CHFA BOARD OF DIRECTORS

Thursday, May 16,2002

Hilton Burbank Airport & 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 20,2002 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to the adoption **of** a resolution approving the Five-Year Business Plan for fiscal years 2002/2003 to 2006/2007. (**Jerry** Smart/Nancy Abreu/Linn Warren/Ken Carlson)
   Resolution 02-12.. ..830

5. Discussion, recommendation and possible action relative to the adoption of a resolution approving the 2002/2003 CHFA Operating Budget. (Jackie Riley)
   Resolution 02-13.. .900

6. Discussion of other Board matters and reports.

7. 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.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be June 6,2002, at the Holiday Inn Capitol Plaza, Sacramento, California.

THIS PAGE
INTENTIONALLY
LEFT BLANK

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
El Dorado Room
300 J Street
Sacramento, California

Wednesday, March 20, 2002
9:30 a.m. to 12:52 p.m.

Reported and Transcribed by: Ramona Cota

'MIS PAGE
INTENTIONALLY
LEFT BLANK

A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

TAL FINNEY

PAT NEAL

JUDY NEVIS

DAVID PANUSH

THERESA A. PARKER

JEANNE PETERSON

ANNETTE PORINI

JACK SHINE

Staff Present:

THOMAS C. HUGHES, General Counsel

JOJO OJIMA

For the Staff of the Agency:

NANCY ABREU

KENNETH CARLSON

DAWN HULBERT

ROGER KOLLIAS

DIANE RICHARDSON

JACKIE RILEY

JERRY SMART

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 (continued):

LINN WARREN

KATHY WEREMIUK

LAURA WHITTALL-SCHERFEE

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public (in order of appearance):

JOHN M. HUSKEY, Meta Housing Corporation

TINA ILVONEN, CHFA Consultant

JEMAHL AMEN, Office of Speaker Wesson

I N D E X

INDEX (CONTINUED)

P R O C E E D I N G S

WEDNESDAY, MARCH 20, 2002 SACRAMENTO, CALIFORNIA 9:42 A.M.

CHAIRMAN WALLACE: Good morning. I would like to call the meeting of the CHFA Board of Directors to order. And I apologize for the delay but we have had kind of a first in certainly my seven, eight, ten years tenure here. We don't have a quorum. Which means, for those of you here on your projects, we have a serious issue. We have had three or four Board Members cancel in the last few hours because of sickness so we cannot officially take action. Believe me, the last half hour we have been scraping around trying to figure out how we can do this because there is a serious concern about projects going forward.

Having said that, we have taken -- Thanks to Tal, we have got a last-minute potential reprieve in that we have one member of the Board who has not been designated by Senator Burton's office, which is one of the statutory requirements. So we called up to Senator Burton's office to see if he will send us any kind of live representative to sit in. It's only a few blocks away. We are waiting to hear back whether that might work. We are one short of a quorum. If he was able to spare a staff member or someone to have his interim designation then we would go forward with the projects as we are supposed to. The bad news is there's about eight of them.

MR. WARREN: Seven, Mr. Chairman.

CHAIRMAN WALLACE: Seven. There's a lot of projects and we want to keep them moving. There's also some CDLAC issues but maybe, Linn, you and Jeanne have talked and hopefully those could be overcome. Because we do not want those -- most of them have CDLAC requirements. I guess there's a little gap between our meeting and the CDLAC approval so we may be able to bridge that gap. Jeanne, I may? We don't know?

MS. PETERSON: There's always the second and third funding round. (Laughter). No, that was a joke.

CHAIRMAN WALLACE: Now we are short -- We are now short two members.

MS. PETERSON: I'm really ill.

MR. WARREN: If someone could call the Senate and ask for an additional representative.

MS. PETERSON: We're certainly working on that.

MR. WARREN: Yes, there is some time. We may be able to do a meeting in time to do that. But yes. There is one project also, Mr. Chairman, that has a very short time fuse for a funding requirement that we need to look at. We may be able to do that internally. But yes, I have spoken with Ms. Peterson and we will see what we can do in that area.

CHAIRMAN WALLACE: Hopefully we can work that out.

Now, any action that we -- We cannot take action today absent a quorum. We have looked at some alternatives that may work in another context but THEY will not work for us. We must have a quorum of voting members. The Board is made up of both voting and non-voting members and the quorum requirement is clear--as I understand it, counsel--that we have to have a quorum of the voting members in the entire voting contingent of the Board. That's however many it is, nine or something like that, voting members.

MR. HUGHES: That's correct. Our statutes and regulations require that action be taken by 51 percent of the voting members of the Board, which would be six voting members.

CHAIRMAN WALLACE: And we are short one. Now, Plan B, the bad news. If we are not able to -- If Senator Burton's office is not able to help us out with this eleventh hour emergency the only recourse we have, at least as to the projects, is to convene another meeting. That requires notice and that notice is typically ten days. It involves some complications, but I have instructed Terri to do everything possible to schedule at the earliest possible date.

We would probably--and this had some complications--do a telephonic meeting based out of the CHFA headquarters up in the old Senator Hotel. We have done that, but not often and there's some disadvantages, clearly, of doing that but we are very concerned about going forward with project approvals at the earliest possible date. If we are not able to get another member here today we will schedule another Board Meeting at the earliest possible date, which is going to be 10 to 12 days, let's say. And it would probably be, if not a video conference meeting, at least a telephonic meeting, on anything that requires action by the Board. That is basically the projects.

The other items I am inclined to go forward with today, like discussion of the Business Plan, or any reports that we may have, because we are not going to take action on the Business Plan, as the Board knows, until May. I am inclined not to have to go through that twice for those of you that are here. Since there is opportunity for amendment and further discussion I am inclined to hear the Business Plan items and any other agendized items that we have that do not require, in effect, a resolution of action.

So that's kind of the way we have got to deal with it today unless somebody wants to give me their bright idea or challenge where I'm heading. Pat. Is this a bright idea?

MS. NEAL: I always have bright ideas, you know that. Isn't there a possibility of at least going through the projects so that the people that are here have a little bit better idea of the projects so that if you do have to do telephonic at least you will have quite a few of the Board Members who have already gone through the entire process. Couldn't you do that, without taking a vote of course, but just go through the presentations? Then it would be fairly simple for whoever you get to fill in the next time, to brief them on the projects. But at least this number of people will have had the entire presentation. Can't you do something like that?

CHAIRMAN WALLACE: We could. Would you rather do that?

MS. NEVIS: That seems to make sense since everyone is here, if that works for people.

MR. SHINE: At least --

CHAIRMAN WALLACE: Go ahead, Jack.

MR. SHINE: At least then, when we have whatever you are able to do, video or otherwise, we will be at the bottom line, working for approval or whatever instead of asking the questions and going through the details. We are here anyway. I would rather do it here than to have to go over and do it again for however long it takes downstream.

CHAIRMAN WALLACE: Yes. I don't want to do it twice. We could do that, I think, if we -- I don't want to put all of us through that twice but we could probably have a little separate session, maybe when we reschedule the telephonic interview, and some of us could sign in later or something. This is all evolving in the last 25 minutes. But if that is your pleasure, Board, I am happy to do that. I am just trying to be efficient. Okay. With that in mind why don't we go with the schedule. I'll make it clear that there's no action on each of the proposed projects. That way at least the project personnel that want to get their oar in can have a shot. Pat, that's a good suggestion.

Let me introduce Tal Finney from OPR who created this great idea of trying to lean on Senator Burton's representative coming down and we hope that's going to happen. Tal, welcome.

MR. FINNEY: Thank you, Mr. Chairman.

CHAIRMAN WALLACE: Thanks already for your contributions.

MR. FINNEY: Well, I'm in charge of Planning and Research.

CHAIRMAN WALLACE: Okay. Well, then I'll call the meeting to order. Item 1 is to call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

CHAIRMAN WALLACE: Secretary, call the roll.

ROLL CALL

MS. OJIMA: Thank you. Ms. Peterson for Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Ms. Nevis for Ms. Bornstein?

MS. NEVIS: Here.

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

MS. NEAL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Hawkins?

(No response).

MS. OJIMA: Mr. Hobbs?

(No response).

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response).

MS. OJIMA: Mr. Finney?

MR. FINNEY: Here.

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We do not have a quorum.

CHAIRMAN WALLACE: Having called the roll you now know what we already knew, we do not have a quorum. So we will go forward as previously discussed.

APPROVAL OF THE MINUTES OF THE *JANUARY* 10, 2002 MEETING

I guess that means we cannot approve the minutes of the last meeting.

MS. OJIMA: No.

CHAIRMAN WALLACE: So I'm not even going to mess with Item 2.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Terri, you and I never got our act together like we usually do before the meeting.

MS. PARKER: **You** don't have to let them know that, Clark.

CHAIRMAN WALLACE: On Item 3, which is Chairman and Executive Director's comments. Having said that, I understand that tomorrow is Ken Carlson's nineteenth anniversary with CHFA and I would like Ken to -- and he couldn't make it today. Where are you, Ken?

MEMBER OF THE AUDIENCE: He just stepped out.

CHAIRMAN WALLACE: I retract that too. (Laughter). We won't take any action on that. When he comes back in we will try and acknowledge him. Ken is a wonderful player in CHFA. I can remember when we were talking about 14 years with Ken and it seemed like a long time then. ***So*** other than what I have already discussed I have nothing further under Item 3. Terri.

MS. PARKER: Mr. Chairman, I just want to take a few minutes and go over a couple of areas. I wanted to tell you that Jeanne and I just returned, with Di Richardson, from Washington last week where we went to the spring NCSHA leg. conference. We spent our time on the Hill doing a staff briefing for congressional members' staff that have housing assignments. Kind of a little Housing 101.

Also, Jeanne and I spoke to the Democratic Caucus lunch on Wednesday. We talked with them about co-sponsorship for the ten-year rule, which many of you will remember, would give us the opportunity to recycle unused bond funds that have been repaid to the Agency after the first ten years of the mortgage. It could end up for CHFA to be another $200 million worth of lending a year. We were successful in getting about 60 percent of the delegation of our 54 members on as co-sponsors and we are going to be continuing to work to try to get that number increased.

We also talked with the delegation about another issue impacting California on the tax credit side because of technical advisory memorandums. There is legislation that is just being introduced in the House and the Senate that would correct that issue and we are hopeful to get co-sponsorship for California. So it was productive meetings. I think we, obviously, continued to try to let people know that the housing folks in California are working well together.

We also did talk a little bit about the

opportunities that there may, in California, be partnering. If the Millenial Commission comes out with a new report and talking about new production programs then California may be well situated to deal with that because California is looking at doing a housing bond which could infuse substantial money to leverage federal dollars. So we are continuing to, obviously, exercise a cooperative relation at the federal level to further programs that we might be talking with you about in our Business Plan.

I wanted to let you know that the material to the Board, there's several reports. Staff are available if anybody wants to go into any of them, particularly Ken Carlson. I wanted to tell you that with our new marketing director we are continuing to look at development of a real marketing strategy for the organization. We are trying to-- and I'm not sure if it got in here. It did. We are trying to give you a sense of all of the press or any kinds of newsworthy articles that CHFA has been involved in. You can see that there's a substantial number that we have had in the previous year and that's really because of Dawn and her staff, Sandy. I wanted to take one minute, though, and show you our latest marketing strategy that we are going to be using at trade shows. We will pass one out to all of you.

MS. HULBERT: The latest arrivals from the marketing department for handouts. Everybody has refrigerator magnets, pens, pencils, those sorts of things around and we decided to take a slightly different slant. These just arrived yesterday and we will start using them at the trade shows we are at just to kind of get people a feeling of what CHFA is doing.

MR. FINNEY: They're seeds?

(Ms. Hulbert distributed seed packets to Board Members.)

MS. HULBERT: We are planting the seeds of affordable housing. You can take some home. It's springtime, the perfect time to start planting your garden.

MS. PARKER: Thanks, Dawn. And last, but not least, to tell you, obviously, we are going to talk about it when we go into our Business Plan, but sort of the big discussion in Sacramento is negotiations on a bond. We have been providing technical assistance because there's a number of programs that we may have a role in so we have been active in participation from a technical standpoint in those discussions. So with that, Mr. Chairman, I would turn it back to you.

CHAIRMAN WALLACE: All right. Okay, Ken Carlson is back in. While you were out of the room we said some great things about you. Do you want me to put the audience through that again, Ken?

MR. CARLSON (FROM THE AUDIENCE): No, that's unnecessary, thank you.

CHAIRMAN WALLACE: I knew he would say that, he's right on script. Ken, we want to acknowledge that tomorrow is your nineteenth birthday with CHFA. It was a singularly great decision when you came on board, both on your part, I'm sure you would acknowledge, as well as by the organization. We are very proud of all the contributions. And you have heard the accolades over the years. We just want to especially mention that it's sure great to have you doing what you're doing for 19 years and counting.

MR. CARLSON (FROM THE AUDIENCE): Thank you, Mr. Chairman, it has been a pleasure to be here. It's the best thing that ever happened to me as far as work goes. (Laughter).

