationships with other investors and the GSEs.

9 Our 2001/2002 Business Plan is calling for a  
10 projected volume of **\$715** million. Most of that volume will  
11 be an expansion of existing programs. This first bar graph  
12 is showing you what our current Business Plan calls for.  
13 This bar graph is showing you what the new programs call for  
14 as far as programs and production. As you can see, most of  
15 them are the same as they were last year, with the exception  
16 of an added program, what we are calling the **80/17**. It's a  
17 CaHLIF program that we are working with, also to target high  
18 cost counties, but it will also be available statewide,  
19 hopefully with teachers.

20 CHAIRMAN WALLACE: Bob.

21 MR. KLEIN: The last chart I thought showed --

22 CHAIRMAN WALLACE: Can you back it up one, Lorrie?

23 MS. BLEVINS: Sure.

24 MR. KLEIN: One more.

25 MS. BLEVINS: This one?

1 MR. KLEIN: Yes. CHFA, historically, was a larger  
2 share of the business. And it's great that you are doing  
3 the non-CHFA loans. I'm wondering, why is it that the CHFA  
4 loans are falling off? Why is the volume not sustained in  
5 the CHFA category?

6 MS. BLEVINS: I'm not **so** sure that's a question for  
7 CaHLIF. I think that most of the CHFA book of business is  
8 going mostly toward FHA and VA and that has just gotten  
9 progressively greater over the years. At the same time, I  
10 think that CaHLIF has also expanded their relationships in  
11 doing programs with the private GSEs and private investors  
12 as in CalSTRS and CalPERS.

13 MR. KLEIN: Are the CHFA loans going to FHA and VA  
14 because we have these other **down** payment assistance programs  
15 **so** we don't need as high a leverage in the loans and  
16 therefore we can combine CHFA with those programs? What is  
17 happening?

18 MS. BLEVINS: I'm sorry, is that a question for  
19 Terri?

20 CHAIRMAN WALLACE: Go ahead, Lorrie, and then I'm  
21 going to have --

22 MS. BLEVINS: My **own** opinion would be, possibly  
23 that with the CHFA sales price limits and loan limits a lot  
24 of those products are FHA market. I think that if you can  
25 go FHA/CHFA or VA/CHFA it is hard to beat that in the

private sector. But because of sales price limits and with the current California market, there is such a need that there are -- there's needs for programs to be used that are non-FHA/VA, basically. **And** if you can go FHA/VA you can't really get much better than CHFA. **So** that's, I think, where the split comes.

MS. PARKER: Hasn't that **also** been sort of driven further there because **FHA** doesn't do credit scoring that --

MS. BLEVINS: That's true, that is correct.  
Neither does VA.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I think it's also economically driven, I believe. As I recall, an FHA loan is more profitable, servicing value-wise, than a CHFA loan, servicing value-wise. **So** it's very hard for them not to take advantage of that.

MR. KLEIN: But our volume of loans **is** not going **down**.

MS. PARKER: Oh no. In fact, our first mortgage volume, obviously, is increasing.

MS. HAWKINS: Right.

MR. KLEIN: **So** does that mean that we are doing loans that have larger down payments --

MS. PARKER: No.

MR. KLEIN: -- than they would under the CaHLIF

program?

2 MS. PARKER: No.

3 MS. BLEVINS: No, because the FHA loans require  
4 little or no down also and a VA loan is a 100 percent loan.

5 So I think the CHFA book of business is probably consistent  
6 with what it has been before as far as loan to values, it's  
7 just the way the programs are split now.

8 MS. HAWKINS: I misstated then. You are servicing  
9 the CHFA FHA loan.

10 MS. BLEVINS: Pardon me?

11 MS. HAWKINS: You are servicing --

12 MS. BLEVINS: CaHLIF is not --

13 MS. HAWKINS: It's serviced as a CHFA loan.

14 MS. BLEVINS: A CHFA **FHA** loan is serviced as an **FHA**  
15 loan. Is that your question?

16 MS. HAWKINS: No, as the servicing value of that  
17 loan. I believe that the reason -- I don't want to go into  
18 the technical side of this.

19 MS. BLEVINS: I see what you're saying. Because an  
20 FHA loan is more on servicing release that you have more  
21 originators that would originate that loan as compared to a  
22 conventional loan.

23 MS. HAWKINS: That's what I was saying at first.

24 MS. BLEVINS: Correct.

25 MS. HAWKINS: But I just wanted to make sure

1 because I'm not absolutely --

2 MS. BLEVINS: You're asking whether the servicing  
3 **fees** are the same on the CHFA **FHA** as on a non-CHFA FHA? I  
4 think so but I'm not sure.

5 MS. HAWKINS: I think if they are the same then  
6 it's simply just because the FHA insurance and the VA  
7 insurance is just, I think, they feel more secure with that  
8 than they would with the conventional.

9 MS. BLEVINS: **And** also, I think **Terri** had a good  
10 point on the credit scoring. Although CHFA doesn't -- We  
11 don't credit score on the CHFA conventional book of  
12 business. But marketplace, I think in general, FHA and VA  
13 are out there without credit scores, where most conventional  
14 loans are tied to credit scores.

15 CHAIRMAN WALLACE: Okay.

16 MS. BLEVINS: Okay?

17 CHAIRMAN WALLACE: Moving on. Thanks, **Lorrie**.

18 MS. BLEVINS: Okay. So are there any questions on  
19 our volume for the next year? **CaHLIF** expects to continue  
20 that \$715 million volume over the next five years for a five  
21 year plan of \$3.5 billion. We will continue to push the  
22 envelope, **if you** will, with the **GSEs** on the lenders and  
23 rating agencies to provide for programs that will eliminate  
24 or lower the credit scores. We are trying to develop  
25 programs that will provide for little or no down.

3           Most of our programs that we have, in fact, all of  
4 the programs that we currently are insuring provide for 100  
5 percent financing in some fashion, either a straight 100 or  
6 a 97 or 95 first lien with a three-year 5 percent  
7 subordinate lien. The 80/17 will be an 80 percent first  
8 loan with a 17 percent subordinate lien. So we will still  
9 be pushing those kinds of programs to try and provide  
10 affordability in the high cost areas and develop  
11 relationships with the localities and nonprofits to complete  
12 that endeavor. That is the conclusion --

13           MS. PARKER: As you know, what John has continually  
14 been doing is creating programs that he is moving to market  
15 and then he sort of puts himself out of business. In fact,  
16 hasn't Fannie just recently come up with a 100 percent loan.

17           MS. BLEVINS: Freddie Mac announced a 100 percent  
18 program.

19           MS. PARKER: Right.

20           MS. BLEVINS: CaHLIF did the pilot on that program.

21           MS. PARKER: Right.

22           MS. BLEVINS: And they have made it a national  
23 program now.

24           MS. PARKER: So to the extent that we do that, we  
25 create an environment where John will have to find that new  
niche. We are working very practically with the pension  
funds and we are very anxious to try to see what this 80/17

3 program might produce when working in Santa Clara County and  
2 the Housing Trust Fund.

3 MR. KLEIN: In the 80/17, the 17 is coming from..?

4 MS. PARKER: Well, that depends on -- There's two  
5 different programs right now. In one program, the 17 comes  
6 from a private placement bond -- a financial transaction.  
7 In the housing trust, the 17 is actually allotted to a  
8 variety of different partners.

9 MS. BLEVINS: Correct.

10 MS. PARKER: So I can't give you -- In fact, Lorrie  
11 **knows**. This is exactly the question I have asked her. It  
12 may be each partner that we try to partner with could have a  
13 different arrangement for how the 17 is arrived at. Either.  
14 a single, if it's possible, or a different set of investors.

15 MR. KLEIN: And CaHLIF limits. I don't recall, are  
16 they higher than the new Fannie Mae limits?

17 MS. PARKER: Sales price?

18 MS. BLEVINS: As far as loans that we can insure?  
19 Actually, with the Cal/STRS loans we are. CalSTRS on our  
20 95/5 program, the maximum loan amount under that program is  
21 \$350,000, first and second.

22 MS. PARKER: But we don't have sales price limits,  
23 per se, on CaHLIF.

24 MS. BLEVINS: No, we don't have sales price limits.

25 MS. PARKER: There is only -- There is income

3 limits that traditionally we are supposed to go to by  
2 statute but not sales price limits.

MS. BLEVINS: We are generally subject to the  
4 limits as set by the investor in the program.

MR. KLEIN: And outside of Cal PERS/STRS. The  
5  
6 \$250,000 limit is -- what is the next limit ceiling?

MS. BLEVINS: What is the next one on our program?

MR. KLEIN: PERS and STRS are at \$350,000.

MS. BLEVINS: We are not insuring any of the \$350  
7  
8  
9  
10 million PERS loans. Our PERS program is strictly a 97/3.  
11 The only one that we're doing is with CalSTRS and that was a  
12 maximum of \$3508000.

MR. KLEIN: Okay.

MS. BLEVINS: The 80/17 program that we are working  
13  
14 on for the Senate's Santa Clara County housing trust would  
15 be anticipated of the \$400 sales price or 520. So we are  
16 looking at a \$32080008 maybe, first loan amount.

(Mr. Czucker, Ms. Easton and  
17  
18 Ms. Hawkins exited the meeting room.)

MS. PARKER: Since we are losing some of you I  
19  
20 think we want to get to multifamily.

CHAIRMAN WALLACE: That's my very -- You took the  
21  
22 words right out of my --

MS. BLEVINS: Thank you, that is the end of my  
23  
24  
25 discussion.

CHAIRMAN WALLACE: Thank you, Lorrie. Linn. In the back of your morning packet is your Business Plan. If you pull out the front sheet that he used this morning, Lender Loan Program, the third sheet is Multifamily Programs Business Plan.

MR. WARREN: That is correct. Thank you, Mr. Chairman. The multifamily business plan really has five areas. The first has to do with preservation, still a main thrust for us. In that area, we have the regular preservation, which are normal lending operations on, basically, projects that come in the door that we are asked to provide preservation financing for. The second is our 236 portfolio purchased last year from Fannie Mae. I'll touch on that a little more extensively in just a few minutes on the Business Plan for that.

A third area is the opportunity fund. This is a high-leveraged acquisition program that is being discussed in Sacramento; the objective here would be to utilize funds to go out on a short-term basis to acquire at-risk Section 8 properties, to position them and then later come in with the permanent financing that we normally do to preserve the affordable housing stock.

The two newer initiatives, as we discussed at the last Board Meeting are the HUD 202 projects, regulations are being written based upon legislation that was passed last

1 year. The idea here being to preserve the affordability,  
2 refinance them, and in some cases convert components of it  
3 to assisted living.

4 In the last area are the expiring tax credit  
5 projects. The first ones are coming down in the next year  
6 or two and CHFA, in conjunction with CHPC, will be looking  
7 at models to preserve the affordability. The restrictions  
8 on these credit projects are not nearly as extensive as the  
9 credit projects we have done today. So there may be some  
10 degree of opt-out risk that you would want to address.

11 Again, the new construction. You got a pretty good  
12 indication today of where we are headed in this. We had a  
13 traditional take-out permanent loan program, the Lender  
14 Loan, which we discussed today; and then the bond re-funding  
15 program. This is the program, again, where the locality  
16 obtains the allocation and CHFA on a permanent loan basis  
17 would refund those bonds, taking out private placed banks.

18 Special needs. Still a component of what we are  
19 doing. **As** I indicated in my remarks earlier today, we are  
20 asking sponsors to bring us deals that are far more  
21 advanced. **So** from a staff constraint standpoint we could  
22 address them. SHIA is the Supportive Housing Initiative Act  
23 and many of these will be linked to SHIA. So we do expect a  
24 certain amount of volume. Again, with the shorter-term  
25 loans versus longer-term debt we think we can impact the

projects more appropriately.

3           The fourth area, Section 8/CHFA portfolio  
4 mismatches. These are Section 8 loans in which the  
5 contracts are due to expire within the next few years, but  
6 the loan term itself may extend for 10 or 20 more years.  
7 Some of the documentation may not necessarily guarantee  
8 affordability at the level we would like after the Section 8  
9 expires, so in our Section 8 portfolio this particular  
10 component will draw the most attention and we will be coming  
11 up with financing plans to try to save some of them. **An**  
12 example would be, earlier in the year or last year you saw  
13 the O'Farrell project in San Francisco. That was a  
14 mismatched Section 8. We came up with the financing plan to  
15 save that particular project.

16           The last product I've added here. I think this is  
17 important for us to look at. This is the taxable moderate  
18 income. There have been a number of studies that have come  
19 out recently, particularly germane to California, in which  
20 moderate income folks really are not being served in a large  
21 degree by affordable housing projects. And I think it is  
22 important that the Agency at least explore these types of  
23 loan products with our 20 percent at 50 and perhaps some  
24 incrementally higher set of rents in the moderate range.  
25 The difficulty being equity and other development costs.

          But I think it is important that we at least look

at this. We are going to try to model what we do after what is being done in New York State. They have a very successful moderate income project that is centered around the five boroughs and we are going to basically try to steal it. We'll see how that goes.

Core business volumes for the year, very quickly. Preservation, \$110 million. This includes **236** activity for our portfolio. New construction, \$120 million. Again, with the new bond allocation and such, we think there will be an expansion here. CHFA would like to kind of get ourselves back into the new construction business. Special needs is up \$20 million. This is reflective of the Loan to Lender short term rate-type of lending program versus the smaller long term loans; it gives us a production goal of \$250 million. That's about where we are going to be this year anyway. Then 80 percent of that will be tax exempt and the balance will be taxable. **So** fairly ambitious. But like I said, it's similar to the **volume** that you can expect by the end of this fiscal year and we think it's doable depending upon the markets and the availability.

The second area I would like to go into very briefly. In the back of your binder is a preliminary Business Plan for the **236** portfolio. We elected to bring some **of** these issues up today in anticipation of requests we are going to make in the May Board. By way of overview in

3 the portfolio, these are percentages. As you can see,  
4 there's a large concentration of these Fannie Mae 236 loans,  
5 now CHFA 236 loans. In LA County, a fair number in the Bay  
6 Area and in San Diego. The Other category are basically  
7 spread throughout the valleys.

8 One thing we found out which is very interesting is  
9 almost half of the portfolio are owned by nonprofits, which  
E mitigates the opt-out risk. The other half are for-profits.

c Another interesting component that came out of this was  
10 that under LIHPRA, which is the preservation act of the late  
11 80s, 24 percent of the loans are under long-term use  
12 restrictions under LIHPRA. So there's a much limited at-  
13 risk component of the portfolio at that point in time.

14 MR. KLEIN: Is the 24 percent part of -- Is it  
15 evenly split between for-profit and nonprofit?

16 MR. WARREN: Primarily for-profit, Mr. Klein.

17 MR. KLEIN: So a significant portion of the for-  
18 profit is under less of a risk than we would have  
19 anticipated.

20 MR. WARREN: Yes. I'm not sure of the exact  
21 percentages, but of the for-profit it is not as serious as  
22 we once thought. The opt-out prepay, this is interesting.  
23 Since acquiring the portfolio only about four percent has  
24 run off, and some of those are included in our own  
25 financing. So there's not the real out-migration risk for

the projects that we first thought. So that's a good thing.

It allows us some time to develop a business plan. The portfolio averages, as you might expect, these are somewhat smaller projects and they're about 30 years old.

In the Business Plan there are really -- there's some objectives and some requests for your consideration. Our goal is to focus on the most projects that are most at risk. These would be for-profits in metropolitan areas that are at risk of going to market. We want to react quickly to the opportunities. This would include our acquisition financing, and obviously, some fairly dedicated turnaround to address the properties in a rapid fashion. We may wish to develop some specific loan products that are directed directly at the 236 portfolio. We haven't quite signed off on this yet, but there may be something specific that we can do with respect to this portfolio only for the purposes of getting the affordability.

There are two components that we ask the Board to think about and maybe comment and give us some direction. We think we have an opportunity with this portfolio to employ an outside loan originator. And the reason we think this is important is we have staff constraints, clearly. To hire qualified staff to process these loans, and if we have 20 or 30 additional loans a year, staff would be somewhat constrained in accomplishing that.

3           We would like to, over the next couple of months,  
2 talk to potential originators with the idea of perhaps  
3 selecting only one to do the processing for the 236 loans,  
4 whether they be re-fis, sales or whatever the loan product  
E is, and also perform any appropriate HUD processing. This  
E would be Mark-Up-to-Market, Mark-to-Market, 236  
5 administration. All of the stuff, if you will, that goes  
E into processing a HUD transaction.

9           We would look for an originator who could do both  
10 tasks for us. I use the words, DUS-type experience. I use  
11 that not necessarily because they're Fannie Mae approved but  
12 because they have set guidelines and procedures that we  
13 could piggy back on and just use them. Areas as far as  
14 compensation and such like that, it's too soon for us to  
15 tell. But we think it's appropriate with this portfolio to  
16 explore this possibility. We may not find what we need but  
17 we would like to pursue that and see if there's a way we can  
18 leverage our own resources with an outside originator.

19           The second issue, which is, again, brand new, and  
20 that's Board delegation. One of the things we would like to  
21 think about as we have these additional projects coming  
22 through for the coming fiscal year, would the Board consider  
23 a delegation within a prescribed set of guidelines to have  
24 our senior staff at CHFA be the loan approval. Then each  
25 Board Meeting we would come and report what we are doing.

1           **As** with today, we spent a great amount of time this  
2 morning on projects. That can only increase, we think, for  
3 next fiscal year. We ask that the Board at least give us  
4 direction and think about some limited degree of delegation,  
5 again, only for the **236** portfolio, within some very specific  
6 guidelines that we can proceed to underwrite and fund and  
7 place the loans with the sponsors without coming to the  
8 Board on a bi-monthly basis.

9           So that in a nutshell is what we have for the **236**.  
10 The business plan, again, is there. We will flesh that out  
11 and make that more formal for the May Board. I would be  
12 happy to entertain any questions.

13           **CHAIRMAN WALLACE:** Should we give them our off-the-  
14 cuff unannointed view on those two requests? **JoJo**, you go  
15 first. (Laughter). I don't see any problem of going  
16 outside for an originator if you set the criteria. Then you  
17 get into -- Get some numbers and apply it. I can see that's  
18 probably productive. Does **CHFA's** unique status, statutory  
19 status, allow that sort of thing? I had a hell of a time  
20 doing stuff like that at the Department of Real Estate.

21           **MR. WARREN:** That's one of the questions that we  
22 have that we have to ask, whether we can do that.  
23 Obviously, something similar in single family. We don't  
24 know of any prohibitions but it is something that we have to  
25 explore.

3 CHAIRMAN WALLACE: I probably want to see what --  
2 My suspicion is if you do it in-house Jackie is going to go  
3 crazy on us and we're going to have to have some long-time  
4 buildup and lack some of the flexibility that we might have  
5 if we contracted on an annual or some kind of term basis on  
6 the outside.

7 MR. WARREN: I think the 236 portfolio is a self-  
8 limiting portfolio.

9 CHAIRMAN WALLACE: Yes.

10 MR. WARREN: It will eventually take care of itself  
11 and go away in some form or another. If we staff up for  
12 that then we have, potentially, excess staff.

13 CHAIRMAN WALLACE: **And** there's clearly some players  
14 out there that do this very thing now on a nationwide basis.  
15 There have to be.

16 MR. WARREN: There has been interest. There has  
17 been. And they are, coincidentally, **Fannie Mae DUS**  
18 originators.

19 CHAIRMAN WALLACE: I would sure explore that.

20 MS. PARKER: I was just going to say, for a variety  
21 of reasons the ability to move quickly on this. This way,  
22 we essentially can act on a contractual basis. We don't  
23 have to worry about hiring people, then they become civil  
24 service, what do we do with them when the program goes away.  
25 It also helps -- These projects are all over the state.

3 Rather than trying to hire that right person in LA or  
2 Sacramento, I think we can deal more efficiently and  
1 effectively this way for this particular program.

4 MR. KLEIN: And would this operate like a DUS?  
5 Would the contract originator retain any risk-sharing?

6 MR. WARREN: I didn't think so, Mr. Klein. I think  
7 we're looking right now, for lack of a better term, a  
8 packager. All the funding initially would come from CHFA.  
9 We would pay a fee for the packaging. It would not be like  
10 a DUS situation that if you build the loan within the  
11 particular Tier 2 guidelines you have to buy it. We are not  
12 going to do that. At least, to begin with, I don't see that  
13 happening. We will probably end up revisiting the use of  
14 risk-share, for example, as an insurance device. That may  
15 come back in. But for right now it would depart from the  
16 DUS model that way.

17 MS. PARKER: It's a little bit like the  
18 relationship we have on the single family side --

19 MR. WARREN: It is similar.

20 MS. PARKER: -- with our lender network.

21 MR. WARREN: It is not a loan purchase.

22 MS. PARKER: And the benefits that they serve for  
23 the Agency.

24 MR. KLEIN: Okay.

25 CHAIRMAN WALLACE: That's well worth exploring.

I'd give us, though, a kind of pro and con of in-house, out-house, the lack of flexibility in-house to gear up, and more importantly, gear back down. Things like that. Give us a little pro and con analysis. But it's certainly worth pursuing, I would think, if you can establish that we are legally and politically and the bargaining units aren't going to go crazy on you. That sort of thing. If it's feasible, I think this sort of portfolio could use that sort of flexibility.

10 MR. WARREN: It could, Mr. Chairman. One downside,  
11 obviously, is with all Section 8 preservations there are a  
12 lot of moving parts and we may be unable to come up with a  
13 set of guidelines that would allow an originator to  
14 basically be free to work in an environment without having  
15 to pick up the phone every five minutes. If we can't build  
16 that particular box then the effort is not worth it, but we  
17 are going to try to do that. But it is entirely possible  
18 that with all the moving parts of Section 8 it might be  
19 tough for a street originator to do all these things. We  
20 shall see.

21 CHAIRMAN WALLACE: Now on the delegation, the  
22 management issue, I'd say that's worth exploring also. I  
23 think that's creative and worth pursuing. We do that for  
24 single family now, in effect. You set the criteria and you  
25 run that program and you report back to us. You're talking

about the same thing in a limited area here for this portfolio. Again, in my off-the-cuff opinion that's certainly worth taking a hard look at. Anybody else? I'm the only one. I lost on Marin so you can't guide by me. Anybody? Okay. Is it worth pursuing?

MS. BORNSTEIN: Yes.

MR. KLEIN: Yes.

CHAIRMAN WALLACE: Okay.

MS. PARKER: Well, this is very helpful. We wanted to get to a point at today's meeting to have enough work done. And I should say maybe in some closing remarks, we did have our annual stakeholder meetings where we have essentially asked, on the home ownership side, our self-help builders to come in and give us some input. Linn meets on a regular basis with our multifamily for-profit and non-profit developers.

We want to be far enough in our discussion with you today to give you some comfortability about where we are going so that when we come back in May that you are comfortable with what we have in the Business Plan, put together in totality. I think that there's a lot of -- Continuing those things that have been working very effectively for us, that we have been able to accomplish in the last couple of years. We will build on that and have some additional programs.

1 We didn't go into it, you'll see it next meeting,  
2 but many of the programs we are having success on, our HELP  
3 program, our self-help builders program, those will all be  
4 in there. What we have tried to do today is give you a  
5 sense on the margin. Those things we are building on and  
6 growing that will be new for your consideration.

7 CHAIRMAN WALLACE: Okay, we're moving off the  
8 Business Plan. You've --

9 MS. PARKER: I think Jeanne and Bob had --

10 CHAIRMAN WALLACE: You've got more?

11 MS. PETERSON: Very briefly. I just wanted to ask  
12 whether or not staff had given any thought to, and to also  
13 ask, perhaps, that staff being very creative and clever,  
14 could give some thought to any possible energy mitigation  
15 programs that we could begin, either in the single family or  
16 the multifamily area.

17 CHAIRMAN WALLACE: Talking like Bob Klein. Do you  
18 want to second that motion?

19 MR. KLEIN: I would like to support Jeanne  
20 Peterson's position and specifically ask whether the Agency  
21 might bring to the Governor's attention that the \$1 billion  
22 that he had put on the table publicly for conservation in an  
23 attempt to get some quick-installed energy conservation, my  
24 understanding is the bill as of this week has been amended. .  
25 So the original objective has been changed to now instead

3 of going into residential conservation it's being directed  
2 towards public entities.

3 And I would suggest that affordable housing, as an  
4 alternative priority, has a lot of advantages for the  
5 Governor in accomplishing his original objectives. Number  
6 one, if it's going into rental affordable housing in high  
7 cost areas it is going to get almost a two-to-one leverage  
8 because of the tax credit proceeds that would effectively  
9 apply to the same equipment. Those are short life appliance  
10 items so that in yield their depreciation is going to bring  
11 up the proceeds as well, averaging about 50 percent of  
12 proceeds. So he's going to get a two-to-one leverage for  
13 his \$1 billion.

14 Secondly, going to public entities it's apt to be  
15 debated, assigned to committees, alternatives will be  
16 studied, costs will be bid out. It will be sometime next  
17 year before he gets construction. Whereas, if it goes to  
18 affordable housing, the first bond allocation will be going  
19 into construction in May and June. He will get the money  
20 put in place this summer, which is his real objective.

21 So A, he can get leverage, two-to-one; B, he can  
22 get a faster implementation of energy conservation; and C,  
23 he can help protect the most vulnerable part of the  
24 population. And he can do that while the leveraging the  
25 affordable housing resources and increasing the 'affordable

1 housing opportunity. So I would suggest that if it's the  
2 sense of the Board that we have some kind of a communication  
3 summarizing the strengths of prioritizing affordable housing  
4 for conservation dollars, as compared to this most recent  
5 movement to put it into public buildings.

6 CHAIRMAN WALLACE: All in favor say aye.

7 MR. KLEIN: Aye.

8 CHAIRMAN WALLACE: You lose, Bob. That's probably  
9 a good idea. But you just told Pat and Julie. You're  
10 surrounded by those that influence the Governor most in the  
11 housing arena. Pat, is this something that gets on your  
12 Agency's radar screen?

13 MS. NEAL: Well, the Secretary sits on the ISO  
14 board so we are very involved in the entire process.

15 CHAIRMAN WALLACE: Sure. Would it be helpful if  
16 CHFA originated a communication along those lines?

17 MR. KLEIN: Summarizing the benefits.

18 MS. NEAL: Well, I think that Terri could certainly  
19 -- She comes over and talks to us and we dialogue on these  
20 things all the time so I think that that would be  
21 sufficient, really.

22 MS. PARKER: *Why* don't we -- Maybe Julie and I  
23 could work with Pat. Pat has the benefit of the Secretary's  
24 ear, and location, location, location.

25 CHAIRMAN WALLACE: You mean the office next to the

3 Secretary.

2 MS. PARKER: She's right there.

3 MS. NEAL,: Yes, exactly.

4 CHAIRMAN WALLACE: Let's do that.

5 MR. KLEIN: Great.

6 CHAIRMAN WALLACE: I'm hearing that's worthwhile  
7 and we can handle it on this level.

8 MS. NEAL: Sure.

9 CHAIRMAN WALLACE: Okay?

10 MS. NEAL: Yes.

11 CHAIRMAN WALLACE: Good. Anything else on the  
12 Business Plan? Thank you.

13 OTHER BOARD MATTERS

14 Moving on to Item 7, other Board matters or reports  
15 not otherwise agendized. I have got Dr. Carlson in the  
16 audience. He submitted his usual erudite reports. Do you  
17 want to say anything about them, Ken? It sounds like we're  
18 doing fine.

19 MR. CARLSON (FROM AUDIENCE): I don't want to  
20 volunteer. I don't need to extend the time of the meeting  
21 for my own benefit.

22 CHAIRMAN WALLACE: Let me turn it around. Are  
23 there any questions based on both the prior information that  
24 he gave us on the variable rate loan status as well as the  
25 handouts today?

1 MR. KLEIN: He's getting fabulous results.

2 CHAIRMAN WALLACE: He sure is. You're getting  
3 fabulous results.

4 MR. CARLSON (FROM AUDIENCE): Thank you.

5 CHAIRMAN WALLACE: Stay where you are. Okay. Di,  
6 any questions or do you have anything compelling that we  
7 need to know? You submitted a report also.

8 MS. RICHARDSON: I think I would tell you that's a  
9 very preliminary report after going through the gazillions  
10 of bills that were introduced in the last few days. You'll  
11 see some really strange things on that list. Don't get  
12 overly concerned. I've been calling and most of them have  
13 assigned things to CHFA just because they didn't know what  
14 CHFA was or who else to give it to, so I expect those to  
15 change.

16 CHAIRMAN WALLACE: When term limits change.

17 MS. RICHARDSON: No, that will just make it worse,  
18 so just keep going.

19 CHAIRMAN WALLACE: Certainly at the top of page  
20 two, AB 999, which we talked about early this morning.  
21 There's the synopsis that accompanies the bill. Angelo  
22 asked for a preamble there. We're going to give you more  
23 than that because this is pretty vanilla, it doesn't tell  
24 you very much. But there's a few things that might jump out  
25 at you there. Other than that -- And our cap bill is

Migden's?

: MS. RICHARDSON: Correct.

: CHAIRMAN WALLACE: And that's probably going to  
4 work out.

' MS. RICHARDSON: I'm sure it will.

( CHAIRMAN WALLACE: Any other highlights, Terri or  
' Di? Any questions?

{ MS. PARKER: No.

9 CHAIRMAN WALLACE: Any other items under number 7?

10 **PUBLIC TESTIMONY**

11 Anybody under number 8, items for public testimony  
12 that weren't otherwise agendized? It's 2:13. Let's shut  
13 this operation down for today and all take the rest of the  
14 day off. Thank you.

15 (The meeting was adjourned at 2:13 p.m.)

16 --000--

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CERTIFICATION AND  
DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed three (3) tapes in number and this covers a total of pages 1 through 181, and which recording was duly recorded at Sacramento, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 8th day of March, 2001, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 28th day of March, 2001, at Sacramento County, California.



Ramona Cota, Official Transcriber

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**MEMORANDUM****To:** Board of Directors

Date: May 1, 2001

**From:** Theresa A. Parker, Executive Director *TAP*  
**CALIFORNIA HOUSING FINANCE AGENCY****Subject:** UPDATE TO THE CHFA FIVE-YEAR BUSINESS PLAN  
Resolution **01-18**

I am very pleased to offer for your consideration the ninth annual CHFA Five-Year Business Plan (**2001102 - 2005106**) and a resolution for its adoption. This proposed update to the plan has been prepared based upon policy discussions and direction consistent with the Board's philosophies as received throughout the past year. It will act as a road map for staff to follow and for the Board to measure our performance as together we carry out the Agency's core mission to finance below market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership.

Development of this year's plan update has been an ongoing effort over the last year as we incorporated concepts discussed at the Board meetings. **As** in previous years, we have also hosted focus group discussions with our lender and developer client base to hear their reactions to our preliminary proposals.

The updated plan proposes a record-setting **\$10.1** billion of housing-related economic activity over the next five years. **This** level of activity includes **\$5** billion of new home mortgages, **\$1.27** billion of multifamily lending, **\$3.6** billion of CaHLIF mortgage insurance, and an additional **\$209.5** million of lending in support of our mainline activities. New construction to **be** stimulated over the five-year period of the plan is estimated to support the creation of **47,500** new jobs.

In addition to the activities outlined in the plan, new housing opportunities can be expected to arise throughout the five-year planning period. **As** in previous years, the staff intends to respond dynamically to these market opportunities as they are emerge, bringing them to the Board for approval at the appropriate time.

It should also **be** noted that, in addition to the **\$10.1** billion of CHFA/CaHLIF programs, the updated plan describes another **\$150** million of housing programs that the Agency currently administers by contract.

In order to realize the goals of the plan as well as take advantage of new product opportunities, the staff will creatively leverage our financial resources, including private activity bond allocation, while managing risks in a fiscally prudent manner. As in prior years, we will strive to reach our customer base of very low to moderate income families by promoting greater affordability and by emphasizing the preservation of federally-assisted rental housing. We will continue our focus on improving customer relations and client satisfaction, recognizing the crucial role of the private sector to deliver our services to homebuyers and renters. Successful implementation of the plan will depend on our ability to take advantage of significant partnership opportunities, including an important role for small businesses. And finally, we will continue to look at innovative ways to utilize emerging technologies to ensure operational efficiencies.

The staff of the Agency looks forward to the next five years of opportunities to work with the Board of Directors to implement the goals and objectives of the Business Plan and help make housing more affordable to the citizens of California.

GRAY DAVIS, GOVERNOR  
STATE OF CALIFORNIA



**CALIFORNIA HOUSING FINANCE AGENCY**

***FIVE-YEAR BUSINESS PLAN***  
***FISCAL YEARS***  
***2001/2002 TO 2005/2006***

***FOR PRESENTATION TO THE***  
***BOARD OF DIRECTORS***  
***MAY 17, 2001***

***CLARK WALLACE, CHAIRPERSON***

***PHIL ANGELIDES***  
***MARIA CONTRERAS-SWEET***  
***EDWARD M. CZUKER***  
***ANGELA L. EASTON***  
***TIM GAGE***  
***STEVEN A. NISSEN***

***CARRIE A. HAWKINS***  
***KEN S. HOBBS***  
***ROBERT N. KLEIN II***  
***JULIE BORNSTEIN***  
***ANGELO R. MOZILO***

***THERESA A. PARKER, EXECUTIVE DIRECTOR***

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**CALIFORNIA HOUSING FINANCE AGENCY**  
**FIVE-YEAR BUSINESS PLAN**  
**Fiscal Years 2001/02 - 2005/06**  
**EXECUTIVE SUMMARY**

### **2001 Business Plan Overview**

CHFAs 2001 Business Plan proposes **\$6.48** billion for homeownership and multifamily lending programs and \$3.6 billion in loan insurance activity for a total of **\$10.1** billion for the 2001/02 to 2005/06 five-year period. This compares with **\$8.41** billion of CHFA programs proposed for the five-year period of the previous plan. This increase in proposed new business stems from changing market conditions and new opportunities which promote more aggressive multifamily lending programs and mortgage insurance activities.

The planned level of home mortgage lending would be continued again this year at **\$1** billion per year for 2001/02 and for the remainder of the five-year plan period, thus maintaining a five-year target of \$5 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the \$1 billion goal should be attainable in the coming fiscal year given the amount of our calendar year 2001 private activity bond allocation. Beyond 2001, however, additional annual allocation will be required as our opportunities are reduced to re-use allocation received from prior years.

For multifamily lending the 2001/02 goal is \$255 million, with a total target of \$1.275 billion for the five-year period. Projections of increased use of our very successful Preservation Loan Program as well as new opportunities in Lender Loan and Locality Bond Refunding Programs account for the doubling of the previous plan goals.

Total CaHLIF activity in the 2001 plan is proposed at \$733 million for the 2001/02 fiscal year and \$3.6 billion for the five-year period. This compares to 2000 plan goals of \$436 million in fiscal 2000/01 and **\$1.9** billion for the 2000/01 - 2004/05 plan period. Over the past five years CaHLIF has doubled its portfolio and changed its emphasis away from insuring primarily CHFA loans.

### **Housing Activity to be Stimulated**

It is estimated that the new construction activity (\$2 billion in newly-constructed homes and \$250 million in new affordable multifamily rental units) financed under this plan will support the creation of **47,500** jobs (Source for multiplier: Construction Industry Research Board). In addition, there will be a significant economic impact resulting from CHFAs financing of resale homes and multifamily acquisition/rehabilitation projects and from CaHLIF's mortgage insurance.

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**CALIFORNIA HOUSING FINANCE AGENCY**  
**Five-Year Business Plan**  
**FISCAL YEARS 2001/02 - 2005/06**  
**INTRODUCTION**

### **Plan Purpose**

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CHFA) with a proposed business plan for the next five fiscal years. This plan is intended to enhance the Board's ability to address the affordable housing needs of California by instituting a comprehensive framework for Board decision-making, by providing guidance to staff, and by setting forth benchmarks against which to measure the success of programs and the effective use of operating resources. As such, the particular housing finance and loan insurance programs recommended in the plan were formulated in an effort to increase homeownership opportunities and the multifamily affordable housing stock, maximize CHFA's restricted resources and stimulate the housing-related economy of California.

### **Background**

CHFA was created in 1975 as the State's affordable housing bank. The federal tax exemption available on State-issued debt enables housing finance capital to be provided at below-market interest rates without adding to the debt burden of State taxpayers. CHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and it is also authorized through the California Housing Loan Insurance Fund (CaHLIF) to provide both mortgage and bond insurance.

CHFA's primary purpose and its mission, according to State law, is to meet the housing needs of persons and families of low to moderate income.

CHFA's programs can be divided into three major areas: single family home loan programs (for home ownership), multifamily loan programs (for rental properties) and mortgage loan insurance programs (for home loans).

### **Assumptions Underlying Plan Goals**

It must be recognized that the levels of activity projected for each program are based on assumptions regarding key factors over which CHFA does not, in many cases, exercise control. The following are some of the key assumptions on which the projections depend: receipt of State allocation of private activity bond issuance authority, continued authorization of the federal tax exemption for housing bonds, investor demand for bonds, continued investor appetite for newly-created, higher risk mortgage insurance products; timely implementation of new partnerships, continued authorization of the federal multifamily tax credit program, ongoing demand from first-time home buyers and rental housing sponsors, continued low and stable rates of interest, and State and local agency financial participation.

The Agency's programs and its organization are flexible enough to allow CHFA to respond to changing circumstances in revenue projections, programs, and economic conditions, and to accommodate any unanticipated adjustment of CHFA's priorities.

### 2000 Business Plan - Progress to Date as of May 2001

As shown in the table below, CHFA lending programs for fiscal 2000/01 are currently projected to slightly exceed their combined \$1.9 billion goal.