CHAIRMAN WALLACE: Well, we have got a little extra time, what are the other things? (Laughter). All right, Ken, we're proud of you. Okay, let's go into the projects, Linn, with the -- (a cellular telephone rang) Stand by. Let's still go into the projects. Maybe we'll have somebody on the way. Singing Wood Apartments is number one.

RESOLUTION 02-04

MR. WARREN: Thank you, Mr. Chairman. This is interesting. Roger Kollias is here. Roger is a mortgage officer in our Culver City office and Roger will be helping me with the presentation for Singing Wood.

Singing Wood is a request for two loans. The first is a first mortgage loan in the amount of **$4,270,000**, 5.5 percent interest rate, 30-year fixed; and the second is a bridge loan, tax-exempt, for **$1,350,000**, also 5.5 percent, two years. Singing Wood is a 110-unit proposed senior project in El Monte in L.A. County. And with that I will ask Roger to run through the slides and give you a description of the project and the surrounding market.

MR. KOLLIAS: Singing Wood is a proposed 110-unit senior apartment community which will be located on the southerly side of East Valley Boulevard between Rockwell Avenue, which is on the lower part of your screen, and Gibson Road at the upper. Rockwell is along the right side of your screen. The improvements will consist of three two- and three-story apartment buildings, wood framed, elevator-served, and a two-story freestanding elevator-served community building. On-site parking will be provided for 55 vehicles.

And again, this view right here is looking southeasterly from the intersection of Valley Boulevard and Rockwell Avenue. This building in the background here is existing commercial frontage along Valley Boulevard. To the back and around the back are older, single-family and multifamily residences. The site is slightly trapezoidal in shape. It has **243** feet of frontage along Valley Boulevard, it has 342 feet along Rockwell Avenue, and 387 feet along Gibson Road. The site has frontage on three sides.

Here is another view of the site looking from the intersection of Rockwell Avenue and East Valley Boulevard. It's a little bit more of a macro-perspective on the property. This is a view looking from the rear of the parcel; it's looking northerly towards Valley Boulevard. Across Valley Boulevard is a neighborhood shopping center that has several restaurants, financial services and a general merchandise store.

This is the street scene on East Valley Boulevard. The slide on the left is the scene looking easterly along Valley Boulevard; the subject property is to your right. On the right is East Valley Boulevard looking westerly; the subject site is on the east. This street right here is Gibson Road, which is to the west of the site. The subject site is on the left side of this picture. The properties along this street are older single-family residential and multifamily. The immediate area shows good pride of ownership. The picture on your left is looking down Rockwell Avenue; the subject is on the right. This is a mixture of incubator-style commercial as well as multifamily residential in the back area. Here is a view of some typical homes in the area, both multifamily and single family.

We have here some elevations of the property. The living units are contained in three two- and three-story elevator-served buildings, as you see down here. There will be 98 one-bedroom units and 12 two-bedroom units. Each unit will be equipped with a frost-Eree refrigerator, oven and range, range hood, central heating and air conditioning. The common areas will contain a courtyard, sitting benches, walkways and attractive landscapings. There will be on-site parking for 49 vehicles--this is secured parking--as well as a separate 6 car parking lot for guest parking.

This is the elevation of the community building along East Valley Boulevard. This building here acts as a buffer between the project and the influences along East Valley Boulevard. Here is a little site plan of the property which gives you a layout. The property is secured by perimeter fencing. The community building right here serves as a buffer off East Valley Boulevard. We have one, two, three two- and three-story residential structures with landscaped patios and walkways and green areas between each building.

The entrance to the property is from off the corner of Gibson Road and East Valley Boulevard. The guest parking is right here. This corner was chosen because there is a traffic signal in this corner, which allows easy access across the street. Additionally, the bus stops are right in front of the building. The project is served by the MTA and the local El Monte trolley. The local El Monte trolley provides services to the downtown shopping area, which is about a mile away, as well as to other medical and financial facilities. One block to the west at the intersection of Valley and Baldwin is additional parking. Baldwin is the street one takes to gain access to the 1-10 freeway. The MTA provides 20 minute service to downtown Los Angeles, at which point there is a transportation hub where one can get to any part of the metropolitan Los Angeles area.

All of the rents on the project will either be at the 50 or 60 percent level. There are various groups of regulatory constraints against the property. The California Housing Finance Agency will regulate 20 percent of the units at 50 percent AMI; the Housing Authority of the County of Los Angeles will regulate 59 units, or 50 percent, at 30 percent of AMI; and the City of El Monte will regulate 25 units, or 22 percent of the units, at 50 percent AMI. All of these regulatory constraints will be for 30 years. Additionally, the Tax Credit Allocation Committee will regulate 59 units at 50 percent and 51 units at 60 percent, or a total of 110 units at either 50 or 60 percent.

The rents on the one-bedroom units will range from $451 to $586. (A cellular telephone rang). The average rent for the subject property in the market is approximately $660, which means that the subject one-bedroom rents will range anywhere from 68 to 89 percent of market. The two-bedroom units will run from $512 to $553, the average rent being $790. The market average is $790, which means that these properties are anywhere from 65 to 70 percent of market.

In the El Monte area there's approximately 115,000 residents, 40 percent of which make less than $35,000 a year. There is a grave shortage of affordable housing in the area and this is due to a number of reasons. One of them is the unavailability of developable land, and also the cost of development exceeds the economic viability of the proposed development. Over the past five years an average of 47 multifamily units have been built per year in El Monte. And with the exception of the Singing Wood project there are no senior projects proposed for development.

The City of El Monte looks forward, of course, to development of the Singing Wood Apartments to partially alleviate the need for safe, clean and affordable housing. To facilitate development the El Monte Planning Department has approved a general plan amendment and zone change to change the site from general commercial to medium density residential and they have also contributed financially to the project.

MR. WARREN: As --

CHAIRMAN WALLACE: Linn, why don't I stop you here and give you the latest breaking --

MR. WARREN: Yes.

CHAIRMAN WALLACE: Senator Burton has agreed to send somebody and they are on the way. It would be unfair to continue to hear this and have that person vote the vote we would have to have. So my inclination is to stop you here so that we do not have to do it twice when the representative from the Senator's office arrives and go to other items of the agenda. It just would not be right to have that person vote.

MR. WARREN: That would be fine, Mr. Chairman.

CHAIRMAN WALLACE: So why don't we put you on hold for a moment. We are scouring for another agenda. And we are going to take volunteers to see who wants to give up their packet. No. Why don't we take -- I apologize.

MR. WARREN: Take five?

CHAIRMAN WALLACE: Take a five minute break and hope that covers us. At which point, if the person is not here we will go to the discussion of the Business Plan, or if he is here, we will go to the projects. Okay. So we will call you back then. Sorry about this but we will call you back as soon as we can.

(A recess was taken off the record.)

CHAIRMAN WALLACE: We are now back in session and I would like to introduce David Panush, our savior from Senator

Burton's office, our savior. Vote for John, except he's termed out, I think, this next session. Am I right?

MS. PARKER: He's not up for election.

MR. PANUSH: He's got a little bit more time.

CHAIRMAN WALLACE: Yes, 2004, I think. So having said that, if you are from San Francisco you will probably have another opportunity. David, we are delighted you are here. The game plan, as I described to you briefly, is we have got seven projects. We had just embarked on our discussion of the first one realizing we couldn't take action. I think I am going to do a couple of things. I have already talked to Linn. We need Linn and Roger to be brief because I am starting to worry about some back-end issues. Jeanne has a CDLAC meeting at one o'clock and things like that. So I am going to get into the projects that require action in case we do lose anybody, as opposed to the non-action items.

Armed with that let's go back to Item -- David, we are under Item 4 of our agenda and the first project is 01-007-S, Singing Wood Apartments. We have heard that. You can do a brief on that, Linn and Roger --

MR. WARREN: Yes.

CHAIRMAN WALLACE: -- and then we will move through this part of the agenda as quickly as we can.

MR. WARREN: Thank you, Mr. Chairman. We will --

MR. FINNEY: Mr. Chairman, real quick. I just want to remind you, too, that you still have to approve the minutes.

CHAIRMAN WALLACE: Yes, thank you, we'll do that. Thanks, Tal. Yes.

MR. WARREN: Yes, Mr. Chairman, we will endeavor to set a new indoor world's record for some of this stuff. Mr. Panush, welcome. Let me give a brief summary of the Singing Wood project and then we can proceed on with the other projects.

As we said at the outset, Singing Wood is a two mortgage loan request, a first for $4.27 million. This is a 110-unit senior project in El Monte in L.A. County. We have a second bridge loan request, a tax equity bridge loan for $1,350,000,5.5 percent, two years. There is a large amount of locality involvement, as Roger alluded to. We have a $1 million subordinate loan from the City of Industry and we have $1.8 million in subordinate debt from the City of El Monte coming from various sources, HOME funds, CDBG, CRA and the Water Department grant.

There are no real extraordinary issues. Roger has covered the affordability. As you will notice in your materials on page 818, there are a large number of regulatory constraints set against the property which are related to the subordinate and primary financing. I don't need to go through all of those, they are fairly self-evident. There is also tax credit equity on the property. The environmental on this project is relatively clean; no further action is required pursuant to the Phase I reports.

The sponsors are known to us. CHAPA is a 501(c) (3) located in Southern California. They have not only developed in the Southern California area but also through the western United States. The property management company is WNC Management, which has operated as both a property manager and an equity investor for tax credit projects. Both of these organizations are well-known to us and we are certainly comfortable with their competency. So with that, Mr. Chairman, in the interest of time, we would be happy to entertain any questions and recommend approval.

CHAIRMAN WALLACE: Any questions from the Board? Pretty vanilla project. Kathy Sandoval tells me to have El Monte do a project, they are hard to come by down there. One hundred and ten units, quite a bit of affordability. Any questions from the Board? Any questions from the audience? The developer, project manager? You're ahead so you don't want to say anything. Okay. Yes, Jack.

MR. SHINE: Just one quick question. In looking at this, am I clear that they are using the El Monte and City of Industry financings to pay off the bridge loan? Is that the source of funds?

MR. WARREN: Mr. Shine, the bridge loan will be paid off by the tax credit equity in most cases, so the subordinate financing will probably come in early on in the development process. After the bridge loan is made then the final equity pay-in from the investor would come in and retire the CHFA bridge loan.

MR. SHINE: I see. Thank you.

CHAIRMAN WALLACE: Any other questions from the Board or the audience? Hearing and seeing none can the Chair have a motion?

MS. PETERSON: So moved.

MR. SHINE: Second.

CHAIRMAN WALLACE: Moved by Peterson, second by Shine. Any discussion on the motion? If not, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-04 has been approved.

CHAIRMAN WALLACE: Resolution 02-04 is hereby approved. Moving on then to our second project, Burbank Senior Artists Colony.

RESOLUTION *02-05*

MR. WARREN: Thank you, Mr. Chairman. With me is Laura Whittall-Scherfee. Laura is a mortgage officer in our Sacramento office. Let me begin by a brief summary of Artists Colony. As I have indicated to the Board in prior meetings, there is a strong trend for urban in-fill projects that are coming, mixed income. Certainly CHFA as a lender is supportive of this. As I indicated at the last Board, there are a number of these in our pipeline. This is one of the first larger ones that we have for your consideration.

The Artists Colony, Burbank Artists Colony, is a 141-unit mixed income, new construction project in downtown Burbank. The loan request in front of the Board today is for a first mortgage loan in the amount of $14,970,000, 5.7 percent interest rate, 40 years. The interest rate differential is due to the longer term loan. There is a substantial amount of locality involvement. The City of Burbank has contributed a total of $3,250,000,which is a combination of HOME funds and RDA Set-Aside. So with that I will ask Laura to run through, fairly quickly, the slides of the site.

MS. WHITTALL-SCHERFEE: The first slide is an elevation rendering. It shows the entry of the project and it is on the corner of San Fernando Boulevard and Verdugo Avenue. This is an alleyway, it's the view south towards the front of the project. There is a HUD project that is sitting in the front that you can see, one of the six- to seven-story HUD projects.

This will be part of the site. To the left of the alleyway is Miller Kindergarten School, which is going to be an integral part of the inter-generational activities between the project and the Burbank School District. This is another side of that same kindergarten, Miller Kindergarten. It's the alley view. The street to the left is Santa Anita Avenue. This is a view of Santa Anita Avenue and San Fernando Boulevard. This is the entry to the Miller Kindergarten School. You can see one of the other HUD projects on the left hand side of the screen as well. This isn't (sic) one of the major arteries going into the city of Burbank.

CHAIRMAN WALLACE: It is not?

MS. WHITTALL-SCHERFEE: It is.

CHAIRMAN WALLACE: It is.

MS. WHITTALL-SCHERFEE: I'm sorry, it is. This monthly rent chart shows the three types of rent that are being charged on the project. There will be units that are at 50 percent, the one- and the two-bedroom, units at 60 percent, and then what we call, market. Our market, for underwriting purposes, is ten percent below actual market rents so that is why you will see the red market rate column. That is for the ten percent below rates that will be charged at the project, whereas the actual market rents are reflected in the yellow column.