	<b>2000-2001 GOAL</b> <i>(millions of dollars)</i>	<b>ESTIMATED ACTUAL</b>	<b>PERCENTAGE OF GOAL</b>
Homeownership Programs	\$1,000	\$1,000	100%
Multifamily Programs	489	545.4	112%
Insurance Programs	411	415.3	101%

Home loan volume is projected to reach the \$1 billion goal for the year, a production level that will match last year's record-setting pace. Full employment, generally favorable economic conditions, downpayment assistance, the 365-day-per-year availability of our loan product, and our active program management all contributed to the achievement of the high level of home loans originated.

Multifamily lending commitments are projected to total \$545.4 million for fiscal 2000/01, substantially above last year's \$190.2 million level of achievement. The main reason for the increased volume was the purchase of Fannie Mae's Section 236 California portfolio with total loans equaling \$269 million.

Insurance activity is projected at \$415.3 million in fiscal 2000/01, slightly above the goal of \$411 million in the 2000 plan and a 160% increase over last year's production. Program goals are being met for insuring CHFA home loans, for the conventional mortgage 97% CaHLIF insurance program, and for the 100% Loan/FHLMC program. CaHLIF achieved an important milestone in the 2000 calendar year by underwriting new insurance for significantly more conventional loans (1,675) than CHFA loans (394).

### 2001 Business Plan Overview

CHFA's 2001 Business Plan proposes a total of \$6.48 billion for housing programs and \$3.6 billion in insurance activity for a total of \$10.08 billion for the 2001/02 to 2005/06 five-year period. This compares with \$8.76 billion of CHFA/CaHLIF programs proposed for the five-year period of the previous plan.

The planned level of homeownership first mortgage lending is again proposed at \$1.0 billion per year for 2000/01 and for the remainder of the five-year plan period thus maintaining the five-year target at \$5.0 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the \$1.0 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation we expect to receive this calendar year. However, beyond the year 2001 annual allocation amounts in the \$300 - \$400 million range may be required for us to reach our goals. The additional allocation would be needed to make up for the expected decline in opportunities to recycle authority received in prior years.

For multifamily lending the 2001/02 goal is \$255 million, with a total target of \$1.275 billion for the five-year period. Increased recent activity in our Preservation Loan Program and our new opportunities in Lender Loan and Locality Bond Refunding account for our projection of more aggressive plan goals.

Total CaHLIF activity in the 2001 Plan is proposed at \$733 million for the 2001/02 fiscal year and \$3.6 billion for the five-year period. This compares to 2000 Plan goals of \$436 million in fiscal 2000/01 and \$1.9 billion for the plan period.

Continuation of the popular and successful Housing Enabled through Local Partnerships ("HELP") program, funded by our Housing Assistance Trust, is proposed at the \$20 million per year level for the life of the plan. In its first **two** years of operation \$30 million of loans have already been committed to 28 participating local agencies, and we expect to meet the \$20 million 2000/2001 goal.

In addition to these CHFA and CaHLIF programs, we are, by contract with the Department of General Services and with the Department of Housing and Community Development (HCD), administering several school facility fee "rebate" programs and California Homebuyer's Down Payment Assistance Program (CHDAP). These homeownership and multifamily programs total \$150.2 million for the five-year plan period.

### **Organization of Plan**

This introduction is followed by the sections described below:

Table I - Planned and Actual Summaw, which displays the goals and actual results for fiscal 1999/00 and the goals and current projections for fiscal 2000/01.

Table II - Plan Summaw, showing goals by program for each of the years in the plan period 2001/02 to 2005/06.

Table III - Summaw of HAT Proarams. A compilation of the five-year lending goals for the Housing Assistance Trust. (The HAT is the portion of CHFA's reserves that is available for direct investment in various programs.)

Divisional Summaries. Following the three tables are descriptions of how the plan will be carried out by the CHFA Programs Division and the CHFA Insurance Division (CaHLIF). These are followed by short descriptions of how each of the support divisions of CHFA will assist the Programs Division and CaHLIF in meeting the objectives of the plan.

Financial Summary. This final section discusses in detail the Agency's equity position as of December 31,2000, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.



**2001102 to 2005/06 BUSINESS PLAN**  
**TABLE I- PLANNED AND ACTUAL SUMMARY**  
(In millions of dollars)

INSURANCE PROGRAMS

	<b>FY 1999/00</b>		<b>FY 2000/01</b>		
	Planned	Actual	Planned	Act to 3/31	Projected
CaHLIF Programs					
-CHFA Mortgages	\$70.0	\$44.0	\$40.0	\$30.0	\$40.0
-Reinsured/RDA Loans	150.0	145.8	200.0	137.0	200.0
-100% Loan/FHLMC	100.0	40.0	100.0	8.0	10.0
-PERS/STRS	50.0	17.9	55.0	120.0	150.0
Subtotal, CaHLIF Ins.	<u>\$370.0</u>	<u>\$247.7</u>	<u>\$395.0</u>	<u>\$295.0</u>	<u>\$400.0</u>
<b>PMI-Insured/RDA Loans</b>					
CaHLIF 3% Silent Seconds (COIN)	<u>\$4.5</u>	<u>\$2.5</u>	<u>\$3.5</u>	<u>\$2.5</u>	<u>\$3.0</u>
Subtotal	<u>\$4.5</u>	<u>\$2.5</u>	<u>\$3.5</u>	<u>\$2.5</u>	<u>\$3.0</u>
CaHLIF HAT Programs					
-CaHLIF Insured-97% Pledge Pool	<b>\$4.4</b>	<b>\$0.0</b>	\$2.9	\$0.0	\$0.0
-97% Conventional Loans					
RDA/HAT 2% Pool	2.5	5.1	5.1	6.8	7.8
CaHLIF 3% Silent Seconds		3.1	2.5	2.2	2.5
Subtotal CaHLIF HAT Programs	<u>\$6.9</u>	<u>\$8.2</u>	<u>\$10.5</u>	<u>\$9.0</u>	<u>\$10.3</u>
Local Agency Pledges					
-97% PMI Insured Loans/2% Pool	<u>\$1.2</u>	<u>\$1.2</u>	<u>\$2.0</u>	<u>\$2.0</u>	<u>\$2.0</u>
<b>TOTAL INSURANCE PROGRAMS</b>	<u><u>\$382.6</u></u>	<u><u>\$259.6</u></u>	<u><u>\$411.0</u></u>	<u><u>\$308.5</u></u>	<u><u>\$415.3</u></u>

**CALIFORNIA HOUSING FINANCE AGENCY**  
**FIVE-YEAR BUSINESS PLAN**  
 Fiscal Years 2001/02 to 2005/06  
**TABLE II - PLAN SUMMARY**  
 (In millions of dollars)

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**LOAN PROGRAMS**

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>5 Yr Total</u>
<b>HOMEOWNERSHIP PROGRAMS <sup>(a)</sup></b>						
Homeownership Bond Financed Programs						
Homeownership Mortgage Program	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0	\$5,000.0
Homeownership HAT Programs						
-Self Help Builder Assistance	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$12.5
-Homeownership Mortgage Assistance	15.0	15.0	15.0	15.0	15.0	75.0
Total Homeownership HAT Programs	\$17.5	\$17.5	\$17.5	\$17.5	\$17.5	\$87.5
Special Pilot Programs						
-Extreme High Cost Area HPA	\$9.5	\$0.0	\$0.0	\$0.0	\$0.0	\$9.5
-Extra Credit Teachers HPA	2.5	0.0	0.0	0.0	0.0	2.5
Total Special Pilot Programs	\$12.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12.0
Total Homeownership Programs	\$1,029.5	\$1,017.5	\$1,017.5	\$1,017.5	\$1,017.5	\$5,099.5
<b>MULTIFAMILY PROGRAMS <sup>(b)</sup></b>						
Multifamily Bond Financed Programs						
-Retail: Direct Lending	\$250.0	\$250.0	\$250.0	\$250.0	\$250.0	\$1,250.0
Multifamily HAT Programs	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$25.0
Total Multifamily Programs	\$255.0	\$255.0	\$255.0	\$255.0	\$255.0	\$1,275.0
<b>OTHER HAT PROGRAMS</b>						
-HELP Program	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	\$10.0
Total	\$22.0	\$22.0	\$22.0	\$22.0	\$22.0	\$110.0
<b>TOTAL HOUSING PROGRAMS</b>	<b>\$1,306.5</b>	<b>\$1,294.5</b>	<b>\$1,294.5</b>	<b>\$1,294.5</b>	<b>\$1,294.5</b>	<b>\$6,484.5</b>
<b>CONTRACT ADMIN PROGRAMS</b>						
CHDAP	\$32.5	\$0.0	\$0.0	\$0.0	\$0.0	\$32.5
School Facilities Fees Down Payment Assistance Program	53.7	48.0	0.0	0.0	0.0	101.7
School Facilities Fees Rental Assistance Program	8.0	8.0	0.0	0.0	0.0	16.0
<b>TOTAL CONTRACT ADMIN PROGRAMS</b>	<b>\$94.2</b>	<b>\$56.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$150.2</b>

(a) Homeownership loans purchased

(b) Multifamily final commitments

**FIVE-YEAR BUSINESS PLAN**  
**Fiscal Years 2001/02 to 2005/06**  
**TABLE II - SUMMARY**  
(In millions of dollars)

**INSURANCE PROGRAMS**

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>5 Yr Total</u>
<b>CaHLIF Insurance Programs</b>						
-CHFA Mortgages <sup>(a)</sup>	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$200.0
-Reinsured/RDA Loans <sup>(b)</sup>	225.0	225.0	225.0	225.0	225.0	1,125.0
-100% Loan/FHLMC	100.0	100.0	100.0	100.0	100.0	500.0
-PERS/STRS	150.0	150.0	150.0	150.0	150.0	750.0
-80/17 Loan Program	200.0	200.0	200.0	200.0	200.0	1,000.0
<b>Sub-total, CaHLIF Ins.</b>	<b>\$715.0</b>	<b>\$715.0</b>	<b>\$715.0</b>	<b>\$715.0</b>	<b>\$715.0</b>	<b>\$3,575.0</b>
<b>CaHLIF HAT Program</b>						
<b>Re-Insured/RDA Loans</b>						
-CaHLIF 3% Silent Seconds	\$14.5	\$14.5	\$14.5	\$14.5	\$14.5	\$72.5
<b>Sub-total</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$72.5</b>
<b>TOTAL INSURANCE PROGRAMS</b>	<b>\$729.5</b>	<b>\$729.5</b>	<b>\$729.5</b>	<b>\$729.5</b>	<b>\$729.5</b>	<b>\$3,647.5</b>

(a) \$10 million was originally pledged from CHFA representing a 2% pledge pool of which \$2.6 million remains pledged as of 12/31/00.

(b) The \$1.1 billion of new loans to be made over the next five years and existing RDA loans are backed by a \$10 million CHFA pledge pool.

**CALIFORNIA HOUSING FINANCE AGENCY**  
**Five Year Business Plan - 2001/02 to 2005/06**  
(In millions of dollars)

**TABLE III - SUMMARY OF HAT PROGRAMS**

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>5 Yr Total</u>	<u>HAT Recyclinu</u>	<u>Net HAT Investment</u>
<b>Homeownership HAT Programs</b>								
-Homeownership Mortgage Assistance	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$75.0	\$0.0	\$75.0
-Self-Help Builder Assistance Program	2.5	2.5	2.5	2.5	2.5	12.5	7.5	5.0
<b>Total Homeownership Programs</b>	<b>\$17.5</b>	<b>\$17.5</b>	<b>\$17.5</b>	<b>\$17.5</b>	<b>\$17.5</b>	<b>\$87.5</b>	<b>\$7.5</b>	<b>\$80.0</b>
<b>Multifamily HAT Programs</b>	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$25.0	\$0.0	\$25.0
<b>Other HAT Programs</b>								
- HELP Program	\$20.0	\$20.0	\$20.0	\$20.0	\$20.0	\$100.0	\$0.0	\$100.0
-Small Business Development	2.0	2.0	2.0	2.0	2.0	10.0	6.0	4.0
<b>Total Other HAT Programs</b>	<b>\$22.0</b>	<b>\$22.0</b>	<b>\$22.0</b>	<b>\$22.0</b>	<b>\$22.0</b>	<b>\$110.0</b>	<b>\$6.0</b>	<b>\$104.0</b>
<b>CaHLIF HAT Programs</b>	\$14.5	\$14.5	\$14.5	\$14.5	\$14.5	\$72.5	\$60.5	\$12.0
<b>Total CaHLIF HAT Programs</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$14.5</b>	<b>\$72.5</b>	<b>\$60.5</b>	<b>\$12.0</b>
<b>Total HAT Programs</b>	<b>\$59.0</b>	<b>\$59.0</b>	<b>\$59.0</b>	<b>\$59.0</b>	<b>\$59.0</b>	<b>\$295.0</b>	<b>\$74.0</b>	<b>\$221.0</b>

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**CALIFORNIA HOUSING FINANCE AGENCY****ACCOMPLISHMENTS  
FISCAL YEAR 2000-2001 TO DATE**Homeownership

- Implemented the Governor's **\$50** million California Homebuyer Down Payment Assistance Program (CHDAP). This program provides **3%** deferred second mortgages to assist first-time buyers in their first home purchase. Financed **941** loans totaling **\$3,728,247** through April **15, 2001**. Of the **941** total CHDAP loans financed, **546** loans totaling **\$2,188,950 (59%)** were combined with CHFA first mortgages, and **395** CHDAP loans totaling **\$1,539,297 (41%)** were combined with non-CHFA first mortgage loan products. CHFA has an additional **2,724** loans totaling **\$10,966,011** in the pipeline.
- Projected to achieve another \$1 billion in first-time homebuyer production in the current fiscal year consistent with the Governor's goal and the Agency's 5-Year Business Plan. To date, CHFA has financed **6,246** loans totaling **\$748** million through April **15, 2001**.
- Increased the percentage of first-time homebuyer loans to low-income borrowers (**80%** or less of the HCD median income by county) from **42%** in FY **1999-00** to **53%** in the current fiscal year through **April 15, 2001**.
- Expanded the level of minority first-time home borrowers from **68%** in FY **1999-00** to **72%** of CHFA's total loan production.
- Projected to achieve **\$15** million production goal for CHAP (CHFA's 100% loan program). Financed **3,312** loans totaling **\$12,328,220** through April **15, 2001**.
- Sustained the annual production level for the mutual self-help housing program (SHBAP). Expect to purchase **86** self-help loans totaling **\$7,458,523** in the current fiscal year. Forward commitments have been awarded totaling **\$4.6** million extending through FY **2001-02**. This program assists buyers by allowing them to use sweat equity in lieu of a down payment.

- Expanded the number of participating localities and nonprofits to 163 that participates in CHFA's Affordable Housing Partnership Program (AHPP). This program partners CHFA and local housing assistance programs and has resulted in the financing of **701** AHPP first-time homebuyer loans, with local contributions totaling **\$11,352,450** through April **15,2001**.
- High housing cost areas continue to be a challenge as area sales prices out pace affordability for low and moderate-income homebuyers. By focusing down payment assistance programs to these underserved regions to increase housing affordability, the Agency has achieved a **56.5%**, **\$422,996,633** total production level in these high housing cost regions through April 15,2001.
- Processed **\$5,249,085** School Facility Fee Downpayment Assistance grants through April 15,2001.

#### Mortgage Insurance

- To date, provided mortgage insurance for **1,609** first-time homebuyer loans at premiums lower than conventionally available. This lowers the overall debt ratio enabling borrowers to purchase a home.
- To date, provided **1,370** silent second mortgages that enabled the purchase of a home with no or little down payment.

#### Multifamily

- To date, processed commitments for 30 affordable rental projects totaling **3,114** units valued at **\$256,598,975** that contain a high degree of affordability; **46%** are at rents 50% or less of median income, **52%** are **60%** to **80%** of median income, and only 2% are over **80%** of median.
- Projected lending activity of **\$276** million for the fiscal year represents a 64% increase over the prior year's loan production.
- To date, financed 22 affordable rental multifamily housing developments with **2,850** units valued at **\$221,886,118**.
- Introduced two new rental housing lending programs; the Lender Loan Program designed to lower the cost of construction financing and complement HCD's Multifamily Housing Program (MHP) and CHFA's Bond Refunding Program which is used to provide locality financed affordable projects with CHFA's low, long term permanent mortgage rates.

- Processed \$6.9 million in total reimbursements providing for 115 affordable units for the School Facility Fee Affordable Housing Rental Assistance Program. This program provides developers of rental housing developments with reimbursement for 100% of the eligible school facility fees in exchange for providing apartments to very low income households at reduced rents.

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**I. HOMEOWNERSHIP PROGRAMS  
FISCAL YEAR 2001/02 - 2005/06  
FIVE-YEAR BUSINESS PLAN**

**Mission**

The mission of Homeownership Programs is to make financing opportunities available to very low, low and moderate-income first-time homebuyers.

**Objectives**

In FY 2001/02, CHFA will continue to pursue activities designed to further the following mission objectives of:

- providing first-time homebuyers with below-market-rate mortgage financing,
- targeting low-income homebuyers,
- distributing loans equitably throughout the state,
- managing resources to make mortgage funds available statewide throughout the year, and
- promoting loan products to expand the supply of affordable new construction housing.

**Strategies**

The planned strategies to accomplish the mission and objectives, and in particular to maximize the public benefit to very low and low-income borrowers, includes:

- providing long-term, fixed rate first mortgages below conventional market interest rates;
- providing our lowest rates for low-income borrowers;
- supporting very low and low-income home ownership to include the Affordable Housing Partnership Program (AHPP), the 100% Loan Program, the Self-Help Builder Assistance Program (SHBAP), the Nonprofit Housing Program, and the Rural Development Leveraged Participation program;
- providing home ownership opportunities with downpayment assistance such as the School Facility Fee Affordable Housing Assistance Program and the California Homebuyer's Downpayment Assistance Program (CHDAP);

- offering interest rate differentials and program incentives in special programs such as the 100% Loan Program, AHPP, SHBAP, or new potential pilot programs that will assist homebuyers in extreme high cost areas, or teachers and principals in low performing schools;
- utilizing a statewide network of lending institutions to provide consumer access to CHFA loan products; and
- updating sales price limits consistent with federal law in order to assist the maximum number of first-time homebuyers, particularly in high housing cost areas.

**Specific Program Goals and Performance**

Following is a list of the major Homeownership programs, with the applicable fiscal year and five year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

Bond Funded Programs

Homeownership Lending	2000/01 Plan Goal:	\$1 billion
	Projected:	\$1 billion
	2001/02 Plan Goal:	\$1 billion
	Five year Goal	\$5 billion

The current fiscal year's Business Plan includes a single family loan purchase goal of \$1 billion which is expected to be fully achieved by year-end. As of March 31, 2001, the Agency has purchased loans totaling \$721.8 million in the current fiscal year, of which 74% were resale loans and 26% new construction. (See tables at the end of this summary for mortgage originations by year and for CHFA's lending experience with respect to income, sales prices, and ethnicity).