One of the things that concerned us a lot with this project is the fact that it is heavily market rate units. The 30 percent of the units are going to be 20 percent at 50, 10 percent at 60, and then 70 percent are going to be market rate. As a result, this project has some incredible amenity packages. It is going to have air conditioning, it is going to have patios with balconies and storage. It is going to have dishwashers and garbage disposals, vaulted ceilings on the upper floor units, and a lot of size amenities that you don't always see in senior projects.

More and more of the senior projects that we are seeing being constructed now are larger units. The one-bedrooms in this project are going to be approximately 650 square feet and the two-bedroom, two-bath units are going to be approximately 900 square feet. When we first looked at this project we had a market study that was given to us and after reviewing it we were not 100 percent comfortable with what we were seeing. It appeared that the units were going to be smaller, the amenity package was, in our minds, not going to be sufficient to really attract market rate tenants.

An independent market study was commissioned and as a result of that market study the developer has increased the size of the units. The two-bedroom, one-and-a-half bathroom units are gone and in their place are two-bedroom, two-bath units, which are much more marketable, and they have increased their amenity package by including things like Internet access within the units. The amenity package at the project is also going to include a swimming pool, a clubhouse with a rec. room, a fitness center, a business center, commercial laundry and a leasing office as well as gardening.

But the biggest emphasis with this project is going to be the entertainment field. This project is being directed towards seniors with an interest in entertainment. As such, there is going to be a theater, at this project, with a stage. There are going to be editing bays and work rooms, there are going to be studio spaces, and there's a real emphasis on production by the senior tenants themselves. There will also be an art gallery or galleries as part of the lobby.

CHAIRMAN WALLACE: But you don't have to be a senior artist?

MR. WARREN: No.

MS. WHITTALL-SCHERFEE: You don't have to be. But that is one of the appeals of Burbank, because of all of the surrounding entertainment. Companies like Disney.

CHAIRMAN WALLACE: Maybe I'll send my wife there, she's a senior artist. Probably a better environment than she gets at home. (Laughter).

MR. WARREN: And more to the point, Mr. Chairman, obviously, from a fair housing marketing standpoint, they cannot set aside a particular class of tenants. That is not the intent of the --

CHAIRMAN WALLACE: No, I understand.

MR. WARREN: Real briefly, a couple of more issues: Laura alluded to that one of the things we liked about this project was the service package that Western Services, which is the property manager, will bring to it. The owners and sponsors have developed a very good service package to get seniors out of their units and involved in the amenities that Laura has described. What they found is a very high incidence of, obviously, alcoholism and depression among seniors that remain in their units. The owners and their service provider are taking very strong steps to mitigate that trend, particularly upon senior projects. So we are very encouraged to see that. If we had more time we could have described it for you but in the interest of time we will move on.

Another salient issue for the project is the environmental, which is in the report. A typical in-fill site, there's a lot of stuff going on. Environmental stuff, as we call it technically in the banking world. We were uncomfortable with the melange of reports that were produced for this. We asked the sponsor to develop a comprehensive environmental report, both Phase I and Phase II if necessary. They are in the process of complying with that and a condition of close clearly will be satisfactory. But we think that all of the environmental issues on the site certainly can be taken care of to a satisfactory fashion.

Affordability restrictions: CHFA, standard 20 percent at 50 and 10 percent at 60, the balance will be at market. The sponsors are well-known to us. Meta Housing is a very well-known senior housing developer in Southern California, John Huskey is the head of that. John's most recent projects are Plaza in West Hollywood, which received numerous design and service awards recently. Western Seniors Housing will be the property management agent and that is the organization that has essentially brought forth this alternative or enhanced senior services for dealing with those seniors that have a tendency to not get involved in the activities.

So with that, we are very pleased to present this project to the Board. We hope this is a trend on behalf of the Agency, to deal with these larger impactive in-fill projects. So with that we would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Okay. Jeanne.

MS. PETERSON: I'm really sorry to do this. I didn't realize it until this presentation began. This project actually came to us, configured in a different way, as a nine percent tax credit deal and came close to being awarded but was not. What I just discovered while listening to the presentation is something that I believe is an impossibility with respect to tax credits, so therefore it would be a feasibility issue. And that is that, as you know, and I think this is also true under the tax-exempt bond rules, one has to make an election of either doing 20 percent at 50 percent of area median income or 40 percent at 60 percent of area median income.

It is a rather clearly established also rule by the Internal Revenue Service that if you choose, for example, to do 20 at 50, that you cannot then, if you do additional units beyond the 20 at 50, that in order to be eligible they have to be at that 50 percent level. What I am seeing here, and I apologize for not having seen it before, is that a proposal to do 30 percent at 60, while it is admirable, would not make that additional 10 percent of the units eligible for tak credits.

MR. WARREN: We have 20 percent at 50, based on CHFA requirements, and an additional 10 percent at 60.

MS. PETERSON: That's right.

MR. WARREN: That's right. And so your --

MS. PETERSON: I think that is impossible to do and to be eligible to get tax credits on that additional 10 percent. I think it is pretty clearly established. It's unfortunate nobody thought about that before. I don't know if the owners have talked with their legal counsel about that or not.

MR. WARREN: Well, my recommendation, Ms. Peterson, is that we seek approval and adjust the affordability as appropriate to max the TCAC requirements and determine what that would be. We have to meet with their tax credit counsel and do a configuration of that. I would assume John's here and he can comment on that. That might be an appropriate course of action. If not, then we can revisit the project in a different way or in a different manner or a different approval.

CHAIRMAN WALLACE: Is the developer here?

MR. WARREN: Yes. John.

CHAIRMAN WALLACE: Would you care to comment?

MR. HUSKEY (FROM THE AUDIENCE): Yes. Yes, I apologize --

CHAIRMAN WALLACE: If you would, come to the mike, John, and tell us your name and who you represent, for the record.

MR. HUSKEY: I am John Huskey. I am the president of Meta Housing Corporation and we are the developer of the subject property. Yes, a condition like that, that we work it out -- I apologize. I'm surprised because we had run this in concept by the counsel that has approved other projects. Don't look back at the other ones. (Laughter). We will solve the problem one way or another.

CHAIRMAN WALLACE: Okay.

MS. PETERSON: Okay. And I apologize again for not realizing it before now. It's possible, and one would hope that I'm wrong about this. I would certainly be willing to, understanding the exigencies of time and so on, to vote to approve the project, contingent upon determining if it is not feasible at this level of rents and incomes that somehow some feasibility be worked out. I see you have a large deferred developer fee already. So whether it's through a reduction of rents or whatever it is. And I would ask that Mr. Warren report back to the Board as to the outcome of that.

MR. WARREN: I appreciate that, Ms. Peterson. It is not uncommon for us to, obviously, revisit affordability after to try to increase as appropriate. And we have encouraged John to seek other sources of financing if he can because one of our programmatic goals was to deepen the affordability anyway. And if that serves to solve the tax credit problem then so much the better.

MS. PETERSON: I just would not have wanted to vote for this today --

MR. WARREN: I understand.

MS. PETERSON: -- and then have it come to TCAC for tax credits and say, well, we can only give you tax credit on 20 percent of the units and not 30 percent.

MR. WARREN: And staff is comfortable with the conditional approval based upon the resolution of that issue.

MS. PETERSON: Thank you.

CHAIRMAN WALLACE: Okay. Any other questions from the Board and then we will frame a motion. Pat.

MS. NEAL: I have a little bit of a concern about the environmental condition, the contingency.

MR. WARREN: Certainly.

MS. NEAL: I guess I would like to know what type of criteria are you going to accept as far as it being clear and clean.

MR. WARREN: Normally, if there is water contamination, Ms. Neal, it is a clean letter report from the local water quality control board. If that's not forthcoming -- well, it would be forthcoming in this case, we would certainly require it. We would review the environmental issue with the locality to see if it meets their individual environmental requirements. Are they clear with that, and get that confirmation. And the third level is, we make our own independent assessment, which are certifications of environmental remediation. It won't be fully eradicated, that's the nature of these sites, and then we make our own assessment with our own experts that the remediation has occurred and go forward from that. So it's a combination of our own expertise and official approvals, if you will, from the locality and the review boards.

MS. NEAL: One more question. If we went ahead with it, Mr. Warren, would there be liability down the line for CHFA?

MR. WARREN: No, I don't believe so. I think that we approach these situations asking for a clean bill of health. I think that if you look at lender liability under some of the provisions of CEQA and stuff like that, there is a sufficient firewall between the environmental issues and lenders. Positions of that, we can explore that more with the general counsel's office. But generally speaking, if there has been remediation, it has been signed off by the localities, then a lender loan, if you will, does not necessarily incur liability for the lender. There are exceptions and there are lawsuits to the contrary, but it is something that we are cognizant of and we look at when we close a loan.

CHAIRMAN WALLACE: Any other questions from the Board?

MR. HUGHES: I'll just add to that, briefly that within the past several months the Congress has passed legislation, a Brownsfield bill that essentially has the effect of making in-fill development easier by providing some safe harbors and some protections against liability. Although we don't necessarily have a corresponding law in effect under California law, there's still some holes, but it's something we are continuing to look at. But I think the net effect is it will help lenders in doing urban in-fill development.

MR. WARREN: I would point out too, Ms. Neal, that the environmental issues that exist in the Burbank site, in the range of severity, are not all that severe. It's certainly nothing to be made light of, but as opposed to a severe plume or something along those lines, that is not present on this site.

MS. NEAL: Okay.

CHAIRMAN WALLACE: Any other questions from the Board? From the audience? Could we have a motion then, from the Board, and a second, to the effect of approval of the project subject to a reconciliation among staff, the developer and TCAC relative to the tax credit issues.

MS. NEAL: So moved.

CHAIRMAN WALLACE: Motion by Neal. Second by Shine, okay?

MR. SHINE: Okay.

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

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-05 has been approved.

CHAIRMAN WALLACE: Resolution 02-05 is hereby approved. Moving on and into Baldwin Park.

RESOLUTION *02-06*

MR. WARREN: Thank you, Mr. Chairman. Joining us at the table is Tina Ilvonen. Tina is a consultant that works with CHFA. Before working with us, Tina was vice president and senior underwriter for SAMCO for a number of years and she brings a great deal of experience to help us process this stuff. So we are very pleased to have Tina here. She worked with us on this one and will be here to answer any questions that the Board may have.

The next project for your consideration is the Baldwin Park Apartments in Baldwin Park in Southern California. We have three loans that are being requested today. The first is a first mortgage amount of $3,660,000, 5.7 percent interest rate for 40 years; the second is a bridge loan in the amount of $3.7 million, 5.7 percent, 1 year simple interest; and the third is a taxable loan to lender for $8.4 million, 3 percent, 2 year simple interest. As you can tell from your materials, there is a large number of locality involvement, MHP for over $3 million, local RDA for approximately $1.5 million and the City of Industry for approximately $340,000. So with that, Laura, if you could run through some of the site photographs.

MS. WHITTALL-SCHERFEE: The project is located on the southwest corner of Ramona and Corak Streets. This is a shot of the project on both Ramona and Corak. The land uses around the project are generally commercial and light industrial along Ramona. There are some single family homes; they are located along the south part of the project. Here is another view along Ramona, it is southeasterly and it is still of the project itself. Here is a site view from the back of the project looking to the northeast.

Some of the homes in this area are generally older, single-family residential but what you will see mostly, like you see at this shot, is a view down Ramona, easterly along Ramona. On the first shot, westerly along Ramona, on the right hand shot. You see light commercial, AM/PM mini-markets and strip-type centers. The project itself is located in the right hand slide on the left hand side of the picture. This is a look south of the project along Corak and these are some of the older but well-maintained residential single-family homes that surround the project. I'm sorry, that are at that end of the project. This last picture: There is an alleyway that has been vacated and part of it has been moved. But this is the part of the alley that will remain and will access part of the Baldwin Park project.

The project itself is going to have rent levels that are at 35 percent AMI then 60 percent. The one-bedroom rents -- The units will be regulated and 20 percent of the units are regulated by CHFA at 50 percent or less of AMI. That is covered under those 35 percent units that are being regulated under the MHP program. Rents for one-bedroom units at 35 percent are $326, for 60 percent are $575, and then market for these units would be $775. Baldwin Park is a very affordable area in the L.A. County area, however, even so they have a problem with having sufficient housing.

There are lots of three-bedroom units that are lacking. Families are generally trying to find affordable housing and it is not available. Median sales price for a single-family home is $155,000 and renters are 39 percent of all households. But 74 percent of those renters have three or more people in their families and that's why Baldwin Park's three- and four-bedroom units are so critical to this project. Because out of all of the available units, 91 percent of multifamily rental units in the Baldwin Park area are studios. So the one-bedrooms, the two-bedrooms, the threes and the fours are all meeting a very definite need for the households that live in the surrounding area.

MR. WARREN: Thank you. Two components of Baldwin Park we should comment on: The first is, this is a general occupancy project, essentially it's touted as family. There will be a marketing effort underway on behalf of the sponsor to encourage seniors to occupy this. This will not be regulated as a senior project and when they market the units they will certainly expect that the seniors would gravitate more toward the one-bedrooms and those would be located in a particular part of the project.

We reviewed this with the sponsor and their attorneys were comfortable this is not a Fair Housing Act issue. It is a fairly common practice in a number of projects. The locality has requested that there be this marketing effort toward the seniors. We will be meeting again with the sponsors to make certain that the open fair marketing components of this are followed so that there is no exclusion or any overt steering towards units. So we are aware of that, it has been an issue in prior projects before the Board. We certainly understand the Board's concern and we will be diligent in that area.

(Ms. Annette Porini entered the meeting room.)

The second area having to do with the financial impact of this: As the Board will note, there is a fairly large bridge loan vis-à-vis the value for the property. This was a component that we use periodically in which there is only a one year bridge loan with the effort to leverage up equity pay-in. We have talked with the sponsors about the size of this. We have not completed our due diligence with the equity investor.

What we may end up doing is directing more of the tax-exempt bridge loan money through our loan to lender component. This is probably one of those inside baseball things that gets a little lost in the translation, but the net effect of this is we reduce the amount of bridge loan, reduce the amount of real estate exposure and increase the ability to qualify for the four percent credits. So I wanted to advise the Board that there may be a reconfiguration of this, certainly to the extent that it would lessen any real estate exposure for the Agency. So with that we have those two components I want the Board to be aware of.

The sponsor is well-known to us, it is Thomas Safran Company. They have had a number of projects with us over the years in Southern California, all successful. We are very pleased that they are with us now. As a matter of fact, one of the market comps is Lark Ellen Village, which we approved and funded a number of years ago. As the Board will also note, there are some environmental issues on the project. As with the last project that you approved, we will be diligent in obtaining the necessary approvals to make sure that the project is clean and safe and there is no liability to the Agency. So with that I would like to recommend approval and be happy to answer any questions.

CHAIRMAN WALLACE: Questions from the Board? Pat.

MS. NEAL: Mr. Warren, I notice that the parking, there's 98 parking spaces. Is that going to be enough when you have the three- and four-bedroom units in there? I mean, for the total, if I read it right, for the entire complex is 98. I would assume that we are thinking that the one-bedrooms won't have many cars but the three and fours perhaps might.

MR. WARREN: We endeavor, obviously, Ms. Neal, to do a one-to-one, at a minimum, and to the extent the site allows additional parking we certainly encourage that. Here we have 98 versus **71**, I think is the site. We can certainly ask the sponsor to look at that but a lot of the site constrained **--** I would say that although not optimal it **is** within tolerances and something that is probably acceptable. So approximately 20 percent of the units, or 30 percent, would have the ability to have a second car. And although we don't encourage street parking there is that extra bit of it. But that is a problem with in-fill sites. Because you have to sacrifice, sometimes, building units over parking and amenities. But we will ask them to look at that.

MS. NEAL: Especially **--** And I don't have any concern with it except that having the three- and the four-bedrooms, chances are there's going to be more than two cars.

MR. WARREN: Absolutely. We will certainly ask the sponsor to visit that issue.

CHAIRMAN WALLACE: You're comfortable? We are almost de facto. You are telling us that it is going to be subject to your satisfaction, staff's satisfaction, of the environmental issues.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Which are manageable, I hear you say.

MR. WARREN: These types of issues, we believe are manageable. And as I said, I think at the outset, we are starting to see more and more of these projects with these type of issues, where there's multiple environmental issues. As Mr. Hughes correctly points out, there is legislation that gives us a certain amount of cover. But we have to be diligent. It has to meet our satisfaction.

CHAIRMAN WALLACE: Almost de facto, that's in here. We don't have to put a tag line like we did on the other, you are going to satisfy yourself on the environmental issues. If not, you will come back or whatever.

MR. WARREN: That is correct.

CHAIRMAN WALLACE: It won't be funded.

MR. WARREN: That's correct. They have to meet the benchmarks, sir.

CHAIRMAN WALLACE: Thanks, Linn. Tina, did you need to get an oar in here?

MR. WARREN: Feel free to comment, Tina.

CHAIRMAN WALLACE: Or you have already got yours in?

MS. ILVONEN: Most of the environmental issues on this have been taken care of. They thought there was an oil tank under the site. They looked for it and they didn't find it. They found a two-stage clarifier and they said they are going to take that out during grading. So most of the environmental issues on this have been taken care of. They have been dealing with this for a few years.

CHAIRMAN WALLACE: So ten years from now, we funded the loan and they find the tank.

MS. ILVONEN: They have looked for it three times. They have looked for it three times. They don't think it is there.

MR. WARREN: We are comfortable with the three try rule for tanks, sir. We adopted that as an internal standard.

CHAIRMAN WALLACE: We end up saying, tanks a lot.

MR. WARREN: Tanks a lot, yes.

CHAIRMAN WALLACE: Okay.

MR. WARREN: I will, since we are in the vein, say that in most discussions this is a U-S-T, an underground storage tank. Normally they are referred to as a leaking underground storage tank but we decided not to bring the last component of it to this. So we left that out of the write-up, just so you know. Anyway, those are our comments.

CHAIRMAN WALLACE: Judy.

MS. NEVIS: This is just a quick item. This is a project that is also funded through the Multifamily Housing Program so HCD staff, obviously thought, that it was a **good** project as well. But I would note that the staff report does not show the MHP debt service. It is not going to have an impact, it fits, but we just want to add that in both the

Baldwin Park and Beechwood that is coming up.

MR. WARREN: Ms. Nevis, that is an oversight. You will notice that on the last project that we did it is included. We just inadvertently left it off.

MS. NEVIS: Right. Thank you.

CHAIRMAN WALLACE: We have had such good relations with HCD heretofore and now it has got a blemish on it. Okay, any further questions from the Board? Jeanne.

MS. PETERSON: This is a project also that is very familiar to those of us at the Tax Credit Committee. I just wanted to comment for the record that we are happy -- I mean, we are always unhappy when we can't fund all of the good projects at the nine percent competitive tax credit level but it is gratifying to see that various sponsors and developers are able to go back, re-craft their deals, make them into tax-exempt deals, get MHP funds for worthwhile projects and come back. So I am happy to see that.

The other comment that I would make, and Mr. Warren did already address it a little bit but I spoke with him before the meeting, and that is that we will be concerned as -- I will be concerned both as a CHFA Board Member and in my tax credit capacity, to assure that notwithstanding the fact that half of this project may be marketed to seniors and half not, that it is walking a very fine legal line in that regard. So we will want to make sure that it doesn't cross the line from marketing to steering to requiring seniors to live in part of the development and non-seniors to live in another. Because as you know, that has been against the law for about a dozen years now.

CHAIRMAN WALLACE: Making me feel older. Any further discussion from the Board? From the audience? From the developer? Hearing and seeing none the Chair will accept a resolution of whatever you want to make. Maybe.

MS. NEVIS: I would move approval.

CHAIRMAN WALLACE: Okay, Ms. Nevis moves approval. Is there a second?.

MS. NEAL: I will second.

CHAIRMAN WALLACE: Ms. Neal. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-06 has been approved.

CHAIRMAN WALLACE: Resolution 02-06 is hereby approved. Moving on, Linn, to Beechwood Manor.

MR. WARREN: Well, I would like to do Carrillo Place if I could, Mr. Chairman.

CHAIRMAN WALLACE: You want to skip Beechwood Manor?

MR. WARREN: If it's the Chair's --

CHAIRMAN WALLACE: I'm sorry. I'm trying to speed up the meeting a little.

MR. WARREN: I'm comfortable but the sponsor might have an issue with that particular --

CHAIRMAN WALLACE: No, no, why don't you do Carrillo. That's moving a little too rapidly.

RESOLUTION *02-07*

MR. WARREN: That's fine, Mr. Chairman. Carrillo Place, we do have a replacement page for the Board. It is a summary.

MS. WHITTALL-SCHERFEE: It was the Project Summary page, it was in the back.

MR. WARREN: The Project Summary page, which would have been, if you'll bear with me a moment, page 884 of your materials. There is a replacement page. Basically, the changes are the Rate and the Term columns under the *Financing*

Summary have been fixed to match the rest of the materials.

Carrillo Place is a 68-unit family project, new construction, located in Santa Rosa. The loan request today is for a first mortgage amount of $2,475,000, 5.5 interest rate for 30 years, fully fixed amortizing; and a bridge loan amount of $3,200,000, 5.5 percent, 1 year, simple interest, also tax-exempt. As the Board will note in the materials on 884, we have a great many subordinate financing sources. This is a testament to Burbank Housing, the sponsor, to pull all these together. I won't go through them all but they are a representative alphabet soup of subordinate debt on these deals. So with that, Laura, if you will run through the pictures for Carrillo Place.

MS. WHITTALL-SCHERFEE: Carrillo Place is located in the unincorporated part of the city of Santa Rosa in Sonoma County. This is a view on the site towards a subdivision that's called Strawberry Subdivision. It is south of the project. These homes were constructed between 1984 and 1989. This is a picture of the newer subdivision that is actually directly opposite the site. It is located on Thistle Lane. And there are two subdivisions, Thistle Lane and Newark, that were built in 1990 to 1992. There are 39 lots and it's part of the newer construction that is happening just outside the City of Santa Rosa.

The City of Santa Rosa is going to be providing water to the project, however, the County of Sonoma will be providing all the other services. The understanding is, though, that the project has to meet both the county requirements and the requirements for the City of Santa Rosa.

This is another view of the project. This shows some of the buildings that are going to be demolished. They are already boarded up, they are not occupied. There is a relocation budget within this project and that is what this is for, to tear down buildings. There are some environmental reports that have been done that show that there is some asbestos in some of these buildings. That is all being incorporated into the relocation demolition plan so that there won't be environmental issues with regard to those particular buildings.

This is a shot of the side of the project that is by a non-working railroad track right now. A railroad track runs between that industrial building and the front part of the camera. There has been no train that has operated on that railroad track for over three years. There is, however, interest in somehow using those tracks again so the noise mitigation study that was done assumed one train in the morning, one train at night. As such, a sound wall is going to be erected and two of the buildings that are the closest to that railroad track will need mechanical ventilation and that is being incorporated into the plans and specs. The sound wall will hide a lot of the visual of that industrial building and noise is not expected to be a factor.

These are elevations of what the project will look like. It is going to have open parking, and it will have a community room. It consists of 14 buildings. Twenty-four of the units are going to be at 30 percent -- Whoops, I'm jumping ahead of myself. I'll show you another elevation. These are all going to be two stories. It is a combination of flats and townhomes. There will be four studios, 8 one-bedrooms, 22 two-bedroom units, 28 three-bedroom units and 6 four-bedroom units.

Ten of these units are going to be set aside for developmentally and mentally disabled. Five of those 10 units need to be wheelchair accessible and two will be for sensory disabled. The nonprofit that will be helping Burbank has a very active involvement in the developmentally disabled community and a lot of Burbank's projects have had units specifically set aside, and they are generally the smaller units, for developmentally disabled tenants.

The amenity packages in the three- and four-bedroom units are going to include washer/dryer hookups. The other units will not have the hookups but there are going to be laundry facilities on site. There will be dishwashers and garbage disposals. Amenities at the project are going to include a tot lot, a picnic area and a community center.

That community center will include the laundry room, office space, kitchen and maintenance. They are also going to have some community gardening on site. There will be a learning center that will be part of the community room. There will be computer training, there will be English as a Foreign Language class.

The project has a lot of demand for three- and four-bedroom units, as we are seeing in a lot of various areas. Santa Rosa and Sonoma County are also part of it. There are very few four-bedroom rental units in the Sonoma County, Santa Rosa area. There are also very few studios, so this makes our studio units and our three-bedroom units very, very attractive. In the four-bedroom market the only available units are single-family dwellings. There are no apartment buildings in the market rate units that are available.

This chart reflects the rents that are going to be charged. The one-bedroom units will have rents as low a $295. Those units are specifically going to be geared towards developmentally disabled. The rents go up to $660. For the two-bedroom they start at $350 and they go to $790. Three-bedroom units, rents start at $407 and go to $914. The four-bedroom units, they start at $779 and go to $1,020. We also had some studios but I see it says studio units are not shown.

MR. WARREN: As Laura alluded to, the environmental problems are fairly minimal and the occupancy restrictions are spread out throughout all the various funding sources. So with that, the sponsor, as Laura also indicated, is Burbank Housing. Very well-known to us, we have a number of projects with them. This is their area of expertise as well as their geographic area and we are very happy to have a project with them to present. So with that we would be happy to recommend approval and answer any questions.

CHAIRMAN WALLACE: Questions from the Board? Jack.

MR. SHINE: Is there a plot plan for the project?

MR. WARREN: As far as?

MR. SHINE: A plot laying out the lot and the buildings on them.

MS. WHITTALL-SCHERFEE: Yes.

MR. WARREN: Yes. Not here with us but, yes.

MR. SHINE: I was waiting to hear with respect to those buildings adjacent to the railroad to find out what they are doing with the buildings to attenuate the sound.

MR. WARREN: Right.

MS. WHITTALL-SCHERFEE: Okay.

MR. SHINE: Is there any plan for double glazing or extra insulation in the walls of the units adjacent to the railroad?