The goal is to maintain the \$1 billion loan purchase level for each year of the five Business Plan years. The \$1 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation expected to be received this calendar year. However, beyond the year 2001 annual allocation amounts in the \$300-\$400 million range may be required for the Agency to reach the goals. Additional allocation may be needed to make up for the expected decline in opportunities to recycle authority received in prior years unless Congress passes legislation to eliminate or modify the 10-year rule on recycling. The recycling of past authority has been one of the reasons the Agency has been successful the past few years in achieving significant leveraging of Private Activity Bonds (PAB).

### Housing Assistance Trust Programs

California Housing Assistance Program (CHAP)	2000/01 Plan Goal:	\$15 million
	Projected:	\$15 million
	2001/02 Plan Goal:	\$15 million
	Five year Goal:	\$75 million

A \$15 million annual allocation from the HAT fund was included in last year's Five-Year Business Plan to continue support for the highly successful California Housing Assistance Program (CHAP). The 100% financing is comprised of a 97% long-term, fixed-rate first mortgage and a 3% deferred payment second mortgage. The deferred second mortgage, which is funded from the Agency's Housing Assistance Trust (HAT) fund, reduces borrower down payment requirements without increasing monthly loan payments. This product is being used primarily in a number of high-cost underserved areas and rural counties and has been instrumental in assisting with the Agency's equitable distribution objectives.

As of March 31, 2001, there have been 3,234 CHAP second mortgages purchased for a total of \$12.1 million with an accompanying \$397.2 million of CHFA first mortgages purchased. It is expected that the \$15 million goal this fiscal year will be met.

This year's Plan proposes to continue with a total funding level of \$75 million for five years for the second mortgage portion of the 100% Loan Program. The Agency will continue to evaluate the ongoing need and applicability of this limited resource.

Self Help Builder's Assistance Program (SHBAP)	2000/01 Plan Goal:	\$2 million
	Projected:	\$600,000
	2001/02 Plan Goal:	\$2.5 million
	Five year Goal:	\$15 million

In the past, the Agency committed to maintain \$2 million of HAT funds annually to provide development/construction financing to nonprofit self-help housing sponsors. In addition, the Agency committed to provide 5% permanent financing to prospective low-income homebuyers building their homes under the mutual self-help approach. Families contribute their labor ("sweat equity") in lieu of a cash downpayment under the mutual self-help approach.

As of March 31, 2001, the Agency has not received any projects for review and approval. However, there are seven projects in the pipeline totalling over \$2 million that are expected within the next 120 - 180 days. CHFA expects to approve at least two

projects by the end of the current fiscal year, for approximately \$600,000. Self-help projects are unique and require a considerable amount of pre-development time.

The Plan proposes to increase the SHBAP development loan amount from a current limit of \$300,000 per development to \$500,000. This loan amount increase and the projected pipeline will require a corresponding increase in the SHBAP development loan funding level from \$2 million to \$2.5 million. The Plan also proposes to reduce the interest rates on the SHBAP permanent loans to prospective self-help homebuyers from 5% fixed to 4%.

**TOTAL HOMEOWNERSHIP MORTGAGES**  
**First Mortgage Originations**  
**(Fiscal Years)**

	<b>Annual Totals</b>		<b>Cumulative Totals</b>	
	<b>Amount</b>	<b>Loans</b>	<b>Amount</b>	<b>Loans</b>
1976/1987	--	--	\$1,300,784,854	22,531
1987/1988	\$530,428,439	6,291	1,831,213,293	28,822
1988/1989	523,465,338	6,735	2,354,678,631	35,557
1989/1990	426,951,898	5,407	2,781,630,529	40,964
1990/1991	518,292,197	5,946	3,299,922,726	46,910
1991/1992	310,858,475	3,473	3,610,781,201	50,383
1992/1993	126,734,850	1,369	3,737,516,051	51,752
1993/1994	167,021,486	1,647	3,904,537,537	53,399
1994/1995	923,883,551	8,401	4,828,421,088	61,800
1995/1996	656,978,131	6,166	5,485,399,219	67,966
1996/1997	813,388,000	7,797	6,301,378,000	75,763
1997/1998	700,313,933	6,522	7,001,691,933	82,285
1998/1999	934,805,878	8,277	7,936,497,811	90,562
1999/2000	1,001,037,425	8,395	8,937,815,054	98,959
2000/3-31-01	721,665,907	6,025	9,659,480,961	104,984
<b>First Mortgages currently in portfolio (March 31, 2001)</b>			<b>\$5,169,420,149</b>	<b>53,967</b>

**California Housing Finance Agency**  
**Homeownership Statistics**  
**(FY 1999-2000 and FY 2000-01)**

	<u>FY 1999-2000</u>		<u>FY 2000-2001<sup>1</sup></u>	
	<u>Loans</u>	<u>Percent</u>	<u>Loans</u>	<u>Percent</u>
New Construction	2,059	25%	1,559	26%
Resale	<u>6,336</u>	75%	<u>4,466</u>	74%
	8,395		6,025	
Income Distribution*				
50% of median or less	611	7%	<b>542</b>	9%
51-100% of median	2,939	35%	2,666	44%
81-100% of median	2,004	24%	1,289	21%
101-120% of median	1,493	17%	902	16%
121% or more of median	<u>1,348</u>	16%	<u>626</u>	10%
	8,395		6,025	
Average income	\$ 39,252		\$ 36,831	
Median Income	\$ 38,176		\$ 35,256	
Sales Price				
Under \$60,000	170	2%	137	2%
\$60,000 to \$79,999	773	9%	574	10%
\$80,000 to \$99,999	1,667	20%	1,224	20%
\$100,000 to \$119,999	1,390	17%	991	17%
\$120,000 to \$139,999	1,514	18%	990	16%
Over \$140,000	<u>2,881</u>	<b>34%</b>	<u>2,109</u>	35%
	8,395		6,025	
Average Sales Price	\$123,503		\$124,665	
Median Sales Price	\$122,990		\$121,900	
Borrower Ethnicity				
White	2,451	29%	1,636	27%
Black	686	8%	426	7%
Asian	362	4%	162	3%
Hispanic	4,530	<b>54%</b>	3,575	59%
Other	153	2%	144	2%
Unknown	<u>213</u>	3%	<u>82</u>	1%
	8,395		6,025	
High Cost Areas				
# of Loans	4,598	<b>54.8%</b>	2,873	47.7%
\$ Amount of Loans	\$631,696,420	<b>63.1%</b>	\$408,099,448	56.6%
Rural Areas				
# of Loans	1,145		862	
\$ Amount of bond loans	\$104,279,178		\$79,242,401	
Total # & \$ Amount of Loans	8,395		6,025	
	\$1,001,037,425		\$721,665,907	

1

FY 2000-01 Year-todate as of 3/31/01

2

Based on area median income adjusted for family size per HCD

## PROPOSED HOMEOWNERSHIP PILOT PROGRAMS FOR FISCAL YEAR 2001/02

### Extreme High Cost Area Home Purchase Assistance Program

Extreme High Cost Area HPA Program* (Second Mortgages)	2001/02 Plan Goal:	\$9.5 million
	Projected:	\$9.5 million

CHFA is planning a special pilot program that will provide financing to create new opportunities for low-to-moderate income homebuyers to purchase housing in areas with very high job demand in extreme housing cost areas. This pilot program will be initially focused in Santa Clara, San Francisco and San Mateo, where the year 2000 median sales price ranges from \$440,000 to \$480,000.

Generally it has been difficult to serve these counties because of the wide disparity between income limits, affordability, and sales prices. CHFA will provide down payment assistance up to \$25,000 in the form of a low interest rate loan to assist first time low-to-moderate income homebuyers purchase their first home. CHFA staff plan to work with localities including the Housing Trust of Santa Clara County to develop partnerships to offer deeper targeting assistance for homebuyers.

Funding of the first mortgages would come from CHFA's \$1 billion Homeownership Program. CHFA will make up to \$9.5 million of Home Purchase Assistance (HPA) second mortgage funds available for this program.

### Extra Credit Teacher Home Purchase Program

Extra Credit Teacher Home Purchase Program	2001/01 Plan Goal:	\$30 million
	Projection:	\$30 million
Home Purchase Assistance (HPA) Second Mortgages*	2001/02 Plan Goal:	\$2.5 million
	Projection:	\$2.5 million

CHFA has submitted an application to the California Debt Limit Allocation Committee (CDLAC) for a \$20 million tax-exempt bond allocation for a statewide pilot program intended to help attract and retain qualified teachers and principals to low-performing schools by providing home purchase assistance for the purchase of their first home. CDLAC staff recommendations have approved our allocation at \$15 million. The Agency would leverage the \$15 million allocation to provide up to \$30 million of acquisition financing coupled with downpayment assistance using \$2.5 million of residual Home Purchase Assistance (HPA) funds.

The Extra Credit Teacher Home Purchase Program would consist of a CHFA first loan with a special down payment assistance loan of \$7,500. The Program assistance is designed in most cases to provide up to 100% of the financing needed subject to maximum loan qualifications. The CHFA first mortgage would be offered at the Agency's most preferred

rate which is currently offered in the Affordable Housing Partnership Program (AHPP). The interest rate on the second mortgage is designed to be reduced to zero percent (0%) provided that the teacher or principal remains employed in a low performing school continuously for five years.

\*The Roberti-Green Home Purchase Assistance Program (HPA) was created by Senate Bill No. **1692** for the purpose of providing affordable mortgage financing to meet the housing needs in the State. An initial \$25 million funding of HPA was approved by voters in **1988** as part of Proposition **84** and a second **\$25** million funding was approved by voters in **1990** as part of Proposition **107**. The Agency originated the total \$50 million in second mortgages by **1994**.

The HPA funds set aside for the **two** proposed pilot programs are prepaid funds from the original funded HPA loans. The Agency currently has \$12 million available of HPA funds.

**II. CAHLIF PROGRAMS**  
**FISCAL YEARS 2001/02 - 2005/06**  
**FIVE-YEAR BUSINESS PLAN**

**Mission**

The mission and goal of the Agency's California Housing Loan Insurance Fund (CaHLIF) is to stimulate housing opportunities in California for the benefit of underserved first-time homebuyers by providing mortgage insurance for their home loans. Consistent with this goal, CaHLIF also seeks to demonstrate the viability of its insurance products in the marketplace.

CaHLIF is a self-supporting public enterprise fund which operates under CHFA, rather than the California Department of Insurance.

**Strategies**

In **2001/02** and beyond, CaHLIF will continue to emphasize serving high-cost areas, creating new product enhancements for those locations, and promoting homeownership programs, including reaching out to public employees such as teachers, police and fire fighters. Accomplishing this strategy requires not only lending and product success, but also continued and new commitments from our investor partners, such as Fannie Mae and Freddie Mac.

**Program Performance and Strategy Implementation**

Following is a list of major CaHLIF programs, with the appropriate fiscal year and five year goals. Also included is a brief performance history against the current fiscal year goals for the listed programs.

CHFA Mortgages

CHFA Loans	<b>2000/01</b> Plan Goal:	\$40 million
	Projected:	\$40 million
	<b>2001/02</b> Plan Goal:	\$40 million
	Five year Goal:	\$200 million

The current year plan set an insurance goal of \$40 million, emphasizing high-cost areas and high loan-to-value ratios. For the balance of CHFA production, lenders rely primarily on FHA and VA loan insurance products.

Sixty-six percent of the **2000/2001** CaHLIF-insured CHFA loans were originated in high-cost areas and seventy-four percent were 97% low downpayment loans, forty-eight

percent of which were used with a CHFA 3% silent second. Seventy-two percent of the loans were below 80% of county or state-wide median incomes.

This year's production of \$40 million is a reasonable annual projection based on the previous fiscal year's production. The production level is dependent on CHFA's program size and allocation.

Conventional Mortgages

Reinsured/RDA Loans	<b>2000/01</b> Plan Goal:	<b>\$225 million</b>
	Projected:	<b>\$200 million</b>
	<b>2001/02</b> Plan Goal:	<b>\$225 million</b>
	Five year Goal:	<b>\$1.125 billion</b>

In the current year, actual loan production is projected to reach \$200 million, and is projected at \$225 million for the budget year and beyond. Under this program, local redevelopment agencies make a 2% pledge for 5 years to pay losses on 97% loans originated in their jurisdictions. As of this year twelve redevelopment agencies are participating in conjunction with Fannie Mae and Freddie Mac. The Housing Finance Fund has pledged \$10 million towards a pledge pool for losses for those areas in which RDA's are not yet participating. Usually, the loans are combined with a CaHLIF 3% silent second loan resulting in 100% financing. Currently, the 3% seconds are initially financed from a \$2.5 million Housing Finance Fund revolving pledge and then sold as a pool to participating investors. To finance a greater volume of conventional insurance business, the Plan proposes to increase the Housing Finance Fund revolving pledge to \$14.5 million for this and other CaHLIF silent second products. Again, high-cost areas are emphasized, as sixty-six percent of these loans with incomes up to 140% of median are in high cost counties.

For a portion of this program, California-based insurance companies are expected to purchase, at a premium, Fannie Mae or Freddie Mac securities backed by CaHLIF-insured loans. The purchase premium paid by the insurance companies, as investors, is used to offset the borrowers' mortgage insurance premium.

Freddie Mac Affordable Gold 100	<b>2000/01</b> Plan Goal:	<b>\$100 million</b>
	Projected:	<b>\$ 10 million</b>
	<b>2001/02</b> Plan Goal:	<b>\$100 million</b>
	Five year Goal:	<b>\$500 million</b>

This partnership with Freddie Mac has resulted in current year lenders' production of \$10 million of insurance for the year. The program provides a true 100% first loan, but does require a borrower to have a better credit score than a borrower who has, say, a 97%

loan. Twelve percent of the borrowers have incomes below 80% of median, and sixty-seven percent of the homes being purchased have been in high-cost areas. The program is also currently in use in a Los Angeles City residence program for safety officers.

Under the new plan the program is expected to reach the \$100 million level as lenders gain experience and become more familiar with 100% lending. Program production is expected to continue at \$100 million per year for the five year period of the Plan.

PERS/STRS Insured Loans	2000/01 Plan Goal:	\$55 million
	Projected:	\$150 million
	2000/01 Plan Goal:	\$150 million
	Five year Goal:	\$750 million

This 97% loan program was approved for members of the California Public Employees' Retirement System (CalPERS) a year ago and production is now starting to grow. Other new initiatives are being started for teachers as well as other employee groups. In addition, the California State Teachers' Retirement System (CalSTRS) 95% loan with a 5% silent second was implemented in February and a San Jose teachers' 97% program is currently being implemented.

80/17 Loan Program	2000/01 Plan Goal:	N/A
	Projected:	N/A
	2001/02 Plan Goal:	\$200 million
	Five Year Goal:	\$1 billion

The 80/17 is a new loan program designed for the high cost counties of California. It is an 80% first loan to be sold on the secondary market and a 17% deferred payment second loan that will be sold to investors as loans or securities. Because the second loan is deferred, the borrower need only qualify for the 80% first loan, thereby increasing the purchasing power of the borrower. Potential beneficiaries will likely reside in high cost areas.

#### Housina Assistance Trust Proaram

Re-Insured/RDA Loans CaHLIF 3% Silent Seconds	2000/01 Plan Goal:	N/A
	Projected:	N/A
	2001/02 Plan Goal:	\$14.5 million
	Five Year Goal:	72.5 million

As indicated in the Reinsured/RDA section of the Plan, down payment assistance in the form of CaHLIF 3% silent second loans or other subordinate financing are planned to be used in conjunction with conventional 97% loans. The first loans are originated through CaHLIF's lender network and in partnership with Fannie Mae, Freddie Mac, and CalPERS. The funds are further leveraged by pooling the second loans and selling them through the California Organization of Insurance (COIN) partnership. The Housing Finance Fund expansion from a \$2.5 million revolving pool to \$14.5 million will also be applied to this program in order to originate the seconds prior to purchase by outside investors.

#### Other Accomplishments

- Sixty-two percent of CaHLIF insured loans were for families below 80% of median income. Forty-five percent of the loans were made to minorities. Sixty-seven percent of the loans were in high-cost counties.
- \$7.5 million loan agreement with Allstate Insurance Company to fund silent seconds supporting \$250 million of first mortgage loans with \$5 million of second loans sold to Allstate to date.
- Completed agreements with three new redevelopment agencies for the new 80117 Loan program.
- Successful promotion of special local adaptations of CaHLIF programs has occurred in two communities with three more expected by the end of the fiscal year. All are efforts in conjunction with Fannie Mae and Freddie Mac.
- Provided CaHLIF insurance through the Freddie Mac Neighborhood-Based Homeownership Assistance Centers in Watts, Boyle Heights, Mayfair Community and Santa Ana.

Fiscal Integrity. Activities during the year designed to achieve this mission objective included the following:

- CaHLIF has developed and implemented a long-term strategy to manage and effectively resolve its potentially problem loans. This strategy has been paying off as reflected in its loss ratio (amount used to pay claims). In 1998 it was 55% and in 1999 fell to 28%. For the last calendar year the strategy, in combination with the economy, produced a highly successful 2% loss ratio. For comparison, the highest private mortgage insurance company loss ratio in 1999 was 50%. CaHLIF ratios are more impressive recognizing the higher risk of its portfolio, where 82% of its loans have LTV's of 95% or greater and 17% of its loans are for condominiums.
- CaHLIF's Moody's rating was "Aa3" stable.
- CaHLIF's S&P rating was confirmed at "A+" strong.
- GAAP net income for 2000 was \$4.4 million.

Table 1 presents summary information, by program, on CHFA's assumptions regarding program volume (i.e., number of policies and gross insurance) during the next five fiscal years 2000101 to 2004105.

Continued successful financial partnerships with the secondary markets, including the GSE's (Fannie Mae and Freddie Mac), are essential for the continued development and growth of CaHLIF's programs.

**TABLE ■**  
**Projected Fiscal Years 2001/02 to 2005/06**  
**Business Plan Volume**

	Number of Policies	Gross Insurance Written (\$ millions)
<b><u>CaHLIF:</u></b>		
CHFA/LOCAL PROGRAM	1,818	\$ 200
Reinsured/RDA 97%	7,500	1,125
100% Loan/FHLMC	3,333	500
PERS/STRS	5,000	750
80117 Loan Program	6,667	1,000
TOTALS	<u>24,318</u>	<u>\$3,575</u>
<b><u>PRIVATELY INSURED:</u></b>		
CaHLIF 3% Silent Seconds	-	18.5
<b><u>HAT and Local Pledges <sup>(1)</sup></u></b>	-	22.5
TOTALS	<u>24,318</u>	<u>\$3,616</u>

<sup>(1)</sup> Comprised of CHFA loss reserve pledges of \$2.6 million for the CaHLIF insured 97% CHFA and conventional loan programs, \$10 million for the RDA 97% loans and a \$2.5 million from HAT in support of the 100% Loan program in partnership with FNMA. Balance of pools comprised of recycled HAT funds, local RDA funds and other funding participants.

Table 2 summarizes CaHLIF production data and reflects CaHLIF's reported net income per its financial statements since 1988 by calendar year.

**TABLE 2**  
**INSURANCE STATISTICS**  
**1988 - 2000**

	<u>NET INCOME</u>	<u>CHFA LOANS</u>	<u>NON-CHFA LOANS</u>	<u>TOTAL INSURED POLICIES</u>	<u>TOTAL AMOUNT INSURED</u>
2000	\$4,649,789	4,577	3,173	7,750	\$968,899,283
1999	5,087,462	5,454	1,696	7,150	796,573,123
1998	2,361,603	5,986	775	6,761	709,981,432
1997	207,776	6,204	693	6,907	711,561,505
1996	1,567,126	5,982	678	6,660	680,729,151
1995	2,051,742	5,217	571	5,788	575,462,372
1994	869,857	4,009	508	4,517	416,726,849
1993	394,799	3,152	36	3,188	238,324,464
1992	825,180	3,622	34	3,656	272,096,741
1991	940,157	3,824	12	3,836	265,899,826
1990	1,284,214	3,787	0	3,787	240,059,162
1989	1,126,352	2,999	0	2,999	190,706,112
1988	450,565	207	0	207	17,365,928

Table 3 shows the source of new loans each year and shows the increase of new non-CHFA loans by calendar year.

**TABLE 3**  
**ANNUAL NEW BUSINESS**

	<u>NEW CHFA LOANS</u>	<u>AMOUNT</u>	<u>NEW NON-CHFA LOANS</u>	<u>AMOUNT</u>
2000	394	\$48,255,863	1,675	\$269,346,765
1999	394	49,164,567	1,094	165,436,804
1998	559	71,420,914	283	41,853,640
1997	539	64,432,443	84	11,633,473
1996	994	118,320,177	142	17,705,768
1995	1,406	170,229,087	82	10,664,610
1994	1,243	148,790,334	473	58,762,624
1993	125	11,870,312	3	427,750
1992	505	52,644,654	22	3,135,450
1991	612	64,383,957	12	1,760,355
1990	<u>1,289</u>	<u>83,535,065</u>	<u>--</u>	<u>--</u>
Totals	8,060	\$883,047,373	3,870	\$580,727,239

**III. MULTIFAMILY PROGRAMS**  
**FISCAL YEARS 2001/02 - 2005/06**  
**FIVE-YEAR BUSINESS PLAN**

**Mission**

The mission of Multifamily Programs is to make rental opportunities available to very low, low and moderate income persons and families.

**Objectives**

The objectives of Multifamily Programs include maximizing public purpose benefit, increasing the affordable housing stock in the state, facilitating the preservation of affordable rental housing, and addressing unmet affordable housing needs.

**Strategies**

As part of our strategy to maximize public purpose benefit, we intend to focus our rental financing activity primarily in the retail lending area. The main components of this strategy involve Preservation, New Construction and Special Needs financing with individual programs in each of these areas.

The Multifamily Programs strategies are as follows:

- Provide the lowest practical long-term, fixed rate mortgage to facilitate the greatest affordability while maintaining project viability.
- Facilitate the preservation of at-risk housing utilizing interim financing to assist in the timely acquisition of qualified projects, and through the use of tax-exempt and taxable permanent financing including 501(c)(3) bonds for qualified non-profit sponsors.
- Provide lending programs in partnership with state and local agencies through lender loans and bond refundings.
- Continue the efficient issuance of tax-exempt bonds through the Agency's pooled bond issues in conjunction with the Agency's solid credit ratings.
- Maintain the Special Needs Housing program with its deep interest rate subsidy, with an increased emphasis of shorter term loans.
- Extend the affordable life of CHFA's Section 236 loans in California by providing financing to facilitate the purchase or refinancing of individual projects.

## Program Performance and Strategy Implementation

Following is a list of the major Multifamily programs, with the applicable fiscal year and five-year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

### Bond Funded Programs

2000/01 Plan Goal:	<b>\$200</b> million
Projected:	<b>\$243.7</b> million

2001/02 Plan Goal:	<b>\$250</b> million
Five year Goal:	<b>\$1.25</b> billion

The current Five Year Business Plan anticipated a total of **\$200** million in final commitments for bond funded projects to include new construction, preservation and special needs projects. As of March 31, **2001**, we exceeded that goal with final commitments totalling **\$225.7** million (total retail lending equaled **\$258.4** million, including taxable funds) for **29** projects involving **3,030** units.

The percentages of the total dollar volume of final loan commitments can be classified into four categories; preservation **44%**, new construction **46%**, **acquisition/rehabilitation 8%**, and special needs **2%**. The **3,030** units in this year's production contained a high degree of affordability; **46%** are at rents 50% or less of median income, **52%** are **60** to **80%**, and **2%** are over **80%** of median income. We expect the demand for preservation financing in the new Business Plan will be equally balanced by new construction loans.

The projected lending activity of **\$276** million (bond funded and HAT loans) for the fiscal year represents a **64%** increase over the prior fiscal year's loan production.

The Preservation Financing Program matured over the past year with a combination of **acquisition/permanent** financing structures and a more formalized process for Mark-up-to-Market Section **8** contract extensions. In the past fiscal year 10 preservation projects funded for **\$157,230,135**, representing **1,896** units.

This fiscal year saw the introduction of the California Department of Housing & Community Development Multifamily Housing Program (MHP) and an increased number of financings from localities. In order to complement both these situations, CHFA introduced its Lender Loan and Locality Bond Refunding Programs. The Lender Loan Program provides **low** cost funds to construction lenders to reduce construction period interest and is linked to a CHFA permanent loan. The Bond Refunding Program works in partnership with localities who issue bonds for the construction period. These locality bonds are later refunded by CHFA, thereby providing the project the benefit of low, long-term rates. These two programs combined produced loan commitments for 8 projects in the amount of **\$80,730,000**, representing **506** units.

The Special Needs Housing Program is designed to provide bridge and short-term permanent financing for projects with populations that are "at-risk" and requiring supportive services. The program utilizes HAT funds to subsidize the interest rate as low as 1%. Generally, the tenants have incomes of less than 50% of median income, necessitating the subsidized interest rate to make the projects economically viable. Because of the need for supportive services financing and the complexity of structuring the transactions, special needs housing projects have lengthy development time frames.

In this year we introduced a lender loan element to the Special Needs Program. Under lender loans, CHFA advances low interest funds to the Special Needs Project construction lender effectively reducing construction period interest. CHFA issued three commitments under the Special Needs Programs totaling \$21.6 million.

In fiscal year 2000/01 we acquired Fannie Mae's Section 236 California portfolio with loans equaling \$269 million. Last year's business plan overstated the size of the Fannie Mae 236 portfolio by estimating it to be \$567 million, and this amount was erroneously shown as a goal for that fiscal year. The actual size of the portfolio we purchased was \$269 million. Our objective was to acquire the portfolio during the current fiscal year and then develop financing strategies which would facilitate the purchase or refinancing of those loans with longer-term affordability.

Housina Assistance Trust Proaram

2000/01 Plan Goal:	\$20.0 million
Projected:	\$32.7 million

2001/02 Plan Goal:	\$5.0 million
Five year Goal:	\$25.0 million

We are proposing the HAT support for multifamily program activity be funded at a \$5 million annual level to provide pre-development loans and special needs subsidy based on specific project needs.

**California Housing Finance Agency  
Multifamily Statistics  
(FY 1999-2000 and FY 2000-2001)**

	<u>FY 1999 - 2000</u>		<u>FY 2000 - 2001*</u>	
	<u>COMMITTED</u>	<u>FUNDED</u>	<u>COMMITTED</u>	<u>FUNDED</u>
<b><u>BOND FINANCING</u></b>				
New Construction	\$1 3,500,000	\$96,321,200	\$1 05,640,000	\$27,055,000
Housing Preservation				
At Risk Preservation	\$151,246,660	\$16,250,000	\$98,876,728	\$155,311,018
Rehabilitation	\$1,500,000	\$1 6,492,000	\$1 7,627,000	\$1 8,340,000
Special Needs Projects	\$773,500	\$2,514,500	\$3,565,000	\$0
<b><u>GENC' TRUST FUNDS</u></b>				
HAT Funds - All Programs	\$2,875,000	\$6,734,923	\$32,495,100	\$21,180,100
Special Needs Subsidies	<u>\$543.085</u>	<u>\$813.336</u>	<u>\$1 65.000</u>	<u>\$540.761</u>
TOTAL DOLLARS	\$170,438,245	\$139,125,959	\$258,368,828	\$222,426,879
TOTAL PROJECTS	9	28	29	22
TOTAL UNITS	1,998	2,251	3,030	2,850
<b><u>SPECIAL PROGRAMS</u></b>				
School Facility Fee Reimbursement Program	\$4,678,844	\$417,565	\$6,872,239	\$1,907,838

\* FY 2000-2001 Year-to-date as of 3/31/2001

**IV. SPECIAL HOUSING ASSISTANCE TRUST (HAT) PROGRAMS  
FISCAL YEARS 2001/02 - 2006/07  
FIVE-YEAR BUSINESS PLAN**

The Housing Assistance Trust programs outlined below are discussed separately because they cross boundaries between Homeownership and Multifamily.

Housing Enabled through Local Partnerships (HELP)	2000/01 Plan Goal:	\$20 million
	Projected:	\$20 million
	2001/02 Plan Goal:	\$20 million
	Five year Goal:	\$100 million

The HELP Program was introduced in FY 1998/99 with the objective of providing affordable housing opportunities through program partnerships with local government entities consistent with their affordable housing priorities. Funds in the form of 3% interest, 10 year loans are made available to localities for their specific affordable housing activities. It represents both an investment in additional homeownership and rental housing throughout California as well as an investment in new and different working relationships with localities.

The first three years of the originally planned five year program have proven highly successful. As of March 31, 2001, we have committed \$50 million in 52 contracts to 44 local government entities.

As we enter the third year of the HELP program, we propose continuing the program beyond the originally contemplated 5 year period at the same program level of \$20 million annually.

Small Business Development	2000/01 Plan Goal:	\$ 2 million
	Projected:	\$1.3 million
	2001/02 Plan Goal:	\$ 2 million
	Five year Goal:	\$10 million

The objective of the Small Business Program is to create productive partnerships with small builders and developers by providing small business development loans, and to encourage conventional construction lenders to partner with CHFA in making construction financing available to small developers/builders.

V. CONTRACT ADMINISTRATION PROGRAMS (CAP)  
**FISCAL YEARS 2001/02 - 2005/06**  
**FIVE-YEAR BUSINESS PLAN**

California Homebuyer's Downpayment Assistance Program (CHDAP)

California Homebuyer's Down Payment Assistance	2000/01 Plan Goal:	\$17.5 million
	Projected:	\$17.5 million
	2001/02 Plan Goal:	\$32.5 million
	Five Year Goal:	\$32.5 million

On July 7, 2000, Governor Gray Davis signed into law Assembly Bill 2865 which established the California Homebuyer's Downpayment Assistance Program (CHDAP). The Bill provided State funding for \$50 million of downpayment assistance to first-time low and moderate-income homebuyers. The CHDAP is a deferred-payment, low-interest, junior mortgage loan of up to 3% of the purchase price. It may be used in conjunction with CHFA or non-CHFA senior mortgage loans secured by the home. The CHDAP loan is available on a statewide basis.

The CHDAP junior mortgage has a term not to exceed the term of the first mortgage. The maximum principal amount is up to three percent (3%) of the purchase price of the home. The Agency has set the interest rate at three percent (3%) per annum simple interest for the term of the loan.

The Legislature has appropriated \$50 million from State General Funds to the California Department of Housing and Community Development (HCD). HCD has contracted with CHFA to administer the program and allocate funds in accordance with the Agency's authority. All repayments of loans are available for re-lending by CHFA for this program.

As of March 31, 2001, CHFA had a pipeline of \$12.7 million of CHDAP junior mortgages reserved, approved or purchased.

**School Facility Fee Affordable Housing Assistance Program**

The School Facility Fee Affordable Housing Assistance Program was approved by the Legislature and the Governor on August 27, 1998, and by the voters via Proposition 1A on the November 3, 1998 ballot. The \$160 million, multi-year program is funded by the Department of General Services and administered under contract by CHFA.

### Homeownership Programs

School Facility Fee Down Payment Assistance Program	2000/01 Plan Goal:	\$37 million
	Projected:	\$6.3 million
	2001/02 Plan Goal:	\$53.7 million
	Five year Goal:	\$101.7 million

There are three School Facility Fee programs which provide for down payment assistance to homebuyers of newly constructed residences, titled: (1) Economically Distressed Areas, (2) Affordable Sales Price, and (3) First-time Homebuyers-Moderate income Limits. Effective March 1, 2001 the sales price limit in Program 2 changed from \$130,000 to \$140,270 with annual reviews, and Program 3 income limits include annual moderate-income adjustments. The amount of the down payment assistance is calculated using all or part of the school facility fees paid by the builder.

The School Facility Fee programs were authorized to begin January 1, 1999, and CHFA began accepting applications for the Homeownership programs February 22, 1999. However, school districts had until the end of December 1999 to recertify their school fees under the new law. With recertification having been accomplished by the start of 2000 and implementation of the 2000 legislative changes, program applications have been increasing. However, increases in new home sales prices this past year and a limited supply of homes meeting the price limits for the Maximum Sales Price program have constrained applications.

As of March 31, 2001, CHFA has approved a total of \$5 million in down payment assistance for the three homeownership programs.

Future State appropriations may be reduced or eliminated. In January 2001, the Legislative Analyst's Office (LAO) issued a report on the status of the School Facility Fee Affordable Housing Assistance Program. Because of the limited success of the Program, the LAO recommended that the Legislature eliminate the \$60 million for downpayment and rental housing assistance in future scheduled appropriations for the program in 2001/02 and 2002/03, and recommended the funds be made available for other, more-targeted housing programs or other legislative priorities.

The Agency is working with builder groups and other interested parties to develop alternative proposals that will continue to encourage homeowners to purchase new homes vs. resale, help with the job/housing balance issue in high-cost areas, and continue to increase the creation of affordable housing stock, particularly in economically distressed areas.

**Multifamily Programs**

The School Facility Fee program provides school fee rebates to multifamily projects in exchange for a long-term commitment of rental units for very low-income renters.

School Facility Fee Rental Assistance Program	2000/01 Plan Goal: \$19.1 million Projected: \$8.0 million
	2001/02 Plan Goal: \$8.0 million Final Program Goal: \$16.0 million

Use of this program has also been less than originally projected. As of March 31,2001, the Agency has issued 52 commitments providing for 115 affordable units and totalling \$6.9 million in School Facility Fee reimbursements. The program is scheduled to sunset on December 31,2002.

## VI. SUPPORT DIVISIONS

### A. MARKETING DIVISION FISCAL YEARS 2001102 - 2005106 FIVE-YEAR BUSINESS PLAN

#### **Mission**

The mission of the Marketing Division is to assist in meeting the Agency's production goals by marketing the Agency as a primary source for below market rate mortgage funding for those Californians seeking affordable housing.

#### **Strategies**

The marketing goals for the Agency are as follows: to assist in achieving the maximum mortgage loan output in its homeownership and rental development programs to make CHFA a household word throughout the state for those in the affordable housing market; and to promote our products with the goal of expanding affordable housing opportunities throughout the state wherever possible.

#### **Program Performance and Strategy Implementation**

There were several noteworthy accomplishments this past year. In September, 2000, the National Council of State Housing Agencies' Annual Award for Program Excellence for Federal Legislative Campaigns was presented to CHFA for its effort titled "Once More - California's Contribution to the Cap Increase Campaign." This was especially timely in that the long-fought-for federal legislation was enacted in December, 2000 raising the private activity bond volume cap by 50% over a ~~two~~ year period. In addition, we marketed the California Homebuyer's Downpayment Assistance Program and continued a marketing effort to increase builders' and prospective homebuyers' awareness of the School Facility Fees Housing Programs.

This year CHFA has also participated in 10 major trade shows thus far with the Pacific Coast Builders' Conference (PCBC) remaining. All of these trade shows are targeted to increase awareness of our programs, primarily in the high-cost and under-served areas of the state.

Other tools used in creating a distribution system for our marketing materials include mailings, the CHFA 800 number, direct phone calls and correspondence, participating lenders, and the CHFA internet website. Our website ([www.chfa.ca.gov](http://www.chfa.ca.gov)), in operation for about four years, was recently redesigned to give it a fresh look with easier navigation through the site.

For the Business Plan, the Agency will utilize the following tools:

- a "CONNECTIONS", a CHFA multifamily affordable housing newsletter, now published three times a year;
- Homeownership and rental development consumer information "800 numbers;
- a Trade shows and partnering with the building industry, redevelopment agencies, lenders, developers, non-profits, Realtors@,and public agencies;
- One-on-one personal contact wherever possible with developer/sponsor prospects;
- The annual report, brochures, flyers, bulletins and articles;
- Emerging Technology -- disseminate information about the Agency via CHFA's website ([www.chfa.ca.gov](http://www.chfa.ca.gov)).

We will continue to broadcast our message to our targeted audience -- those who need affordable housing -- and those who assist them in finding it.

**B. ADMINISTRATION DIVISION/ INFORMATION TECHNOLOGY  
FISCAL YEARS 2001/02 - 2005/06  
FIVE YEAR BUSINESS PLAN**

**Mission**

The Administration Division's primary mission is to facilitate the successful operation of the Agency by providing timely human resources, business services, operating budget administration, facilities and equipment, and effective and innovative information technology support to implement and maintain the Agency's programs.

**Strategies**

CHFA recently upgraded its office automation software system to a Microsoft Windows 2000 environment. All of the latest Microsoft Office products are being used including Word 2000, Excel 2000 and Outlook 2000 Email System. This state-of-the-art software improves CHFAs ability to conduct business efficiently and effectively both internally and externally. A project is well underway to upgrade and improve the information systems and related technologies used to track and service CHFAs multifamily loan portfolio. To ensure peak performance of its computer network, CHFA recently upgraded network speed from 10 million bits per second (BPS) to 100 million BPS.

**Program Performance and ,Strategy Implementation**

During the last year, 13 CHFA employees (or 7.5%) of our workforce) retired under the State's enhanced plan. Coupled with normal turnover and the 10 new positions added in fiscal year 00/01, human resources has had an exhaustive recruitment and selection agenda. We have in fact, at this point in time, 11 (or 6.3%) more full-time employees than at this same time last year. So we have continued to meet the challenge in a difficult labor market.

To accommodate the increased number of staff, the Agency has expanded its leased space in the Sacramento office and at the same time has taken the opportunity to extend its lease.

CHFA has also begun a training needs assessment via a Web-based survey for all of its employees. The information collected will allow us to develop a comprehensive training program for each of our employees. This will enable the Agency to maximize our training dollars and insure that all of our employees have the skill sets to perform their current job duties as well as prepare them for other advancement opportunities, when available.