MS. WHITTALL-SCHERFEE: The noise study showed that they needed to put in double glazing on the windows and the windows are going to be such that it will mitigate some of the noise. Also, they have to have mechanical ventilation. It's only in two buildings that are the closest to it. They are back away -- The buildings are configured so that they do not back right up to the railroad track. They have tried to push the site, push the buildings on the site as far forward as possible so they are away from the railroad track. Even though, really, we don't feel the railroad is going to be an issue because it is not economically feasible right now to run trains on that railroad.

CHAIRMAN WALLACE: Although there is -- I do some development work up in that area and in one of my projects up a little short of that in Cotati there's a lot of talk about setting aside some stations to have rail transit all the way from the City. But I'm sensing on the bottom of page 6, 881, that they are saying, "no attenuation measures were necessary.'' But it looks like you have anticipated that the railroad could open up. .

MS. WHITTALL-SCHERFEE: It could open. There is mechanical ventilation required, there's dual pane window glazing that's required, and they have pushed the site as far away from the tracks as they can.

CHAIRMAN WALLACE: That's a good point, Jack. I think it is going to be operational, from all I hear.

MR. SHINE: As you finalize the project, the cost of putting additional insulation in the walls on just those two buildings on just those sides that are facing the railroad might save you some decibels if and when a train does come through. I don't know to what extent they have had decibel ratings, what decibel ratings they have used in determining there is or isn't a need. We don't want to burden anybody building with additional costs but it isn't really a lot of dollars just for that little amount. And it probably would be a good payoff downstream if the trains ever come.

MR. WARREN: I think that's right, Mr. Shine, and I think Clark's point is well-taken. The entire area is revisiting all these old railroad right-of-ways to reactivate them. We think it's prudent.

CHAIRMAN WALLACE: Any further questions from the Board? Jeanne.

MS. PETERSON: A brief question. One is just sort of a general question and that is: Do we plug in a certain percentage of the construction contract as a construction contingency in new construction projects?

MR. WARREN: We will take the number that is given to us by the sponsor, look at the cost to see if it's adequate. I can't remember what the number is on this particular project. But that is a number that we look at to see if it is within reason.

MS. PETERSON: They have all been relatively high. But my other question is, under the Uses it says, TCAC/Other Costs. It's almost $1 million. I'm just wondering what -- Certainly that is not something I am collecting. Or if it is, that's a good thing.

CHAIRMAN WALLACE: We used to have good relations with TCAC also.

MS. PETERSON: I was wondering what that might be because it's close to $14,000 a unit.

MS. WHITTALL-SCHERFEE: I think that some of the local fees got --

MS. PETERSON: I'm sorry?

MS. WHITTALL-SCHERFEE: I think some of the local fees -- We have a couple of different categories that we have put in the more detailed version. And while I think you are seeing local fees, there's some greater impact fees that, unfortunately, ended up in that TCAC/Other Costs category.

MS. PETERSON: Thank you.

MR. WARREN: Ms. Peterson, unfortunately, we did not bring the detail with us and we should have.

MS. PETERSON: I was just curious.

MR. WARREN: We will check that. But you are right, as much as we would like to direct that toward TCAC we think they are other costs.

MS. PETERSON: As much as we would like to take it.

CHAIRMAN WALLACE: Why don't you put Other before TCAC.

MR. WARREN: I think we'll do that. We'll look at that.

CHAIRMAN WALLACE: Are you satisfied?

MS. PETERSON: (Nodded).

CHAIRMAN WALLACE: Okay, any further questions from the Board? From the audience? Developer? Okay, the Ch ir will accept a motion.

MR. SHINE: I'll move it.

CHAIRMAN WALLACE: Jack.

MS. NEVIS: Second.

CHAIRMAN WALLACE: Okay, Judy. Jack and Judy. Let's not go down that hill. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-07 has been approved.

CHAIRMAN WALLACE: Resolution 02-07 is hereby approved. Pat, why don't you chair Beechwood Manor. We finally get to Beechwood Manor and I am going to bale out on you. But, Pat, would you chair this?

MS. NEAL: Yes. Do you want me to come over there?

CHAIRMAN WALLACE: You can stay right there, that's fine.

MS. NEAL: Thank you.

RESOLUTION *02-08*

MR. WARREN: Thank you, Mr. Chairman. We have a replacement page for Beechwood Manor. It would be on page 902 of your materials. There is a replacement page that shows a different rent chart. We modified it and Kathy will comment on it in just a moment. Kathy Weremiuk is here, one of our mortgage officers from Los Angeles, who will take you through this and the other remaining projects on the agenda. So we have a replacement page which Kathy will explain. There's some minor changes, again, as with the others, making it consistent with the rest of the package.

MS. NEAL: Mr. Warren?

MR. WARREN: Yes.

MS. NEAL: One of the suggestions that Mr. Shine just made was you should highlight where the changes were when you have replacement pages.

MS. PETERSON: And punch holes in the paper.

MR. WARREN: Okay.

MR. SHINE: And punch holes, yes.

MR. WARREN: Beechwood Manor is a preservation project. A 100-unit project, family, acquisition/rehab located in the cit of Lancaster. We have a number of loans that are being requested today. The first is the permanent loan amount for 20 years at 5.5 percent in the amount of $775,000. The second loan is an IRP, which is the income stream from HUD on a number of these old 236 projects. The amount of that loan is $620,229 for 5.5 percent interest rate for 8 years. Then we have our Lender Loan and this is a blend of tax-exempt and taxable funds. The total amount of the Lender Loan is $6,780,000 and I believe the interest rate is --

MS. WEREMIUK: Is 5 percent.

MR. WARREN: And one correction on your materials. The tax-exempt rate for the Lender Loan in the subparagraph is 5 percent and not 5.5. So with that I will let Kathy go ahead and take this through. There is subordinate financing from MHP which has been awarded. So, Kathy, if you'll run through the project.

MS. WEREMIUK: Beechwood Manor is a 100-unit HUD 236 project built in 1971. This is the front entrance to the project. It is in the city of Lancaster. It is about two miles east of Highway 14, if people know Lancaster, between Highways J and K. It is nestled in a residential neighborhood that is mainly stable single-family homes with some apartment buildings nearby. It is a 236 project that did not have Section 8. There are a few of these in the state, they are very hard to refinance.

What you will see in the building is a lot of deferred maintenance. The current owners, I think, have been quite good. They have kept the unit interiors immaculate and kept the occupancy to 100 percent but they have made a decision to let the unit exteriors go because there was not enough rental stream to take care of the rehab, which is why we need the MHP money and why it is so important in this deal. As you can tell the stucco is in very bad condition. It is going to be patched, painted and refurbished.

The front area, there will be a security gate and security entrance added. There is a driveway that goes around the entire parcel with carports in the back and there will be security gates added as an amenity for the residents. This is a shot of the interior. There are 28 buildings, mainly four-plexes. The project, even though it is in deteriorated shape, has a very nice layout plan, nice unit sizes, and can be rehabbed to become an attractive complex.

This is a view of the courtyard area. This building is the current community building. There is a maintenance area here, a laundry and an office. What will happen is that the maintenance area will be put someplace else. This area will be expanded, either out to the center or to the side. Those drawings are being done right now and all of this will be landscaped. One of the goals of the sponsor is to improve the tot lots. There are a lot of children in this development. There are 59 two-bedroom units and 21 three-bedroom units, so they need some spaces for the children to play.

This is a shot from the roofs. The roofs, in my write-up we had thought that they were all original. But they actually are only about seven years old so there is going to be some reevaluation as to whether those need to be done. The carports you can see here. These will be removed and rebuilt, they are in bad shape. This is a fire road that the sponsor and the Agency have been interested in seeing whether this can be removed and some kind of a crete substance put down so that there can be some drainage and they can solve some of the drainage problems in the project. This is one of the neighbors across the street, it's a small apartment building. Another of the adjacent apartment buildings in the area.

We had a market study done on the project, looked at 3,000 units that are also east of Highway 14. I'll take us to the rent page and also explain the changes in the famous table. What we found was that the market rents in the area are somewhere between 50 and 60 percent of median. There are no family deed-restricted properties in Lancaster and nothing has been built there since the early '90s in the way of apartment buildings.

The rents at the property are currently 30 to 40 percent below market and that is where they will stay. These rents--and this is the difference in the rent page--there's 68 units that are regulated by MHP out of the 100 units in the property. The MHP rents will be the lowest rents in the property except for the one-bedrooms where the HUD 236 rents are just marginally lower. They are very close to each other. The 68 units will stay at these levels for 55 years. The HUD 236 rents, which regulate 100 percent of the property and the remaining 31 units, will be MHP for 13 years. Those rents can float up to the HUD 236 level. What I did on the table and why it was wrong was I inverted the MHP rents and the HUD 236 rents. So the spread sheets were correct. The table was done quickly and my apologies for not double-checking it. But anyway, what will happen is at Year 13, 31 of the units will be able to float up to the 60 percent or market, eventually, on turnover.

The Lancaster market right now is strong and stable, although it is a market that has a high dependence on aerospace. Ten years ago when one of the aircraft manufacturers moved out the market crashed and there were 30 and 40 percent vacancies. So while we got a very good market study on it one of the Agency's properties was one of the comps in that market study. We are very happy to be working with a property that is always going to be significantly under market. This is 100 percent leased right now with a waiting list. There will be some rent reductions for 68 tenants when the new owner takes over.

And just a word or two about the -- The sponsor is LINC Housing. They are working with Community Housing Management Services which is a faith-based management company with a long service history. They have worked in some other CHFA projects in Los Angeles and they are planning a service package for the residents.

(Tape 1 was changed to tape 2.)

MR. WARREN: Thank you, Kathy. We actually looked at this project some time before they received their MHP award. This is an excellent example of where MHP has made a project feasible, otherwise, with a normal debt load situation it would not have been. So we are very happy to have MHP on this project to make it go forward. So with that we would like to recommend approval and be happy to answer any questions.

MS. NEAL: Are there any questions from the Board? I have a question, Mr. Warren. There has been quite a bit of crime in many of the housing complexes in the Lancaster/ Palmdale area. Did we have any kind of a survey or did we match up any of those kinds of numbers to where this is located?

MS. WEREMIUK: Actually, we have a complex that is located two miles from this. I think it's a 160-unit building the Agency took back in the early '90s and has been managing. I once worked on it as an asset manager so I had experience with it. What works in Lancaster is having a security service that does drive-throughs. Also the security gates would work in this complex to keep people that are not residents out. That's the top concern of the residents in the complex, was to be a gated community as opposed to being one that people could just walk in and walk out of. So security was an issue and the measures that this project is taking are the ones that the better owners in Lancaster are taking to improve the security. The other component is good, quick management. There is a gang problem in Lancaster. Doing good screening and evicting quickly for people who cause problems is really what you have to do to keep that problem under control if it's inside the complex.

I didn't mention one thing which is environmental.

There is a fairly serious level of asbestos in the stucco of the buildings' interior and exterior and we have required an operation and maintenance plan during the construction and a description to us of how that is going to be handled. We normally look at that at the end of a project but we are also looking at it during construction.

MS. NEAL: Any questions from other members of the Board?

MR. WALLACE: I'll move pproval.

MS. NEAL: Is there a second?

MR. WALLACE: I want to get my name in the record.

MS. NEAL: Mr. Wallace moves approval.

MR. WALLACE: How about you, David?

MR. PANUSH: Second.

MS. NEAL: We have a motion to approve and a second. Any other discussion? Anything from the audience? All right, would you please call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 02-08 has been approved.

MS. NEAL: And I'll turn the Chair back over to you, Mr. Wallace.

CHAIRMAN WALLACE: Okay. Having said that, Resolution 02-08 was hereby approved. Let's go on to Ferris Drive.

RESOLUTIONS 02-09 AND 02-10

MR. WARREN: Mr. Chairman, the next two projects are very similar. They are special needs group home projects in Marin County. What I am going to ask Kathy to do is run through the pictures for both. We can address them separately in a resolution but there's a lot of commonality as far as the sponsor. So I think we would like to maybe go through the presentation, perhaps, and then vote individually, if that would be in the interest of time.

CHAIRMAN WALLACE: Fair enough.

MR. WARREN: If you're okay with that. The first is Ferris Drive. This is a special needs project for developmentally disabled in Marin. It's a first loan request for $425,000, interest rate 1 percent, 15 years. The second--and I'm going to let Kathy talk about the program, she is very familiar with this--is Michelle Circle, also $425,000, 1 percent, 15 years. And I forget which one is being demolished in rehab but I will leave that with you.

MS. WEREMIUK: Okay.

MR. WARREN: So go ahead and go through the pictures.

MS. WEREMIUK: This is Ferris Drive. It's a 7,500 square foot lot west of the business district in Novato in Marin County. There is a 1,200 square foot house on the property right now; it is in very bad condition. It is going to be demolished and a 3,100 square foot facility will be built. It will have seven bedrooms, several bathrooms, and it will house six developmentally disabled people and a house parent who will be in the facility the full time that people are there.

We did a similar project in 1999 called the Walter House with the same sponsor, which is the Cedars of Marin. They are located in Ross and they assist 140 developmentally disabled people in Marin County. They have been slowly moving their residents out of the central Ross facility, which is a dormitory style, into better living facilities where people have separate bedrooms, with the assistance of the regional center, the county and DDS.

This is Michelle Circle. Michelle Circle is in the west of Novato. It is near the intersection of San Martin

Drive and Novato Boulevard. It is on a larger lot, it's a corner lot, and there is a 1,200 square foot house there that will be maintained but completely rehabbed and it will be a 3,400 square foot facility when it is done. The differences in the sizes of the two have to do with the lot sizes and FAR. This is a view of the back of the lot showing you the size and also a little bit of what the neighborhood and terrain are like. This is again more pictures of the street and the streetscape and giving you a feel of the neighborhood.

The sponsor is The Cedars of Marin. They provide full support services for their residents. They have day programs, evening programs, transportation, art, weaving, gardening, jobs. Any support you could possibly imagine is provided by them. The financing on the two projects is very similar. The Agency is doing a $425,000 loan, DDS is doing a $200,000 grant. What we have been seeing is increased participation in these projects from DDS. The borrower in the Michelle Circle is providing $234,000 in equity that they have fund-raised in Marin for these projects and in the Ferris they have gotten a $115,000 grant of HOME funds from the County. So they have been able to decrease their own contribution. They will also be the construction lender using their funds and a bank line of credit.

The rents on the project are $244 per resident but this is deeply subsidized. There will be Section 8 certificates that are project-based, which we anticipate will be worth about $820. People get $812 in SSI and the regional center is willing to provide somewhere between $2,000 and $2,800 per resident, depending on disability level, to pay for services. So there is a very adequate service budget. The sponsor is ready to start construction as soon as you give your approval.

MR. WARREN: Put that way -- That was all Kathy, I didn't ask her to do that. Yes, we are very pleased with Cedars. They do bring these deals to us. They are very adept at doing these group homes in Marin and we like to support them. So we would like to recommend approval.

CHAIRMAN WALLACE: We are always happy to see you with these projects. I will take them independently.

MR. WARREN: That's fine.

CHAIRMAN WALLACE: You can ask questions on either one but the motions will be separate. Questions? Pat.

MS. NEAL: Just real quick, I know we are running out of time, but on the support services. What type of support services are we looking at?

MS. WEREMIUK: There will be a staff person in the facility at all times with the residents. Meals will be provided, transportation to and from day programs will be provided for every resident. They provide medical services and medical attention. They have get-togethers, dances, parties. There is education and training for residents who are able to do that. Some of the residents are very fine weavers who actually teach at the community colleges. They have a small shop in Marin County where they sell their weaving products.

They have a garden where they both garden and they are also taught to take jobs as gardeners. They work with animals. Residents are given support in finding jobs. I think they work in some of the theaters. There is a very broad and comprehensive support for the residents. It is done on an individual basis so every person is evaluated. One person may be able to achieve one level of competency and another person another so the support services differ by resident.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: Just a brief question. Obviously, it would really prolong the meeting if we went into a long explanation of the financing, the FAF funds. However, just for my edification, are the FAF funds dedicated for this specific kind or for special needs populations?

MR. WARREN: It is an allowable use under the McKenny Act funds for this. The two main criteria for FAF are that the project either has to be 50 percent or below income residency and the other, it has to be on there for ten years as a restriction.

MS. PETERSON: So we are looking to use them wherever we can --

MR. WARREN: Wherever we can.

MS. PETERSON: -- in our developments.

MR. WARREN: Yes. The guidelines are broad yet they are also HUD guidelines. I don't need to go any further on that issue but, basically, yes. The big constraint -- I will make this very quick comment. FAF does not mix well with nine percent tax credits because it is viewed as federal funds and it is an offset to the actual basis and that precludes a large amount of utilization for FAF funds. Which is regrettable but that is just the way it is. So we look at it where we can.

MS. PETERSON: Thank you. With that, Mr. Chairman, I would move approval of the Ferris Drive.

CHAIRMAN WALLACE: Is there a second on Ferris Drive?

MS. NEAL: Second.

CHAIRMAN WALLACE: Pat. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Oh, aye.

MS. OJIMA: Thank you. Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-09 has been approved.

CHAIRMAN WALLACE: Resolution 02-09 is hereby approved. Do I have a motion on Michelle Circle? Hearing none, seeing --

MS. PETERSON: So moved, Mr. Chairman.

MR. SHINE: Second.

CHAIRMAN WALLACE: We do have a motion and a second.

MS. OJIMA: Mr. Shine?

CHAIRMAN WALLACE: Yes.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Any discussion on the mo ion? Hearing and seeing none, secretary, call the roll on Michelle Circle.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.
MS. OJIMA: Ms. Neal?
MS. NEAL: Aye.
MR. PANUSH: Aye.
MS. OJIMA: Mr. Panush?
MR. PANUSH: Aye.
MS. OJIMA: Thank you, Mr. Panush. Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Thank you. Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: Resolution 02-10 has been approved.
CHAIRMAN WALLACE: Resolution 02-10 is hereby approved. Okay, we have one more project, it's a modification, Item 5 on our agenda. Linn.

RESOLUTION 02-11

MR. WARREN: Yes, Mr. Chairman. The modification before you is the request for an additional acquisition loan for the Southlake Tower Apartments. This was a project that was previously approved by the Board. The materials on page **948** indicate a first loan of $6.5 million and a second mortgage amount of $820,000 that was approved by the Board. The sponsors have come to us to ask for an acquisition loan to be taken out by the City of Oakland loan which would occur probably in several months. But they are not quite ready to go yet and they have a time frame with respect to the seller, which is Forest Cities.

There is one environmental issue which will require remediation. Subsequent to the Board we did discover an underground storage tank on the property that also straddles an adjoining parcel. We have required that the owners remove that, which they will, prior to our funding. The testing to date indicates it is not a leaking storage tank. It is approximately 30 to 40 years old, it was gas in nature. We do not feel that it poses any particular environmental hazards but it will have to be removed prior to our funding. We don't expect the acquisition loan to be out there for more than -- A few months?

MS. WEREMIUK: A few months.

MR. WARREN: A few months. But essentially it is a bridge loan until the City of Oakland can make their acquisition money available.

CHAIRMAN WALLACE: What happens if we don't get City of Oakland approval?

MR. WARREN: If it does not happen. We have run a scenario in which we can re-amortize the acquisition debt into the 501(c)(3) debt and it will work for a 30 year period of time. There will be a reduced cash flow but the exit strategy appears to work.

MS. WEREMIUK: The city has approved it.

CHAIRMAN WALLACE: Say that again, Kathy.

MS. WEREMIUK: The city has approved it.

MR. WARREN: On March 12?

CHAIRMAN WALLACE: Oh, they have now approved it.

MR. WARREN: The March 12th city council approved it. If for some reason it all goes away the project can -- we will re-cast the mortgage, if we have to, and it will work for 30 years. It is not our preference but it would work.

CHAIRMAN WALLACE: Fine. Any questions from the Board?

MS. PETERSON: Is this the storage tank that moved from Baldwin Park up to Oakland? (Laughter).

MS. WEREMIUK: They found it, yes.

CHAIRMAN WALLACE: Are you thinking of going into the salvage business? Any further questions, Board? Audience? Developer? Hearing and seeing none the Chair will accept a motion. David, do you want to make this part of your exit strategy?

MR. PANUSH: Sure. So moved.

MS. NEAL: Second.

CHAIRMAN WALLACE: Moved, seconded by Pat. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

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

MS. PETERSON: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Neal?

MS. NEAL: Aye.

MS. OJIMA: Mr. Panush?

MR. PANUSH: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 02-11 has been approved.

CHAIRMAN WALLACE: Resolution 02-11 is hereby approved. David, I do think that we have --

MS. NEAL: The minutes.

CHAIRMAN WALLACE: Yes. There is no way David could have read the minutes. I am inclined to carry those over to the next meeting.

MR. FINNEY: He could abstain and you would still have a quorum to vote for the minutes.

CHAIRMAN WALLACE: Can we do that, counsel? I heard earlier we can't have abstentions, we have to have six affirmative votes.

MR. HUGHES: Our statute says we need 51 percent of the voting Board Members.

MR. FINNEY: I stand corrected. One of my other 20 boards, Mr. Chair.

MR. PANUSH: If I read them. Where are they?

CHAIRMAN WALLACE: They are about 80 pages, David. Are you a speed reader? I don't see any real harm done to carry this over to the next Board Meeting and not have to put the burden on him for things you weren't responsible for, haven't had a chance to read, blah-blah-blah. So I want to thank you very much and I want to thank Senator Burton. You know, this all happened in less than an hour. He had to get approved by Senate Rules. It shows democracy in action. It's really something and I can't thank you enough. Please convey our great respect to the Senator for accommodating us.

MR. PANUSH: There are two projects from his district.

CHAIRMAN WALLACE: That is democracy in action. The two projects we just approved were --

MS. PARKER: But, David, you didn't know that. They didn't know that when I called. Just to know, from the standpoint of how supportive the Senator is for housing.

MR. PANUSH: He would have known if I hadn't come.

CHAIRMAN WALLACE: He is the author of a major housing bond issue that is implicating us and we are with him all the way. Maybe as a subtle reminder, we are still looking for a permanent replacement for his former appointee, Angelo Mozilo, who was really a great appointment for this Board.

MR. PANUSH: I'll save the minutes for the next person. They can read it as part of their --

CHAIRMAN WALLACE: Anything you can do to further that permanent appointment would be terrific.

MS. PARKER: The next Board Meeting is in May so we have got some time. And they actually said that they were close.

CHAIRMAN WALLACE: Good. Well, again, our thanks. And you are excused, we have no other action items.

MR. PANUSH: Thank you. It has been a pleasure, thank you.

CHAIRMAN WALLACE: Thank you.

(Mr. David Panush exited the meeting room.)

DISCUSSION OF THE NEW 2002/3-2006/7 BUSINESS PLAN

Okay. Let's move on to Item 6, the next phase of our discussion on the 2002/3 to 2006/7 Business Plan. As you recall, we had some preliminary presentation from staff in the January meeting. They have taken that, folded it in, hopefully, some of it, and would now bring us their current level of development of the Business Plan, which we would refine again as needed and anticipate final action in the May meeting. So with that in mind, Terri, guardian of the gate. She usually makes preliminary remarks. Having said that we will move to the next item, which is Adjournment. Not quite.

MS. PARKER: Actually, I'm going to --

CHAIRMAN WALLACE: Do you want to introduce the subject?

MS. PARKER: Yes. I am going to actually be staff here.

CHAIRMAN WALLACE: You're kidding.

MS. PARKER: Have Jerry and Nancy join us for the presentation and Di.

CHAIRMAN WALLACE: *So* Jerry Smart, Nancy Abreu on the CaHLIF portion. And Di on the bond issue --

MS. PARKER: Right.

CHAIRMAN WALLACE: -- or legislation? The bond issue. Okay, how far have we come since January?

MS. PARKER: Well, as you will recall, we typically use our January meeting to do an update for the Board on where we are, current year, in our Business Plan. We try to do that as an opportunity for the Board to get a sense of what is happening in the marketplace, what is happening with our business production year-to-date. To enable that discussion to go into the one that we will have today, which is our Business Plan planning process *so* that we will have a good sense from the Board Members, you from us about what we are recommending to you as a direction, and direction from you all about where you, essentially, want us to use the resources and emphasis of the Agency for promotion of affordable housing, in the next year specifically, but over the next five years of our Business Plan.

I think what we are going to try to tell you today: The staff have met internally, as we do every year as part of our planning process, to talk about what we think is needed in the market. What issues that we have internally to deal with, the capacity, etcetera. We have also had some preliminary discussions with our stakeholder groups about the direction that we are talking about going so that we can feed that back to you as part of our discussion, whether it be the lender community, the builder community, the various stakeholder groups that we have invited in, self-help builders, to talk about what role CaHLIF and CHFA can play together.

We have the advantage, obviously, of the continuation of service by our Director of Multifamily Programs, Linn Warren, and Jerry Smart, our Chief of Single Family, but also, as we introduced her to you last time and now is officially on board, Nancy Abreu, our Director of Insurance. I think my comments before we start, about this, is I just want to give an overview of sort of the overriding themes that we think we want to move forward in the next business year.

There is an opportunity that presents itself because of the housing bond, $2.1 billion. This is a bill that has been introduced by Senator Burton, Di is going to talk about it. The administration is not officially on record with support on this, so basically the administration entities have served in a technical advisory capacity. So that if this does go forward and there is support for it and it is approved by the voters, the program in and of itself will work well.

Because there are such a number of programs impacting CHFA in it we felt that it would not be as beneficial for staff to spend their time trying to put a Business Plan together, as we had done in previous years, to look at what ways that we could help the market with no other kinds of government support. The opportunities within the bond are such great opportunities--things that we could not match with our own resources, that we, essentially, develop ourselves--that we thought the best use of our time and resources was to, essentially, put a Business Plan together that has the flexibility that if the bond passes we are going to go down this path, and if not, we, essentially, will have a smaller Business Plan.

At the same time we want to take advantage of what we really feel that we need to do on the infrastructure of the organization, basically, in four major areas. We need to look at our resources, and that continues to be our issues about staffing, recruitment and retention, particularly given the market out there and the salaries that we have to compete against. It means that we may have to, depending on how things are, take people who don't have a lot of expertise and grow them if we can't get qualified people. Obviously, that is going to impact our production ability.