CHFA will continue efforts to use its web site and other internet technologies to our best advantage. CHFA plans to improve our web site allowing visitors to have a more interactive and productive experience when accessing information on the site. Last year,

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custom computer programs were developed for the California Homebuyer Down Payment Assistance Program (CHDAP). CHFA also put technology in place to interface with the Mortgage Electronic Registration System (MERS). MERS is becoming widely accepted in the industry as a central repository for mortgage loan documents. The computer system used for Section 8 contract administration was modified extensively to accommodate new reporting requirements for the HUD-mandated Tenant Rental Assistance Certification System (TRACS). HUD will be issuing additional specifications this year that will require further enhancements to CHFA's system.

**C. MULTIFAMILY ASSET MANAGEMENT  
FISCAL YEARS 2001/2002 - 2005/2006  
FIVE-YEAR BUSINESS PLAN**

**Mission**

The Multifamily Asset Management Division's mission is to preserve CHFAs affordable rental portfolio by 1) protecting our loans through financial monitoring, workouts, and physical inspections, 2) protecting subsidy funds through occupancy and other financial compliance monitoring on behalf of HUD, and 3) protecting CHFAs rights, the owner/agent's rights and tenant's rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and state laws. In addition, to lend asset management expertise to CHFA departments, sponsors and property management companies that is helpful, professional, prompt, and timely in order to achieve the maximum benefit for the tenants of CHFA funded developments.

**Strategies**

- Division organized in "teams" in both northern and southern California.
- Asset Managers review project operating budgets, audited financial reports, and ongoing project expenditures, including review of funding for capital improvement projects.
- Occupancy Specialists administer the monthly rent subsidy for our Section 8 portfolio and conduct yearly tenant file compliance audits for each project. They also perform annual compliance monitoring at the non-Section 8 projects.
- Inspectors perform annual physical inspection of each project's building components, grounds, and individual units. Periodic inspections occur an additional 1-2 times per year as needed.
- Division assists Programs Division during underwriting process by reviewing proposed operating budgets, participating in concept meetings, and assisting during the loan closing process.
- Division participates with HCD and TCAC as part of the Affordable Housing Task Force to coordinate and share ongoing monitoring and compliance responsibilities with other involved state and local agencies.

## Program Performance and Strategy Implementation

- Current Portfolio of 161 Section 8 Projects, **192** non-Section 8 projects.
- **194** projects in northern region. . **159** projects in southern region.
- In the next fiscal year it is anticipated that 11 portfolio projects will be offered loan modifications as a result of Agency bond refundings. Two loan restructures are currently in progress. In addition, it is anticipated that 2-6 portfolio loans with expiring Section 8 HAP contracts will begin the process to restructure.
- Two portfolio loans, Meadow Glen in Pittsburgh and Gravenstein Apartments in Sebastopol, received loan modifications during the past fiscal year in accordance with the Agency's policy to offer borrowers a reduced interest rate, where possible, following the refunding of the original agency bond used to finance the project. In exchange for a reduced interest rate, projects must provide additional affordability either by increasing the number of units available for lower income persons, or by extending the loan term and regulatory period. In both cases the regulatory period was increased. It should be noted that some projects that were offered a loan modification declined.
- One portfolio project, Palos Verdes Apartments, in Palm Springs, received a loan restructure under the Agency's Work-out Program. The loan was re-ammortized for a new term which extends the original note by nine years, with a step interest rate. The existing mortgage arrearage and advances became a new second mortgage payable by residual receipts. Any surplus cash is divided 80% to CHFA and 20% to the Borrower until paid in full. The borrower contributed \$150,000 which CHFA is holding for use to correct construction defects and annual reserve for replacement funds were increased. The CHFA Board approved this restructure in September 1999 and it was ultimately completed in June 2000.
- One portfolio project, O'Farrell Towers, in Oakland, received a loan restructure as part of the Agency's efforts to preserve affordable housing in projects where the Section 8 contract and loan term are mis-matched. The CHFA Board approved this preservation restructure in May 2000 and the new loan closed in August 2000.

**D. LEGAL DIVISION  
FISCAL YEARS 2001/02 - 2005/06  
FIVE-YEAR BUSINESS PLAN**

### **Mission**

The primary mission of the Legal Division is to manage the legal affairs of CHFA as successfully, economically and expeditiously as possible.

### **Strategies**

The operations of CHFA, as contemplated by this Business Plan, are extensive and increasingly complex and will raise many complex legal issues to be managed by the Legal Division. The Legal Division will work with the program departments to develop procedures and working relationships that maximize the offering of the Division in responding to these legal service needs.

### **Program Performance and Strategy Implementation**

The Legal Division continues to perform an important supporting role to the other Divisions of CHFA. In a real sense, the dramatic successes of the other Divisions, and the fact that those successes have been achieved without significant legal problems, are attributable, to some extent, to the efforts of the Legal Division.

The legal affairs of CHFA include, but are not limited to, providing legal advice to the Board of Directors, Executive Director and staff in connection with CHFA operations; organizing and conducting meetings of the Board of Directors and maintaining the official minutes; providing Homeownership and Multifamily program support; preparing documents for and closing Multifamily program loans; providing support to the Asset Management Division; assisting with bond issuances and coordinating with bond counsel; conducting TEFRA hearings; managing litigation including supervising and assisting attorneys assigned from the State Attorney General's *Office* or outside litigation counsel; providing support to the fiscal Services, Administration, Marketing, Information Services divisions and CaHLIF; providing advice on legislation affecting CHFA; assisting in drafting legislation; preparing contracts; conducting ethics orientation and training; maintaining Multifamily program loan files; coordinating Statement of Economic Interests/FPPC filings; drafting regulations; and assisting with CHFA's reporting requirements. In carrying out these responsibilities the Legal Division guides CHFA through a maze of federal, state and local laws which govern its operations.

**E. LEGISLATION**  
**FISCAL YEARS 2001/02 - 2005/06**  
**FIVE-YEAR BUSINESS PLAN**

**Mission**

The primary focus of the Legislative Division is to ensure that legislation which fosters CHFA's primary purpose, that of providing financing to meet the housing needs of low and moderate-income families in California, is monitored, tracked, analyzed and enacted into law.

**Strategies**

The Legislative Division will continue to review, track and analyze legislation affecting affordable housing and housing finance. We will continue to monitor state and federal legislative matters which impact CHFA programs and operations, develop the Agency's policy positions on legislation, and promote the Agency before Congress, the State Legislature and the Governor.

Specifically, the Federal activity will continue to focus on elimination of the Ten-year Rule and reform MRB purchase price limits. In addition, the Division will continue to monitor the effect of Federal legislation and the housing budget, particularly funding for HUD and FHA programs. The state activity will continue to concentrate on legislative proposals for the creation of new and affordable housing stock in California. The division will continue to provide Congressional, Senate and Assembly staff with information on CHFA programs and other data and information on affordable housing issues to ensure that the Legislature and Congress are well informed of the housing needs in California, and will continue to provide information and reports to the Board to keep them up to date on important State and federal issues.

**Program Performance and Strategy implementation**

Last year, efforts to increase the Private Activity Bond cap and the Low Income Housing Tax Credit proved again that persistence pays off! The Housing Tax Credit Cap increased to \$1.50 per capita in calendar year 2001, and will increase again to \$1.75 per capita in calendar year 2002. The bond cap increase will also be phased in over two years - increasing to \$62.50 per capita in calendar year 2001, and to \$75.00 per capita in 2002. Beginning in calendar year 2003, the volume cap will be adjusted annually for inflation.

At the State level, we successfully lobbied for an increase in the amount of State General Fund dollars available to create housing opportunities within the State, including \$50 million for a downpayment assistance program administered by CHFA that can be coupled with virtually any first mortgage product to increase homeownership opportunities for first-time homebuyers. The increase in bond cap authority will add 7,500 rental units to the affordable housing stock, beginning in 2002, and 4,000 additional first-time homebuyers will achieve the dream of homeownership annually thereafter. The 40% increase in tax credits will produce annually 2,400 additional rental units.

**F. FISCAL SERVICES DIVISION  
FISCAL YEARS 2001/02 - 2005/06  
FIVE-YEAR BUSINESS PLAN**

### **Mission**

The primary mission of the Fiscal Services Division is to support Agency activities through the receipt and disbursement of financial resources, the safeguarding of Agency assets, the servicing of Agency loans and by recording and reporting on financial matters of the Agency's funds in accordance with professional standards in meeting all federal, state and indenture requirements.

### **Strategies**

The Division will continue to meet the Agency's financial management and reporting needs. Systems and procedures are in place (and in some cases being upgraded or modified) to accommodate the growth in single family and multifamily loan portfolios, the increase in debt issuance and the increase in loan insurance underwriting activity called for in this business plan. The Division continues to provide financial assistance and support to the Agency's lending, insurance and financing activities and is prepared to assume additional loan servicing responsibilities as needed. Emphasis will be placed on improving and integrating automated accounting activities with financial and management reporting systems.

### **Program Performance and Strategy Implementation**

The Division currently accounts for a portfolio of \$6.5 billion of loans receivable and **\$7.3** billion of bonds payable in **176** series under **13** active indentures. In addition, **8,800** loan insurance policies are accounted for with a total loan value of **\$1.1** billion and the Division is servicing **4,668** single family first mortgages and **436** multifamily mortgages. As of March 31, 2001, the delinquency ratio for single family mortgages serviced by Agency staff was **4.40%**, the lowest ever for loans serviced in-house.

During the past year, the Division coordinated the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund. In both instances, reports containing unqualified opinions were issued by our independent auditors. Reviews of the Agency's administration of federal housing assistance payments and our in-house home loan servicing operation were also conducted during the year. No significant findings resulted from these reviews. A biennial performance evaluation of the loan insurance programs administered by CaHLIF was **also** completed and submitted to the Governor and other elected state officials as required by state statute.

**G. FINANCING DIVISION  
FISCAL YEARS 2001/02 TO 2005/06  
FIVE-YEAR BUSINESS PLAN**

### **Mission**

The Financing Division's primary mission is to provide borrowed capital to finance CHFA programs. The Financing Division is also charged with managing CHFA's outstanding debt obligations and non-mortgage investments and making recommendations concerning general financial matters. In carrying out these responsibilities, the Division acts to comply with bond indenture covenants, federal tax law restrictions, and State statutes in addition to satisfying credit rating agency requirements.

### **Strategies**

Over the next five years the Division will need to arrange the issuance of bonds and identify other sources of capital to support \$6.25 billion of homeownership and multifamily loan production.

In order to meet the goal of \$5 billion of new home loans, the Division will continue to maximize the recycling of previous years' Private Activity Bond allocations, finance new loans with high percentages of taxable bonds, invest reserves in Agency loans, and take further advantage of economic refunding opportunities.

In the multifamily area, CHFA expects to commit \$1.25 billion of bond-funded multifamily loans over the next five years. To achieve economies of scale and keep the cost of funds low, the Division intends to continue the following strategies: pooling loans into large financings, pledging the Agency's general obligation, and investing the Agency's reserves in loans.

For both homeownership and multifamily, the Division plans to continue to lower the cost of the Agency's debt through the issuance of variable rate bonds and to utilize the swap market to synthetically fix or cap the rates to hedge our interest rate risk.

We will also continue to partner with other public agencies, pension funds, and Government Sponsored Enterprises (GSE's) such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, who support our financings by acting as investors or by providing services such as standby bond purchase agreements.

## Program Performance and Strategy Implementation

During fiscal year 2000/01 to date CHFA has already issued **\$1.47** billion of bonds and plans to issue another \$500 million before the end of the fiscal year. Of the **\$1.47** billion, **\$860** million is variable rate, of which **\$838** million is swapped to fixed rates. As of April 30, total variable rate debt is approximately **\$2.1** billion, some **29%** of the Agency's total indebtedness of **\$7.2** billion. Bonds swapped to fixed rate total **\$1.55** billion.

At the end of the five-year planning period, it is possible that the Agency will have **\$11.8** billion of bonds outstanding, and as much as 50% may be variable rate, most of which will be swapped to a fixed rate.

In respect to the implementation of partnership strategies, the following are of note:

- The California State Teachers Retirement System currently provides standby liquidity for **\$280** million of CHFA variable rate bonds.
- The Federal Home Loan Bank of San Francisco is currently purchasing all of our taxable variable rate bonds for the homeownership program, including **\$421** million to date this fiscal year. This is an especially valuable relationship because the indexed floaters we are selling to the FHLB do not have a put feature that requires bank liquidity.
- We anticipate entering into an agreement with Fannie Mae to provide standby liquidity for up to **\$250** million of variable rate multifamily bonds.

**FINANCIAL SUMMARY  
FISCAL YEARS 2001/02- 2005/06  
FIVE-YEAR BUSINESS PLAN**

**OVERVIEW**

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of December 31, **2000**, to describe the projected effect on the Agency's equity of the assumptions made in the Agency's five-year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

OF EQUITY

"Equity" is synonymous with "net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of December 31, 2000, the Agency had total assets of **\$8.6** billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of **\$7.8** billion (comprised primarily of bond indebtedness). The residual restricted assets of \$784 million (Housing Finance Fund) and **\$28** million (Housing Loan Insurance Fund) represent the Agency's equity position at December 31, 2000.

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majority of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves are not surplus moneys as used in the context of State agency fund designations. The Agency's reserves are, instead, designations of restricted funds as required of any private financial institution.

As described in the Agency's 1999/00 Annual Report, in the notes to the audited Financial Statements,

All of the Agency's equity is either restricted, reserved, held in trust or designated to meet operating expenses.

Both Restricted by indenture and Bond Security Reserve reflect the Agency's restricted equity. Pursuant to state statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by

Indenture represents the indenture restrictions of specific bonds, whereas the Bond Security Reserve category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Fund maintained all required balances in the loan and bond reserve accounts as of June 30, 2000 and 1999.

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as **cashflow** tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

#### **ALLOCATION OF CHFA EQUITY**

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve. These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

#### **CATEGORIZATION OF EQUITY**

The Agency's equity is allocated into five main restricted reserve categories: Restricted by Indenture, Bond Security Reserves, Insurance Security Reserves, Funds Held in Trust, and Operating Requirements. They are described as follows:

##### **Restricted by Indenture**

The amount classified as Restricted by Indenture (\$509 million) includes amounts required to be retained in the various bond indenture funds. This total provides security for the specific bonds to which they are assigned.

##### **Bond Security Reserves and Insurance Security Reserves**

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain Bond Security Reserves and Insurance Security Reserves in addition to the above-described Indenture Restricted Reserves.

As further described in the notes to the financial statements, the Insurance Security Reserve represents a pledge of a portion of the Agency's equity to support the insurance program of **CaHLIF**.

The amount classified as Bond Security Reserve (\$132.6 million), consisting of amounts from the bond indenture funds, the Emergency Reserve Account and the Housing

Assistance Trust, provides general support for all bonds of the Agency, including general obligation bonds.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of Aa3 (with a "positive outlook").

The Agency has \$774 million of bonds outstanding that are backed by CHFA's general obligation. The Agency has also extended its general obligation pledge to \$323 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or \$161.5 million. In addition, the Agency pledges its general obligation for another \$1.55 billion to its swap counterparties for the interest rate swaps that are currently outstanding.

The amount classified as Insurance Security Reserve (\$64.5 million) has been established to support CaHLIF's mortgage insurance programs as required by the rating agencies. The amount of this reserve is divided between the Supplementary Bond Security Account (\$31.9 million) and the Emergency Reserve Account (\$32.6 million). In addition, the Agency's general obligation stands behind CaHLIF's 50% insurance exposure on its \$969 million insured portfolio.

While most of the Agency's reserves are contractually restricted as security behind the \$7.8 billion in Agency liabilities and the \$969 million in single family mortgages insured by CaHLIF, other bond and insurance security reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary because fee revenues will decline as the bond issues mature, but our administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and other accounts will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs,

they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

### **Funds Held in Trust**

Funds Held In Trust (\$56 million) includes the equity of the Rental Housing Construction Program which is administered by the Agency but is a State **general fund** program. The equity is therefore not available for allocation to Agency purposes. Amounts in this classification also include certain funds related to the federal Section 8 rent subsidy program. These funds are set aside for specific purposes associated with that program.

### **Operating Requirements**

Within the Operating Account the Agency maintains a \$21.7 million operating reserve, equivalent to one year's operating budget, including a \$5.8 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

## **LOSS PROTECTION**

### **Rating Agency Requirements**

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of **loss**. We have always judged the soundness of our Business Plan by projecting financial results for the five year period and determining that these projections were consistent with rating agency criteria.

Both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected **cashflow** shortfalls under these worst case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of residual fund balances (as defined by S&P) equal to 4% of non-AAA bonds outstanding. One-half of these required residual balances (2% of non-AAA bonds) must be liquid assets.

In order to assess the adequacy of the Agency's equity at any point in time, S&P analyzes the Agency's finances to determine the amount of residual equity remaining after providing for any potential risks which have not already been addressed to S&P's satisfaction. In addition, S&P evaluates various financial ratios, which are indicators of leverage, liquidity, and general obligation debt exposure.

The Agency's general obligation pledge currently stands behind \$774 million of single family and multifamily debt, plus \$161.5 million for multifamily FHA Risk Share, \$1.55 billion to our swap counterparties for our outstanding interest rate swaps, as well as behind CaHLIF's top 50% insurance exposure on its \$969 million portfolio. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to continue to meet the capital adequacy requirements of Moody's and S&P, the Agency must reserve equity against these pledges.

**Pledges of CHFA General Obligation**  
(in millions of dollars)

	<u>Current Pledges</u>	<u>Estimated as of June 30, 2006</u>
CHFA G.O. Bonds	\$ 774 <sup>1</sup>	\$2,200
FHA Risk Share Program	161.5 <sup>2</sup>	400
CaHLIF	484.5 <sup>2</sup>	1,100 <sup>2</sup>
Interest Rate Swaps	<u>1,550</u>	<u>6,000</u>
	<b>\$2,970</b>	<b>\$9,700</b>

<sup>1</sup> includes Agency interest rate cap on \$30 million of variable rate bonds

<sup>2</sup> includes only the Agency's 50% exposure

The rating agency assessment of CHFA equity is very similar to the determination of capital adequacy of financial institutions and is necessary for the financial well-being of CHFA as the State's affordable housing bank. In addition, other benefits of meeting the rating agencies' capital adequacy requirements include:

- higher bond ratings, resulting in a lower cost of funds
- reduced interest expense to the home buyer or multifamily project sponsor
- continuation of a mortgage insurance program (CaHLIF)
- elimination of special hazard insurance requirements
- a reduction or suspension of other credit enhancements on Agency bond issues

The costs of not meeting these requirements include:

- an increase in the Agency's cost of funds
- jeopardizing CaHLIF's Aa3/A+ claims paying ability ratings
- jeopardizing ratings on the Agency's currently outstanding bonds
- increased cost of credit enhancement and liquidity for variable rate bonds
- less favorable terms for new financial agreements including interest rate swaps
- reduction in the number of willing financial partners such as investors, bond insurers, liquidity providers, and swap counterparties

CHFA first earned its Top Tier designation in 1986 and has achieved the performance levels necessary to retain this honor continuously since that date. We fully intend to continue the strong management practices, sound program planning, and internal control systems that have allowed us to maintain this designation. We also expect to achieve financial results in the future consistent with our current issuer credit ratings from both Moody's and Standard & Poor's.

#### **Loss Protection: Other Prudent Reserves**

A portion of the Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with the multifamily loan portfolio, negative arbitrage, and uncollateralizable investment agreements.

#### ***Interest Rate Risk***

In the case of Homeownership Programs, the shortage of private activity bond allocation will require the Agency to continue to rely heavily on the issuance of taxable bonds to support the desired loan volume. The use of variable rate bonds, whether tax-exempt or taxable, constitutes an opportunity to reduce the Agency's cost of funds, thus reducing the amount of subsidy needed to support taxable bonds or, alternatively, expanding the volume of taxable bonds that can be issued. As of May 1, 2001 the Agency has \$2.1 billion of variable rate bonds outstanding, and another \$300 million may be added before

the end of the 2000/01 fiscal year. It is possible that another \$1.25 billion may be issued each year going forward for the life of the Plan.

Given the Agency's variable rate bond strategy, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes that would reduce or eliminate personal and corporate income taxes. Another risk would be counterparty failure in connection with an interest rate swap or cap. In this regard, it should be noted that as of March 31, 2001, the market value of the Agency's 32 interest rate swaps was a negative \$107 million. What this means is that, if all our counterparties were to fail, the Agency would owe termination payments in this amount. In addition, very high or very low incidences of single family loan prepayments could upset the balance between the notional amount of the swap and the outstanding amount of related variable rate bonds.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency needs to set aside a substantial reserve against this risk. The Agency may also purchase interest rate caps and will continue to swap some of our exposure to a fixed rate.

### ***Natural Catastrophes***

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of home loans to be made to purchasers of existing condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of \$656 million of loans for condominiums.

A portion of the Agency's multifamily loan portfolio is insured under an \$80 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

### ***Project Maintenance***

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of debt service shortfalls on project loans. Given the size of the Agency's \$1.15 billion multifamily loan portfolio and the substantial pipeline of new loans to be originated or acquired, reserves must be available as a reasonable protection

from late payments, emergency maintenance needs or various cashflow shortfalls. One type of potential cashflow shortfall could result if HUD is unable to extend Section 8 Housing Assistance Payments contracts to the final maturity of our loans.

### ***Negative Arbitrage***

The Agency expects to be unable to invest the proceeds of its bonds at rates equal to its cost of funds. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

### ***Investment Risks***

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

### **EQUITY ANALYSIS BY FUND AND ACCOUNT**

The Agency's total equity at December 31, 2000 was **\$784** million (Housing Finance Fund) and \$28 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below. As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

### **Bond Indenture Equity**

As of December 31, \$509 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

### **Rental Housing Construction Program**

The Rental Housing Construction Program, administered by the Agency, accounts for \$8.1 million of the Agency's equity at December 31. This equity is in the form of second mortgages and, as an administered program, is unavailable for Agency reallocation.

### **Housing Assistance Trust**

As of December 31, HAT accounts for **\$136** million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy

requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

CHFA invests, through HAT, in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Homeownership and Multifamily lending programs and in support of the CaHLIF programs. Prudent management consistent with rating agency standards allow CHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed elsewhere herein.

Because some of the new HAT program activities involve recycling of short-term loans, we estimate that approximately **\$221** million of equity will be needed to support the **\$295** million of identified HAT programs. In some cases, the liquidity for the actual program activity may come from borrowed funds, especially where there are opportunities to borrow in the tax-exempt market to fund HAT lending programs.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will be utilized for short- and intermediate-term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include warehousing of loans that await assignment to bond issues, warehousing of permanent multifamily loans, and warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds.

### **Supplementary Bond Security Account**

The statutorily established Supplementary Bond Security Account (SBSA) accounts for **\$51.7** million of the Agency's equity at December **31**. This equity is subject to many influencing factors such as rating agency requirements, loss protection against interest rate risks, natural catastrophes, and negative arbitrage.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the five-year Business Plan.

### **Emergency Reserve Account**

The Emergency Reserve Account (ERA) accounted for \$62 million of the Agency's equity at December **31**. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of **loss** protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts backs the Agency's general obligation bond and insurance pledges of **\$2.97** billion. The Agency's general obligation will continue to be pledged to provide security for bonds to interest rate swap counterparties.

All of the equity in the ERA supports the maintenance of the Agency's issuer credit ratings, top tier designation and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by the rating agencies is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other conventional marketplace lending institution.

The account was established by Board resolution at a minimum of 1% of mortgages outstanding. The current balance of **\$62** million equals **0.95%** of the unpaid principal balance of loans and 0.85% of bonds payable, indicating a need for fund transfers to increase the account balance.

Because the Emergency Reserve Account does not need to be held entirely in liquid form, it currently serves as a major source of funding for warehousing home loans awaiting monthly assignment to bond issues. During the period of this plan, use of Emergency Reserve Account liquidity may also be used to warehouse multifamily loans.

Although in general the ERA is potentially available for legal claims and risk management purposes, the following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category. The account has multiple obligations which potentially could greatly exceed its **\$62** million balance.

### ***California Housing Loan Insurance Fund***

CaHLIF has restricted reserves of **\$28** million. The Agency's Five-Year Business Plan has a goal of insuring \$1.8 billion in new mortgages. The CHFA Board has currently set aside an existing capital reserve of **\$7.5** million and pledged its support from "reserves otherwise available for such purpose" (Resolution **87-29**) for an unspecified level of **CaHLIF-insured** loan volume. Of the **\$7.5** million, **\$2.85** million has been escrowed to date to meet reinsurer indemnification and escrow requirements. Adoption of previous CaHLIF Business Plans required that specific reserves be increased to a total of **\$64.5** million. Of the total pledged, **\$31.9** million is charged against the equity in the **Supplementary Bond Security Account**. The balance, **\$32.6** million, is charged to equity in the Emergency Reserve Account. These Housing Finance Fund reserves would be available to be loaned to CaHLIF to increase the amount of its loan loss reserves, should the need arise.

This combination of equity from SBSA and ERA reserves is necessary to meet rating agency requirements and to indemnify CaHLIF's reinsurer (Hannover Ruck) against losses. There is also a potential risk that a catastrophic event could result in a call on CHFA financial resources in excess of the \$64.5 million pledge, thereby requiring further Board action to resolve.

### ***General Obligations***

CHFA has \$774 million in outstanding bonds that are backed, in whole or in part, by CHFA's general obligation (not the State's) in addition to any external credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst case cashflows on our general obligation bonds as a charge against equity. CHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer for losses or liquidity banks for purchasing variable rate bonds that could not be remarketed. The reserve is also available for protection against potential losses from interest rate fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of an interest rate cap to \$30 million of CHFA floating-rate single family bonds issued during the previous fiscal year. Under this internal agreement, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of 7 percent. Use of this technique of transferring interest rate risk from our bond programs to the Emergency Reserve Account may be expanded in the future.

### ***Investment Reserves***

CHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. As described in the CHFA Investment Policy, usually these proceeds are invested with financial institutions with whom we enter into investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficulties with an investment agreement until such time as the funds can be withdrawn from the investment accounts.

### ***Self-Insured Earthquake Coverage***

To provide affordable single family housing in high-cost regions of the State, CHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of existing condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all condo loans made in earthquake zone areas. The Agency has a total of \$656 million of loans on condos in its portfolio. In addition, many newly-constructed condominiums are financed by CHFA

even though they are unable to obtain earthquake coverage. The Agency also reserves 1% of each resale condo's loan amount in the Supplementary Reserve Account for \$2.9 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of \$4 million (calculated on the probable maximum loss of \$80 million) is available in this account.

### ***Asset Management***

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency may be called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of \$3.0 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling \$1.15 billion of unpaid principal balance.

### **Operating Account**

The Operating Account accounts for \$21.7 million of the Agency's equity at December 31. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

## **BUSINESS PLAN ASSUMPTIONS**

### **Introduction**

Cashflow analyses of the Agency's bond programs are independently prepared by an investment bank for the purpose of determining the financial strength of these programs. While these cashflow analyses are prepared primarily for review by the credit rating agencies, they are also used by the Agency to analyze the current equity position of any program and to forecast future net revenues. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantifies the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projects the timing of such reinvestment opportunities.

Implementation of the five-year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

### **Major assumptions underlying the Plan include the following:**

1. Origination of \$5 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.

2. Commitments of **\$1.25** billion of multifamily loans to be financed with tax-exempt or taxable bonds.
3. Insurance of approximately **\$1.8** billion of mortgages through CaHLIF.
4. Sufficient Private Activity Bond (PAB) allocation. Increasing amounts of PAB will be required as our opportunity declines to recycle prior single family allocation by means of replacement refundings. These opportunities are declining primarily because of the delayed effect of certain prior changes to federal tax law.
5. Continued ability to rely on variable rate financing structures (both swapped and unswapped) to achieve interest rate savings. If bank liquidity for put bonds becomes unavailable, other variable rate structures (auction or indexed bonds) would need to be cost-effective.

**Other Assumptions**

Several other programmatic and financial assumptions were made to arrive at the projections comprising the Agency’s Five-Year Business Plan. The following is a summary of such assumptions:

1. Home loan portfolio maintains its current delinquency ratio and REO experience.
2. Capital reserve requirements for multifamily loans can be reduced through risk-sharing agreements and as a result of continued **low** delinquency and default rates.
3. Homeownership prepayments to be received according to the following table:

<u>MORTGAGE RATES</u>	<u>% OF PSA RATE</u>
3.0% - 6.99%	126% - 154%
7.0% - 7.99%	204% - 275%
8.0% - 8.99%	276% - 295%
9.0% & higher	296%

4. Average investment rate in the absence of investment agreements to equal 5%.
5. Financial strength of the entire multifamily portfolio to remain at the current level.
6. Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can continue to be generated by means of variable-rate bond strategies, especially when applied to the refunding of prior bonds.
7. Operating budget is assumed to increase an average of 5% per year.

8. No unexpected insurance losses in the CaHLIF portfolio.
9. No principal losses from investments.
10. No failures of swap counterparties.
11. Only minor changes in the value of the federal tax exemption.

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## RESOLUTION 01-18

WHEREAS, pursuant to the **Zenovich-Moscone-Chacon** Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution **01-13** adopted on May **11, 2000**, which committed the Agency to a business plan for the years **2000/2001** through **2004/2005**; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year **2001/2002** through **2005/2006** annual update of the business plan, in order to adjust to the every changing economic, fiscal and legal environment, which updated business plan is designated to assist the Agency to meet its statutory objectives, to address the housing needs of the people of the state of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

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

- 1.** The updated business plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.
- 2.** In implementing the updated business plan, the Agency shall, strive to satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's top-tier designation by Standard & Poor's Corporation, to maintain its general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and caps, and to satisfy any other requirements of the Agency's bond and insurance programs.
- 3.** Because the updated business plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing circumstances, the Executive Director shall have the authority to adjust the Agency's day-to-

Resolution **01-18**  
Page **2**

day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated business plan.

I hereby certify that this is a true and correct copy of Resolution **01-18** adopted at a duly constituted meeting of the Board of Directors of the Agency held on May **17, 2001**, at Burbank, California.

ATTEST: \_\_\_\_\_  
Secretary

Attachment

**M O R A N D U M**

**To:** California Housing Finance Agency  
Board of Directors

**Date:** May 2, 2001

**From:** Theresa A. Parker, Executive Director **TM**  
CALIFORNIA HOUSING FINANCE AGENCY

**Subject:** Resolution 01-19: 2001/2002 Operating Budget

The Agency has determined that this budget contains the resources that are necessary to continue to manage our current portfolio, as well as implement the new initiatives contained in the Business Plan. As is the case each year, we have analyzed all our positions and expenditures, and have made redirections, reallocations and other changes to achieve the maximum benefit from a minimum of increases.

Specifically, this budget contains the following:

**Personal Services**

There are no new salary increases authorized or budgeted for fiscal year 2001/2002. However, there are a total of six new positions added to this year's budget.

One position has been added to the Administration staff to deal with increased workload.

Three positions have been added to Homeownership (previously Single Family) as follows: one (1) for the increased workload of the Extra Credit Teachers Program, one (1) new outreach position to enhance our efforts in the field, and (1) position for a program director.

Lastly, two processing positions have been added to CaHLIF to support program growth.

**Operations**

The minor increase in operations is primarily in two categories: facilities and professional services. With the staff which has already been added and the proposed staff to be hired, extra space has been leased for the Sacramento office. There is a possibility that even more space will need to be procured as the staff continues to grow. Additionally, professional services has increased because the Agency is contracting with a new provider for the tracking and servicing of its Multifamily loan portfolio.

Once again, the Agency has made a very concerted effort to provide for only the resources that are needed to fully implement our new Business Plan. We have largely redirected resources to support the Agency's programs. As such, the Agency budget is proposed to increase by 2.6% over the prior year.

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CALIFORNIA HOUSING FINANCE AGENCY  
2001/02  
HOUSING AND INSURANCE OPERATING FUNDS  
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 99/00</u>	<u>Budgeted 00/01</u>	<u>Proposed 01/02</u>
<b>PERSONAL SERVICES</b>			
Authorized Salaries	\$9,980	\$12,417	\$13,027
Estimated Salary Savings		(621)	(651)
Staff Benefits	<u>1,561</u>	<u>2,949</u>	<u>2,475</u>
TOTALS, Personal Services	\$11,541	\$14,745	\$14,851
<b>OPERATING EXPENSES AND EQUIPMENT</b>			
General Expense	500	450	500
Communications	324	345	345
Travel	335	365	398
Training	84	76	101
Facilities Operation	1,105	1,314	1,422
Consulting & Professional Services	1,242	1,265	1,335
Central Admin. Serv.	624	616	697
Data Processing	465	355	375
Equipment	217	116	125
Operating Expenses and Equipment	<u>\$4,896</u>	<u>\$4,902</u>	<u>\$5,298</u>
TOTALS, EXPENDITURES	<u>\$16,437</u>	<u>\$19,647</u>	<u>\$20,149</u>

\* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 3, 2001

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CALIFORNIA HOUSING FINANCE AGENCY  
2001/02  
CHFA FUND OPERATING BUDGET  
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 99/00</u>	<u>Budgeted 00/01</u>	<u>Proposed 01/02</u>
PERSONAL SERVICES			
Authorized Salaries	\$9,536	\$11,807	\$12,293
Estimated Salary Savings		(590)	(615)
Staff Benefits	<u>1,498</u>	<u>2,804</u>	<u>2,336</u>
TOTALS, Personal Services	\$11,034	\$14,021	\$14,014
OPERATING EXPENSES AND EQUIPMENT			
General Expense	474	400	465
Communications	308	330	330
Travel	316	345	378
Training	79	66	91
Facilities Operation	1,057	1,264	1,362
Consulting & Professional Services	872	911	991
'Central Admin. Serv.	568	569	640
Data Processing	451	305	325
Equipment	<u>203</u>	<u>100</u>	<u>100</u>
Operating Expenses and Equipment	<u>\$4,328</u>	<u>\$4,290</u>	<u>\$4,682</u>
Distributed Administration	(\$381)	(\$395)	(\$320)
TOTALS, EXPENDITURES	<u>\$14,981</u>	<u>\$17,916</u>	<u>\$18,376</u>

\* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

CALIFORNIA HOUSING FINANCE AGENCY  
2001102  
CaHLIF FUND OPERATING BUDGET  
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 99/00</u>	<u>Budgeted 00/01</u>	<u>Proposed 01/02</u>
<b>PERSONAL SERVICES</b>			
Authorized Salaries	\$444	610	735
Estimated Salary Savings		(31)	(37)
Staff Benefits	<u>63</u>	<u>145</u>	<u>140</u>
TOTALS, Personal Services	\$507	\$724	\$837
<b>OPERATING EXPENSES AND EQUIPMENT</b>			
General Expense	26	50	35
Communications	16	15	15
Travel	19	20	20
Training	5	10	10
Facilities Operation	48	50	60
Consulting & Professional Services	370	354	344
'Central Admin. Sew.	56	47	57
Data Processing	14	50	50
Equipment	<u>14</u>	<u>16</u>	<u>25</u>
Operating Expenses and Equipment	<u>\$568</u>	<u>\$612</u>	<u>\$616</u>
Distributed Administration	\$381	\$395	\$320
TOTALS, EXPENDITURES	<u>\$1,456</u>	<u>\$1,731</u>	<u>\$1,773</u>

• Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

CALIFORNIA HOUSING FINANCE AGENCY  
2001/02

SUMMARY  
PERSONNEL YEARS AND SALARIES

DIVISION	PERSONNEL YEARS			AMOUNT	
	ACTUAL 99/00	AUTHORIZED BUDGET 00/01	PROPOSED 01/02	FINAL BUDGET 2000/01	PROPOSED BUDGET 2001/02
EXECUTIVE OFFICE	4.0	6.0	6.0	\$504,368	\$416,088
ADMINISTRATION	19.8	23.0	25.0	1,283,094	1,406,075
FINANCING	8.7	9.0	9.0	623,842	647,388
FISCAL SERVICES	44.1	49.0	49.0	2,475,739	2,530,782
GENERAL COUNSEL	8.7	9.0	11.0	658,934	855,554
MARKETING	4.7	5.0	4.0	357,590	260,571
PROGRAMS	12.4	16.0	0.0	1,080,483	\$0
SINGLE FAMILY	24.3	38.0	44.0	1,918,485	2,359,602
MULTIFAMILY	10.9	16.0	28.0	1,003,456	1,901,790
ASSET MANAGEMENT	24.0	27.0	26.0	1,494,815	1,474,886
CaHLIF	9.5	11.0	13.0	579,103	694,502
Temporary Help	15.2	7.0	9.0	382,332	420,000
Overtime				55,000	60,000
	<b>186.3</b>	<b>216.0</b>	<b>224.0</b>	<b>\$12,417,240</b>	<b>\$13,027,238</b>
TOTAL SALARIES				<b>\$12,417,240</b>	<b>\$13,027,238</b>
Less Salary Savings'		<b>(10.8)</b>	<b>(13.2)</b>	<b>(620,862)</b>	<b>(651,362)</b>
NET SALARIES	<b>186.3</b>	<b>205.2</b>	<b>210.8</b>	<b>\$11,796,378</b>	<b>\$12,375,876</b>

This figure represents a normal rate of vacancies and lag time in refilling positions in accordance with State budget practices.