The second area that we need to look at is, basically, our systems. We are continuing to look at the private marketplace to see what ways we can update our systems to be state of the art. We are looking at everything from imaging to different systems in the multifamily side.

We are going to look at space; we have a major space problem. We have tried to get every square inch of available resources in the Senator Hotel but we are finally going to have to bite the bullet and actually seek some space outside in order to have staffing capacity and resources so that we can, essentially, hire the people we have authorization for and not have people be floating around and be in one central place.

The last area is, basically, taking advantage of our new marketing team. To use this going forward of developing a marketing strategy and campaign. We are about ready to sign a contract with a firm to help us with a whole strategy and branding concept that we'll, essentially, carry forward into what CHFA does the next four or five years.

If the bond does pass it, essentially, pretty much defines what programs we will be involved in, in that period of time. So we think, in that sense, it is important for us to invest in having the capacity, from an infrastructure standpoint, and also utilize that from product development and production in all three of our program areas. So with that, Di is going to give you an overview about what is in the bond. Why we think it makes sense for us to go down that particular path. Then from that, each of the program managers will go through and give you an overview of what we think that translates into, a Business Plan.

MS. RICHARDSON: Okay. Before I start I just actually want to take advantage. We were lucky enough to have Mr. Panush here for a little while representing Senator Burton. We also have with us Jemahl Amen who is representing our new Assembly Speaker, Mr. Wesson. Jemahl has taken on the housing assignment for Mr. Wesson. It is a new issue for him but he has been very eager and quite a pleasant guy to work with. So those of you that have not had the chance to meet him, I wanted to make sure that he was recognizable to you because I'm sure we will be talking to him a lot. I really appreciate him taking the time to come over here and see what our Board does.

CHAIRMAN WALLACE: Stand up, Jemahl. Thanks for being with us.

MR. AMEN (FROM THE AUDIENCE): Thank you.

MS. RICHARDSON: He's going to have to, I think, sneak out in a few minutes for a budget hearing. I really do appreciate you taking the time this morning to come over, Jemahl. As Terri mentioned, there is a housing bond that is being considered by the Legislature, it's a $2.1 billion general obligation bond. It has recently been renamed. It was the Housing Bond Act of **2002**, now it's the Housing and Emergency Shelter Trust Fund of **2002**. The total, as I mentioned, is **$2.1** billion.

I am going to go through the numbers with you that are currently in the bond. I think most of you around the table are intimately familiar with this bond at this point. These numbers are subject to change. I don't think the 2.1 is going to change at this point but every day there are new negotiations talking about maybe adding a little bit more to home ownership or switching some things around. So those things, as they try to move the bond, those things are sort of still up in the air.

Within the $910 million at HCD's multifamily housing program there's $50 million for preservation program. A big chunk of that would be administered by CHFA. HCD would contract with CHFA. That would be money that we would use. Ninety percent of that money would come to CHFA. We would do, sort of, short term acquisition loans to give buyers of at-risk properties time to get their final financing in line. There is another piece of that that HCD would contract out to a nonprofit organization and they would run a similar program and at the end prepare a comparison to see how they worked.

There's also $20 million for non-residential space for supportive services projects. I'm going to back up a little bit, I'm sorry. The $50 million preservation piece has a companion bill, SB 372 by Senator Dunn. So that piece being funded is also contingent upon the enactment of SB 372. So there's the non-residential space for certain supportive services. There's $25 million currently included that would be used to provide matching funds to local housing trust funds. There is a companion piece of legislation for that, AB 1891 by Diaz. So again that piece of funding would be contingent upon 1891 passing. There is also $15 million to provide matching funds to UC and CSU for student housing projects.

CHAIRMAN WALLACE: On the second one, Di, give us an example of supportive services.

MS. RICHARDSON: Well the non-residential space, that could be like child care-type facilities or job training facilities. Not actual living space but it provides services that are needed and the residents of those projects would actually have first priority for access. Those are projects that would be funded by MHP. So this would sort of be a companion piece.

Most of those, if the money is not used within a certain period of time the money flows back to the MHP program itself. So the money doesn't sit there unspent, unused, for a long period of time. There's $195 million included for HCD's emergency housing program. $195 million for HCD's MHP program specifically for supportive services. These are folks that have disabilities that are at extremely high-risk of being homeless. This is a very targeted population and it is to sort of get them out of the homeless cycle. There's $200 million for the Joe Serna Jr. Farmworker Housing Grant Fund. Within that, $25 million for projects that serve migrant farm workers and another $20 million for developments that also provide health care to those developments.

CHAIRMAN WALLACE: Other than the first one that you mentioned, is CHFA involved directly?

MS. RICHARDSON: In none of those, no, sir.

There's $5 million currently included for HCD's code enforcement program. There's $205 for HCD's CalHOME Program. That's a home ownership program where HCD actually provides grants to local governments and then they, in turn, make loans to low-income people to help get them into first-time home buyer programs. Within that CalHOME piece there's $75 million for a program called Building Equity and Growth in Neighbarhoods.

That has a companion piece of legislation, AB 1170 by Mr. Firebaugh. That is another program that would provide grants to local governments that -- And, Judy, I don't know this intimately. The money would go to local governments that somehow do something to reduce the barriers to building affordable housing. And I think the specific language of 1170 is still sort of being worked out. There's $5 million for a program called Grants for Ramps, which I always say, for Gramps, for some reason.

CHAIRMAN WALLACE: For 65 and over? (Laughter).

MS. RICHARDSON: This is a program that is going to be available to tenants in multifamily housing projects so that they can make improvements, exterior modifications, ramps, common areas, to make those projects more accessible to the disabled. And then there's $10 million in there for HCD's self-help piece. Again, all of those, if they don't work or the money doesn't go out those would flow back and increase the overall pot for the general CalHOME program.

There's currently $100 million for HCD's Job Housing Improvement Account. That's something that you may recall was part of the Governor's budget two years ago. Thank you, I almost said, last year. Local governments were encouraged to increase their supply of affordable housing, and if they met certain thresholds then they could apply to have funds from this account, which they could then use to build something for the community. So it would be a way for them to show the community that affordable housing can have a positive impact on your community. Unfortunately, HCD wasn't able to keep this money because of the budget crisis so we are looking to funding through the bond.

CHAIRMAN WALLACE: Does that bring jobs and housing --

MS. NEAL: Yes, jobs/housing balance.

MS. NEVIS: Yes. It was part of a jobs/housing balance package.

MS. RICHARDSON: The next piece is $290 million for the California Homebuyer DownPayment Assistance Program, which we all know as CHDAP. That would be a program administered by CHFA. As you know, that is a program that is not -- It is available to first-time home buyers. They don't have to have a CHFA first loan, they can have any kind of a loan. This is a three percent junior mortgage loan. We had $50 million a couple of years ago and it was a very successful program. The money was moving out pretty quickly.

Also, within the CHDAP program there are a couple of other carve-outs: $50 million for the school facility fee program. Most of you will remember our school facility fee program and it had three first-time home buyer -- I guess one of them wasn't really a first-time home buyer but it had three single-family programs. This bill would actually reconstitute two of those programs, the economically distressed area program and the first time low and moderate income home buyer program. That would be $25 million for each and I think I have given you a written description that has a little bit more detail if you're interested.

I haven't had a chance to tell Jerry this yet but I got a call last night and this piece, this school facility fee piece, will also be placed in the education bond that the legislature is negotiating. But it will have some contingency language so that it will only go into effect if the housing bond does not pass. So we are going to have to be looking for that in both places.

MS. PETERSON: Is there a multifamily component of that school reimbursement fee?

MS. RICHARDSON: No, there is not.

MS. PETERSON: There has been in the past?

MS. RICHARDSON: There has been in the past but that is not part of what is being redone. $85 million is for the CaHLIF program. You will recall that there was legislation sponsored by CAR last year. That legislation has not been reintroduced at this point so it is a little bit up in the air exactly what they want to do with that. We are still having those discussions and negotiations. But for now that simply says the money goes into CaHLIF's reserves and after 30 months if it is not utilized it would go back into CHDAP.

There's $12.5 million for a program called Neighborworks. Neighborworks networks is a federally certified program. There are about 18 of them throughout California. What they do is they work with low-income home buyers, provide them some home ownership counseling. Help them know what they need to do to become first time home owners and responsible home owners. And because that process takes a little longer, generally there was some concern that the regular CHDAP money would just sort of fly out the door. So we have got this little piece set aside for them. So once they complete their counseling and provide the certificate that shows that they have completed the program then they would have access to the three percent down payment assistance money.

There is also $25 million in here for the Extra Credit Teacher Program. This is the Treasurer's program from CDLAC. The way the bill is currently written, this money would be used specifically in conjunction with the program that CHFA is running, from the allocation that CHFA has received. CHFA would have the discretion of making this down payment assistance also available to other local issuers.

CHAIRMAN WALLACE: Back to the $85 million for CaHLIF.

MS. RICHARDSON: I kind of thought you might go there.

CHAIRMAN WALLACE: CAR was asking, and the Senator was trying to get CAR support, for money to be earmarked for another program of their own separate from CaHLIF.

MS. RICHARDSON: Right.

CHAIRMAN WALLACE: This is not that money?

MS. RICHARDSON: It is not currently earmarked.

MR. FINNEY: These are proposals, right?

CHAIRMAN WALLACE: I understand, yes, yes. No, I understand that, Tal. But --

MS. RICHARDSON: I mean, the 85 --

CHAIRMAN WALLACE: This isn't CAR's program in disguise.

MS. RICHARDSON: Correct. The 85 --

MS. NEAL: They think it is.

MS. RICHARDSON: The 85 was set aside, was carved out at the request of CAR but there is not currently -- to move CaHLIF out of CHFA would require another piece of legislation.

CHAIRMAN WALLACE: Yes.

MS. RICHARDSON: And that does not currently exist.

CHAIRMAN WALLACE: AB 999 failed to get out of the first house.

MS. RICHARDSON: Correct.

MS. NEAL: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. NEAL: I asked them the question.

CHAIRMAN WALLACE: Them?

MS. NEAL: CAR.

CHAIRMAN WALLACE: Yes.

MS. NEAL: On the $85 million. If they had any plans to do anything as they attempted to do last year. Their answer to me was, no. So Terri and I have discussed lots of things we could do with $85 million in CaHLIF as far as affordability.

CHAIRMAN WALLACE: Is it earmarked for CaHLIF?

MS. NEAL: Yes, it's earmarked for CaHLIF.

MS. PARKER: It goes, actually, to CaHLIF's reserves. Nancy will speak to this briefly in her comments.

CHAIRMAN WALLACE: Right.

MS. PARKER: But it goes into the reserves. If it is not expended within 30 months then it would go into the broader CHDAP down payment assistance program. So the money would be utilized one way or the other in our programs over a three to five year period.

MS. NEAL: As opposed to possibly the thought on someone's side at CAR that it would just sit there and at some point in time they would introduce a bill. But that will not happen.

MS. PARKER: Any other questions of Di?

CHAIRMAN WALLACE: Okay, I am much comforted so far.

MS. PARKER: Again, I think we thought it was important for you to know all the various components that are in the bond. Jerry, you want to speak to home ownership?

MR. SMART: Good morning, Mr. Chairman and Members of the Board. With respect to the home ownership program: This year our mission and goals and objectives will pretty much remain the same as we have for this fiscal year. With regards to our first time home buyer program, we are anticipating a modest 10 to 12 percent increase in production if the Housing Bond Act is not passed. If it is then we would anticipate upwards of 25 percent and that's by reason of the additional down payment assistance, which is pretty much the driving engine of our program. Of course, that would be subject to having the infrastructure in place that Terry alluded to, and of course, economic conditions that we would see at the time.

CHAIRMAN WALLACE: Let me stop Jerry. Again we are in the area of, if the housing bond is passed. The status of it is?

MS. PARKER: It's on the Assembly floor.

CHAIRMAN WALLACE: Okay. So it is out of the first house. It is on the Assembly floor and still being negotiated as we speak, but with the likely outcome that it will pass, roughly the way Di has described it. More or less. There's some negotiations about union labor or something and so on. But it is likely to get out.

MS. PETERSON: Then the voters have to vote on it.

CHAIRMAN WALLACE: And then it gets voted on, next question, in November?

MS. RICHARDSON: Right, it would be for the November ballot. There has been some discussion about whether or not they are going to try to move the bill out of the Assembly this week. The Legislature takes their Easter break next week. They were hoping to move the bond out of the Assembly before they did that. They actually have plenty of time to act on the bond to get it on the ballot. I think the deadline for that is something like June 27. But, obviously, they would like to get it taken care of so that it does not get caught up in all the budget negotiations. I am not sure if they are going to be able to get it out of the floor this week. They may try. But they still have time.

CHAIRMAN WALLACE: There's a high likelihood something will get out of the Legislature to go on the ballot.

MS. PARKER: Well, you know --

CHAIRMAN WALLACE: Right?