May 3, 2001  
 California Housing Finance Agency  
 Agency Code: 2260

FY 2001/02  
 PERSONNEL YEARS  
 AND SALARIES  
 SCHEDULE 7A

ORGANIZATIONAL UNIT Classification	Authorized			Actual 99/00	Actual 99/00	Authorized	
	Actual 99/00	Budget 00/01	Proposed 01/02			Budget 00101	Proposed 01102
OPERATIONS							
Executive Office:							
Exec Director	1.0	1.0	1.0	9,824 -	10,625	126,678	127,496
Chief Dep Director	1.0	1.0	1.0	8,681 -	9,388	111,934	112,657
Director of Legislation	0.0	1.0	0.0	6,462 -	6,988	80,885	0
Director of Legislation-State	0.7	0.0	0.0	5,980 -	6,661	0	0
Staff Services Mgr II (Supvr)	0.3	1.0	1.0	4,963 -	5,987	71,387	71,047
Assoc Govtl Prog Analyst	0.0	0.0	1.0	3,915 -	4,759	0	46,980
Admin Asst II	1.0	2.0	1.0	3,915 -	4,759	113,484	57,108
Exec Assistant	0.0	0.0	1.0	2,926 -	3,556	0	42,669
Totals, Executive Office	4.0	6.0	6.0		\$ 397,481	\$504,368	\$416,088
Administration:							
Director's Office:							
CEA I	1.0	1.0	1.0	6,493 -	6,975	83,167	83,703
Ofc Techn	1.0	1.0	1.0	2,348 -	2,855	34,038	34,258
Administrative Services:							
Staff Services Mgr I	0.3	1.0	1.0	4,343 -	5,239	62,466	62,870
Assoc Personnel Analyst	0.5	0.0	1.0	3,915 -	4,759	0	49,329
Assoc Management Analyst	1.0	1.0	1.0	3,915 -	4,759	54,039	57,108
Training Officer I	0.0	0.0	1.0	3,915 -	4,759	0	57,108
Staff Services Analyst	2.0	3.0	2.0	3,255 -	3,957	141,546	94,973
Bus Services Offr	0.5	1.0	1.0	3,255 -	3,957	40,759	47,486
Bus Services Assistant	1.0	0.0	1.0	2,714 -	3,300	0	39,599
Mgt Services Techn	0.3	1.0	0.0	2,507 -	3,049	36,357	0
Stock Clerk	0.5	0.0	0.0	2,132 -	2,592	0	0
*Ofc Asst	0.3	1.0	2.0	2,029 -	2,465	29,388	59,155
Data Processing:							
DP Mgr III	1.0	1.0	1.0	6,032 -	6,651	79,298	79,810
Systems Software Spec II	1.0	1.0	1.0	4,949 -	6,015	71,721	72,184
Staff Programmer Analyst	1.0	5.0	5.0	4,507 -	5,480	312,789	328,786
(a) Assoc Programmer Analyst	7.4	4.0	4.0	4,110 -	4,997	238,327	239,866
Programmer II	0.0	1.0	1.0	3,589 -	4,363	52,018	52,354
Staff Services Analyst	1.0	1.0	1.0	3,255 -	3,957	47,182	47,486
Totals, Administration	19.8	23.0	25.0		\$1,060,700	\$1283,094	\$1,406,075
Financing:							
Director	1.0	1.0	1.0	8,201 -	8,870	105,759	106,442
Financing OE	2.7	4.0	4.0	5,441 -	6,577	294,276	315,694
Financing Spec	3.0	2.0	2.0	4,301 -	5,228	124,669	125,474
Financing Assoc	1.0	1.0	1.0	3,915 -	4,759	56,742	57,108
Exec Assistant	1.0	1.0	1.0	2,926 -	3,556	42,395	42,669
Totals, Financing	8.7	9.0	9.0		\$ 587,907	\$623,042	\$647,388

## Fiscal Services:

Comptroller, CEA II	1.0	1.0	1.0	6,954 -	7,668	91,425	92,015
Mortgage Loan Acctg Admin	3.0	3.0	3.0	4,963 -	5,987	214,160	215,542
Acctg Admin I (Supervisor)	2.0	2.0	2.0	4,520 -	5,453	130,026	130,865
Acctg Admin I (Specialist)	2.4	3.0	4.0	4,301 -	5,228	187,004	250,948
Assoc Acctg Analyst	4.0	4.0	3.0	4,110 -	4,997	227,415	179,899
Sr Acctg Off (Supervisor)	1.0	1.0	1.0	4,113 -	4,963	59,173	59,555
Sr Acctg Off (Specialist)	4.3	6.0	6.0	3,915 -	4,759	340,453	342,651
Mortgage Loan Acctg Off	8.5	7.0	7.0	3,418 -	4,155	346,765	349,003
Accountant Trainee	4.1	2.0	2.0	2,883 -	3,338	79,608	80,122
Mortgage Loan Accountant	0.5	5.0	5.0	2,554 -	3,104	185,069	186,264
Mgt Services Techn	1.8	1.0	2.0	2,507 -	3,049	32,959	73,183
Ofc Techn	0.9	3.0	2.0	2,348 -	2,855	102,114	68,515
Ofc Asst	1.0	0.0	0.0	2,029 -	2,465	0	0

## Loan Servicing:

Staff Services Mgr II (Supvr)	0.9	1.0	1.0	4,963 -	5,987	71,387	71,847
Loan Servicing Manager	0.1	0.0	0.0	4,343 -	5,239	0	0
Housing Finance Spec	1.0	1.0	1.0	4,301 -	5,228	62,335	62,737
Housing Finance Assoc	0.0	1.0	1.0	3,915 -	4,759	49,538	57,108
Housing Finance Asst	1.0	0.0	2.0	3,255 -	3,957	0	94,973
Collections Agent	2.0	2.0	0.0	2,834 -	3,444	82,137	0
Housing Finance Trainee	1.0	1.0	1.0	2,714 -	3,300	39,345	39,599
Mgt Services Techn	1.9	2.0	2.0	2,507 -	3,049	72,713	73,183
Ofc Tech	0.2	3.0	3.0	2,348 -	2,855	102,114	102,773
Ofc Asst	1.5	0.0	0.0	2,029 -	2,465	0	0
Totals, Fiscal Services	44.1	49.0	49.0		\$1,941,147	\$2,475,739	\$2,530,782

## Legal:

Gen Counsel	1.0	1.0	1.0	7,886 -	8,870	105,759	106,442
Staff Counsel III	1.6	3.0	4.0	6,320 -	8,111	290,122	389,326
Staff Counsel	2.1	1.0	2.0	5,484 -	7,034	83,861	168,804
Housing Finance Assoc	0.1	2.0	2.0	3,915 -	4,759	102,920	114,217
Housing Finance Asst	1.0	0.0	0.0	3,130 -	3,957	0	0
Staff Services Analyst	0.9	0.0	0.0	3,130 -	3,957	0	0
Exec Secty I	1.0	1.0	1.0	2,585 -	3,268	38,961	39,212
Sr Typist Legal	1.0	1.0	1.0	2,476 -	3,129	37,311	37,552
Totals, Legal	8.7	9.0	11.0		\$ 532,006	\$658,934	\$855,554

## Marketing:

Director	1.0	1.0	1.0	6,778 -	7,330	96,050	87,960
Special Asst for Marketing	1.0	1.0	0.0	7,003 -	8,031	95,752	0
Asst for Marketing	0.7	1.0	1.0	5,652 -	6,358	70,085	76,290
Assoc Govtl Prog Analyst	1.0	1.0	1.0	3,915 -	4,759	56,742	57,108
Exec Secty I	1.0	1.0	1.0	2,585 -	3,268	38,961	39,212
Totals, Marketing	4.7	5.0	4.0		\$ 303,171	\$357,590	\$260,571

## Temporary Help

Overtime	6.0	2.7	2.7		\$151,117	\$137,759	149,000
					\$30,238	32,000	37,000
Totals, OPERATIONS	96.0	103.7	106.7		\$5,003,767	\$6,073,326	\$6,302,458

## LENDING PROGRAMS

Division Management:							
Director	1.0	1.0	0.0	7,886 -	8,870	105,759	0
Deputy Director	0.0	1.0	0.0	7,003 -	8,031	95,752	0
Spec Asst to Dir	1.0	1.0	0.0	6,687 -	7,668	91,425	0
HELP:							
Housing Finance Off	1.0	1.0	0.0	5,232 -	6,577	78,417	0
Housing Finance Spec	1.0	1.0	0.0	4,136 -	5,228	62,335	0
Ofc Techn	0.9	1.0	0.0	2,258 -	2,855	34,038	0
Small Business Dev:							
Housing Finance Off	1.0	1.0	0.0	5,232 -	6,577	78,417	0
Housing Finance Spec	1.0	1.0	0.0	4,136 -	5,228	62,335	0
Ofc Techn	1.0	1.0	0.0	2,258 -	2,855	34,038	0
Tech Support:							
Supvng Design Off	1.0	1.0	0.0	5,361 -	6,778	80,811	0
Sr Housing Const Insp	0.3	1.0	0.0	4,887 -	6,174	73,619	0
Housing Const Insp	0.7	2.0	0.0	4,661 -	5,891	121,371	0
Sr Design Off	1.0	1.0	0.0	4,654 -	5,879	70,097	0
Assoc Design Off	0.7	1.0	0.0	4,244 -	5,364	58,032	0
Ofc Techn	0.8	1.0	0.0	2,258 -	2,855	34,038	0
Totals, Programs	12.4	16.0	0.0		\$ 787,797	\$1,080,483	\$0
Homeownership Programs:							
'Director	0.0	0.0	1.0	7,886 -	8,870	0	94,632
Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,312	87,184	87,747
'Housing Finance Off	3.0	3.0	4.0	5,232 -	6,577	235,252	315,694
Housing Finance Spec	3.0	4.0	4.0	4,136 -	5,228	249,338	250,948
Housing Finance Assoc	4.9	5.0	7.0	3,915 -	4,759	283,711	399,759
Housing Finance Asst	5.7	10.0	8.0	3,130 -	3,957	471,818	379,891
'Housing Finance Trainee	2.5	7.0	8.0	2,610 -	3,300	275,416	316,792
Mgt Services Techn	0.3	0.0	0.0	2,411 -	3,049	0	0
Support Staff - Sacramento:							
Ofc Techn	0.8	1.0	1.0	2,258 -	2,855	34,038	34,258
Ofc Asst	0.6	2.0	2.0	1,951 -	2,465	58,776	59,155
HELP:							
Housing Finance Off	0.0	0.0	1.0	5,232 -	6,577	0	78,924
Housing Finance Spec	0.0	0.0	1.0	4,136 -	5,228	0	62,737
Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	0	34,258
Contract Admin Prog (CAP):							
Housing Finance Off	0.0	1.0	1.0	5,232 -	6,577	65,447	78,924
Housing Finance Spec	1.0	0.0	0.0	4,136 -	5,228	0	0
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	56,742	57,108
Housing Finance Trainee	0.0	2.0	2.0	2,610 -	3,300	71,374	79,198
Mgt Services Techn	0.5	0.0	0.0	2,411 -	3,049	0	0
Ofc Asst	0.0	1.0	1.0	1,951 -	2,465	29,388	29,578
Totals, Homeownership	24.3	38.0	44.0		5 1,539,374	\$1,918,485	\$2,359,602

Multifamily Lending Programs:

Director	0.0	0.0	1.0	7,886 -	8,870	0	106,442
Deputy Director	0.0	0.0	1.0	7,003 -	8,031	0	96,371
Spec Asst to Dir	0.0	0.0	1.0	6,687 -	7,668	0	92,015
Housing Finance Chief	1.0	1.0	2.0	6,377 -	7,312	87,184	175,494
Housing Finance Officer	3.0	5.0	4.0	5,232 -	6,577	392,087	315,694
Housing Finance Spec	3.0	4.0	4.0	4,136 -	5,228	249,338	250,948
Housing Finance Assoc	1.9	2.0	1.0	3,915 -	4,759	113,484	57,108
Housing Finance Asst	1.0	2.0	2.0	3,130 -	3,957	94,364	94,973
Mgt Services Techn	1.0	1.0	1.0	2,411 -	3,049	32,961	36,591
Support Staff:							
Ofc Techn	0.0	1.0	1.0	2,258 -	2,855	34,038	34,258
Small Business Dev:							
Housing Finance Off	0.0	0.0	1.0	5,232 -	6,577	0	78,924
Housing Finance Spec	0.0	0.0	1.0	4,136 -	5,228	0	62,737
Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	0	34,258
Tech Support:							
Supvng Design Off	0.0	0.0	1.0	5,361 -	6,778	0	81,332
Sr Housing Const Insp	0.0	0.0	1.0	4,887 -	6,174	0	74,094
Housing Const Insp	0.0	0.0	2.0	4,661 -	5,891	0	141,373
Sr Design Off	0.0	0.0	1.0	4,654 -	5,879	0	70,549
Assoc Design Off	0.0	0.0	1.0	4,244 -	5,364	0	64,372
Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	0	34,258
Totals, Multifamily Lending	10.9	16.0	28.0		\$691,209	\$1,003,456	\$1,901,790

Asset Management:

Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,312	87,184	87,747
Admin Asst I	1.0	1.0	1.0	3,274 -	4,140	49,364	49,683
Asset Management - North:							
Housing Finance Off	1.0	1.0	1.0	5,232 -	6,577	78,417	78,924
Housing Maint Insp	2.0	3.0	3.0	4,245 -	5,363	191,840	193,078
Housing Finance Spec	3.0	3.0	3.0	4,136 -	5,228	187,004	188,211
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	56,742	57,108
Housing Finance Asst	4.0	4.0	4.0	3,130 -	3,957	188,727	189,946
Mgt Services Techn	1.0	1.0	1.0	2,411 -	3,049	36,357	36,591
Support Staff - North:							
Ofc Techn	1.0	1.0	1.0	2,258 -	2,855	34,038	34,258
Asset Management - South:							0
Housing Finance Off	1.0	1.0	1.0	5,232 -	6,577	78,417	78,924
Housing Maint Insp	2.0	2.0	2.0	4,245 -	5,363	127,893	128,719
Housing Finance Spec	2.0	3.0	3.0	4,136 -	5,228	187,004	188,211
Housing Finance Asst	2.0	2.0	2.0	3,130 -	3,957	94,364	94,973
Support Staff - South:							
Ofc Techn	2.0	2.0	2.0	2,258 -	2,855	68,076	68,515
Ofc Asst	0.0	1.0	0.0	1,951 -	2,465	29,388	0
Totals, Asset Mngmnt	24.0	27.0	26.0		\$ 1,260,034	\$1,494,815	\$1,474,886

Temporary Help	9.2	4.3	6.3		\$234,282	\$213,573	231,000
Overtime					\$18,796	23,000	23,000

Totals, LENDING PROGRAMS	80.8	101.3	104.3		\$4,531,492	\$5,733,812	\$5,990,278
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## Ca Housing Loan Insurance Fund

## Director's Office:

Director	1.0	1.0	1.0	8,057 -	9,062	108,041	108,738
Delinquency & Claims							
Mortgage Insurance Off	1.0	1.0	1.0	4,983 -	5,713	68,113	68,553
Mortgage Insurance Rep I	1.0	1.0	1.0	3,130 -	3,957	47,182	47,486
Marketing							
Mortgage Insurance Off	0.0	0.0	1.0	4,983 -	5,713	0	69,168
Mortgage Insurance Spec	0.0	1.0	0.0	4,136 -	5,228	51,286	0
Mortgage Insurance Rep II	0.3	1.0	1.0	3,915 -	4,759	56,742	57,108
Risk Management:							
Mortgage Insurance Off	1.0	1.0	1.0	4,983 -	5,713	68,113	68,553
Mortgage Insurance Spec	1.0	1.0	0.0	4,136 -	5,228	62,335	0
Mortgage Insurance Rep II	1.0	1.0	1.0	3,915 -	4,759	56,742	57,108
Operations:							
Mortgage Insurance Spec	0.0	0.0	1.0	4,136 -	5,228	0	49,632
Mortgage Insurance Rep I	0.0	0.0	2.0	3,130 -	3,957	0	94,973
*Mgt Services Techn	1.0	1.0	2.0	2,411 -	3,049	36,357	73,183
Ofc Asst	0.2	1.0	0.0	1,951 -	2,465	24,192	0
Temporary Help	2.0	1.0	1.0		\$34,692	31,000	40,000
TOTALS, Insurance	9.5	11.0	13.0		\$444,231	\$610,103	\$734,502

## TOTALS, AUTHORIZED POSITIONS

CHFA Totals	186.3	216.0	224.0		\$9,979,490	\$12,417,240	\$13,027,238
Regular/Ongoing Positions	169.1	208.0	214.0		\$9,510,365	\$11,979,908	\$12,547,238
Temporary Help	172	8.0	10.0		\$420,091	\$382,332	\$420,000
Overtime					\$49,034	\$55,000	\$60,000

(\*) New positions as of FY 01/02

**CALIFORNIA HOUSING FINANCE AGENCY  
ACTUAL AND PROJECTED REVENUES AND EXPENSES**

**OPERATING ACCOUNT**

(In millions)

	<u>1999/00</u> <u>(Actual)</u>	<u>*2000/01</u> <u>(Budgeted)</u>	<u>**2001/02</u> <u>(Projected)</u>
Beginning Balance	\$16.4	\$18.1	\$18.3
<b>HOUSING REVENUES</b>			
Administrative Fees:			
Single Family	8.3	7.2	7.5
HUD/Multifamily	1.8	1.9	2.0
SMIF Int. on Impounds	0.9	1.0	1.1
Commitment Fees/Misc. Inc.	0.4	0.7	1.0
SMIF Interest on Balance	1.3	1.8	2.0
Net Servicing Fee Income	1.4	1.6	2.0
Operating Transfers	<u>2.7</u>	<u>4.0</u>	<u>4.0</u>
Total, Housing	<u>\$16.8</u>	<u>\$18.2</u>	<u>\$19.6</u>
<b>CaHLIF REVENUES</b>			
Investments and Premiums	<u>1.6</u>	<u>1.7</u>	<u>1.8</u>
<b>HOUSING AND CaHLIF</b>			
<b>TOTAL OPERATING REVENUES</b>	<b>\$18.4</b>	<b>\$19.9</b>	<b>\$21.4</b>
<b>EXPENSES</b>			
Housing - Operating Budget	15.0	17.9	18.4
CaHLIF - Operating Budget	<u>1.5</u>	<u>1.7</u>	<u>1.8</u>
<b>HOUSING AND CaHLIF FUNDS</b>			
<b>TOTAL OPERATING EXPENSES</b>	<b>\$16.4</b>	<b>\$19.6</b>	<b>\$20.1</b>
Non-Operating Expenses	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
Ending Balance	<u><u>\$18.1</u></u>	<u><u>\$18.3</u></u>	<u><u>\$19.4</u></u>

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RESOLUTION 01-19

CHFA OPERATING BUDGET

FISCAL YEAR 2001/2002

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2001/2002 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

- 1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund and California Housing Loan Insurance Fund for fiscal year 2001/2002.

I hereby certify that this is a true and correct copy of Resolution 01-19 adopted at a duly constituted meeting of the Board of the Agency held on May 17, 2001, at Burbank, California.

ATTEST: \_\_\_\_\_  
Secretary

Attachment

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