MS. PARKER: Their plan is to try to tie housing bond, which Senator Burton wants very badly, with school bond. They are using the two of them for leverage and trying to run them at the same time. If they get everything settled on the housing side they need to, essentially, make sure they get it set down on the school side. Actually, what I heard yesterday when we thought that they were down to the last item that was a minor one on the school side, that the unions came in asking for prevailing wage over there. So that has now delayed that. So it is likely that they -- They may not deal with this until they come back. But as Di said, they have got until June, comfortably. Technically they could go to August if they wanted to do a special ballot, which obviously, would be not a good thing.

CHAIRMAN WALLACE: NO.

MS. PARKER: But for planning purposes we have to, essentially, decide something now. There is very strong support for it, including the people feeling that there's enough votes to get it out of the Legislature.

MS. RICHARDSON: And Mr. Amen just told me that it is probably not going to come up for a vote tomorrow, which doesn't surprise me.

CHAIRMAN WALLACE: But still a high likelihood that something will come out in a timely manner to be voted on in November.

MR. RICHARDSON: Right.

CHAIRMAN WALLACE: Thank you. Okay, Jerry, sorry to interrupt.

MR. SMART: With respect to our income limits and sales price limits. We will continue to promote those to the maximum permitted. In fact, we just this last week published our sales price limits for 2002-9 and we will continue to promote the maximum limits. However, that would be subject to supply and demand. So if there was a case that demand exceeded the available supply of funds then we would use our income limits or perhaps price limits as a tool to mitigate some of that demand.

MR. FINNEY: Quick question, Mr. Chair.

CHAIRMAN WALLACE: Yes.

MR. FINNEY: So the two numbers up there on the last one, the 10 to 12 percent. That is the plan if the housing bond does not go through?

MR. SMART: That is correct.

MR. FINNEY: Okay. And if it does go through can we call it the CHFA smart growth plan? Sorry.

MS. NEAL: We are not using that term, remember.

MR. FINNEY: Trying to catch up with you, Mr. Chair.

CHAIRMAN WALLACE: You should come more often.

MR. FINNEY: Jerry Smart, growth plan, work on it.

MS. PARKER: We just want to make sure that people understand that that's on the $1 billion base that we have been doing the last couple of years.

MR. FINNEY: Right. So the whole way through here we are going to see, proposal if the bond passes, proposal if the bond does not pass.

MR. SMART: That's correct.

CHAIRMAN WALLACE: Okay.

MR. SMART: We have three programs, special programs that would not be impacted by the Act. The first is the Affordable Housing Partnership Program. We will continue with the current funding and eligibility that we have and we will continue with the special incentive interest rates, which is currently one percent below our moderate statewide rate. We will continue with promotion and marketing efforts to bring in locality participation.

With respect to Self-Help Builder Assistance Program: Again, we will maintain our current funding level, both for the maximum loan amounts and the funding level. However, we are anticipating changing our interest rate for development/construction loans. Currently it is tied to the SMIF rate, the Surplus Money Investment Fund. We are proposing right now to peg that at 3 percent and to publish that rate to give our nonprofit self-help builders something they can plan for when they submit applications.

With respect to the High Cost Area Program:

Funding levels, again, would remain unchanged. However, we are reviewing the program to expand the eligibility. That would be based on jobs/housing balance data, new price limits, our under-served regions, unemployment, demand in those high-cost areas. It is under evaluation now and by the next Board Meeting we will have selected those areas that we will propose to expand to.

MS. PARKER: If you recall, for our new Board Members, right now it is in Santa Clara, San Francisco and San Mateo. So we are looking to see if there are some other counties, not Marin, that we might want to expand it to.

MS. NEAL,: Orange County would be nice.

CHAIRMAN WALLACE: Why is that? That's in a self-help program.

(Mr. Jack Shine exited the meeting room.)

MR. SMART: Two of our current special programs that we would expect to be impacted by the Housing Bond Act are the 100 percent program, also known as CHAP. Currently we will continue to target this program to under-served areas. There are a number of them within the state. We will be evaluating, as we do every year, which areas we need to make the appropriate changes to.

The interest rates -- Well, I should indicate that the funding levels we currently use are based on -- The source of funds is from our HAT fund, the Housing Assistance Trust Fund. Given the amount of assistance that is being required we would anticipate that we would have to sell bonds to continue to fund this program. Consequently, it will result in a need to increase the interest rates that we currently offer on the second loan program. If the housing bond is passed, however, we would anticipate phasing out this program in lieu of the CHDAP funds that would be made readily available.

With regards to the Extra Credit Teacher Program; again, the funding level in this program will approximate what we currently have obtained in allocation from CDLAC in the $50 to $60 million range. However, if the Housing Bond Act is passed then we may, given the additional funding assistance that we would receive from CHDAP, may seek further allocation from CDLAC. We do expect to have expanded eligibility for teachers and principals at an increased number of low-performing schools. I think it is going from the low-performing, the first three levels of low-performing schools to the first five levels. So that will expand the eligibility.

CHAIRMAN WALLACE: Isn't the Treasurer's Office re-evaluating all that, Jeanne?

MS. PETERSON: Yes, I believe it is, yes.

CHAIRMAN WALLACE: I think we had a discussion at the last meeting.

MS. PETERSON: You mean with respect to the eligibility and the role that CHFA would play, as opposed to the local school districts?

CHAIRMAN WALLACE: Right. And the ball is really in his court, not ours so much. We are administering it.

MS. PETERSON: Well, I don't know. I think really and truly --

MS. PARKER: We will -- As I say, we will do a program no matter what. The level that we will do depends on if there is additional money that could be used for the down payment assistance. But I think what Mr. Smart was saying as to our discussion at the last meeting, there are changes that the Treasurer's Office is looking at making to make the program more viable statewide.

CHAIRMAN WALLACE: Right.

MS. PARKER: And we would make those changes.

CHAIRMAN WALLACE: Sure.

MS. PETERSON: And CHFA would play an expanded role in that effort.

CHAIRMAN WALLACE: Okay. That's what I understood as a result of our last discussion on this subject. And really, he has got the ball right now, not us.

MS. PARKER: Those changes would have to be made by the CDLAC committee and then we would, essentially, incorporate that into the program that we would run under those guidelines.

CHAIRMAN WALLACE: Fine. Thank you.

MR. SMART: Then we have the three programs that would be re-funded under the Housing Bond Act: The school facility fee program that Di has already described; two programs, the economically distressed area program and the low-income fist time home buyer program; the Neighborworks program that she described, the $12.5 million set-aside; as well as the CHDAP program, which would probably end up in the neighborhood of $117 million. That's what we would anticipate for the single-family program for the coming business year.

MS. PARKER: If there are not any questions we can move on to our other home ownership program with the California Housing Loan Insurance Fund. Nancy.

MS. ABREU: Thank you very much, Terri. To begin with, as we talked about in the January meeting, S&P was out to do a review of CaHLIF in the November time period and has come back to us mid-February and reaffirmed the CaHLIF A+ rating. Terri is passing out, as we speak, a copy of the drafts of the press release and the analysis write-up. It is still not yet published but Charlie Titterton of S&P shared it with us so we wanted to make sure you had a copy of it. As it states, the rating is based on CaHLIF's strong capitalization, the solid operating performance of the fund and the continued strong support of CHFA. So that is very good news that it is again reaffirmed. Hopefully, we will have hard copy we can share with our partners, our customers, etcetera, over the next 30 days. In fact, we thought we would have it by today but, unfortunately, we did not.

Also at the last Board Meeting, John Schienle spent a considerable amount of time walking you through the products that CaHLIF was involved in and some of the new programs, in particular the 97/3, the 95/5 and the 80/17, so I am not going to walk you through them again but rather state that at this point what we are spending time in in CaHLIF is looking at the programs. Many of them are very, very new.

So we are looking at the program parameters, the target market and any refinements that we need to do to the programs. We will be doing that over the next few months and into the next year. And we will also be looking at what other niche products we should be offering to the customers and other partnerships that we should be looking at. So as Terri alluded to, kind of an internal focus at this point rather than external, trying to create a lot of brand new products.

Similarly, as we look at the new products, and as you are aware from the last Board Meeting, many of them were rolled out in the last six months of **2001**. The staff within CaHLIF had very limited knowledge of some of the new products ***so*** we are spending time in training and cross-training the entire staff of CaHLIF in all the products. ***So*** far we have had four, hour to two-hour meetings with the CaHLIF staff walking through all the products and will continue to do that. We feel that is very important as we take telephone calls and work with our partners on the products.

The last item on the chart is something we have already touched on, both by Terri and Di, the proposed $85 million that will float at CaHLIF if the bond passes. At this point we look for it to be an addition to our reserves, and as we go forward, looking at additional programs or products we can offer.

CHAIRMAN WALLACE: Nancy, I, for one, want to encourage you in what you are doing in just a wholesale re-look. You know, we have been under some pressure, particularly from ***CAR***, to prove that we are doing the job. Our program has grown but I am not sure we all understand in how many ways and how it all works. ***So*** I applaud, for one, what you are doing. Look under every rock and come back when you are ready. Tell us what we can do to improve it, what we need to discard, what is working, what is not, etcetera, etcetera. So as far as I am concerned, hallelujah. You have got my blessing to do a wholesale review and come back and tell us where we ought to be going so that we do build CaHLIF up and are not quite as vulnerable, as we thought from time to time, to some raids.

MS. ABREU: Great. Thank you very much, Mr. Chairman.

CHAIRMAN WALLACE: Any other questions? Ready for Dr. Warren?

(Ms. Jeanne Peterson exited the meeting room.)

MR. WARREN: Thank you, Mr. Chairman. As you have seen in the last few years, we have had an equal balance between new construction and preservation; with developing the special needs programs, we intend to continue that for the coming year; in our permanent take-out role, the lender loan product as it is accepted by the industry. And in the event the bond passes there are plans underway within Programs to revisit CHFA's role as a construction lender. We feel this may be a way to leverage our financial resources to benefit those projects, particularly those that receive the MHP awards. But this is a fairly significant undertaking on behalf of the staff given the staffing constraints so this is something that we will have to look at in the future.

Our preservation programs revolve around the HUD 202 refinancings that we have discussed with you previously. This is the first year that the expiring tax credit projects or the Y15 projects will come forward and we are in the process of working with various partners to develop that program. As always, we are open to refinancing the CHFA 236 portfolio.

New areas we wish to embark on: The Urban Infill-Mixed Income, which you saw today. We will be promoting that on a regular basis and there are some programmatic guidelines and specific underwriting criteria that we will be promulgating for the benefit of the industry to better explain our positions on that.

FHA Risk Share: That will be re-introduced into the mainstream insurance for the Agency. Not so much from a standpoint of risk from the loans we make but from the reduction of capital requirements that stem from the risk share program, either 50 or 90 percent. We will be using that for both preservation transactions and for new construction. So we will be proceeding with that particular aspect of it.

Moving on to our Special Lending unit, which involves HELP and other areas. HELP is a very successful program, it received --

CHAIRMAN WALLACE: Linn, just a second.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Production Goal?

MR. WARREN: I'm sorry, I skipped right over that, didn't I.

CHAIRMAN WALLACE: Yes.

MR. WARREN: Let me go right back to that.

CHAIRMAN WALLACE: I don't know, I think you did.

MR. WARREN: I did. We are looking at **$225** million, which is down from last year's goal of **$250** million. That is a direct result of staff constraints and the ability to process what we have. We have been trying to retain staff. We have made a couple of very good hires within the Agency, however. We need to continue that but we have to be realistic about what is our production capacity. I would rather tell the Board what I think that is today and try to exceed that, versus setting a goal that is not attainable. That equates, Mr. Chairman, to approximately 30 projects per year for Board approval.

CHAIRMAN WALLACE: Versus?

MR. WARREN: If we could do better we could probably look at upwards of **40** projects a year.

CHAIRMAN WALLACE: Versus this past year?

MR. WARREN: Well, interestingly, we are probably going to do about **30** projects this year but there are some smaller ones. We were able to meet **--** From a per project basis we are on a par with what we did last year with less staff so we are very proud of that fact. But the dollar volume is less and that is often just the luck of the draw.

CHAIRMAN WALLACE: Sure.

MR. WARREN: But we are very pleased that from an actual day-in/day-out standpoint we have equaled our productivity levels from last year. So moving forward, again, that is 30 projects. That can be exceeded, depending upon the various programs that we do.

In Special Lending: HELP very successful. We will continue with those parameters. No particular changes there other than to be as diligent as we can to select the best projects. One of the two new areas that we are looking at is tax increment financing. This is leveraging Agency funds--most likely borrowed funds--against local tax increment set-asides on a three to ten year period. This will be an on-demand program that would supplement and complement the HELP program with the same selection criteria that exists today.

The last component of this is the Small Business Program. This is where we intend to use localities, RDAs, housing departments, to vet and find us small in-fill projects between the 10 and 30 unit range on in-fill in urban areas and use them as a co-underwriter. We would also develop staff to do these smaller deals. As the large ones you saw today are coming to the floor, the smaller in-fill deals, particularly in distressed neighborhoods, are also developing and we wish to meet that need in conjunction with localities. So that is our basic plan in that area.

The last piece that we want to talk about is infrastructure, which Terri alluded to. Staffing, a continual problem with the Agency. We try to push -- As you know, we do compete with commercial lenders and the salaries and incentives that they pay. We do need to try to retain qualified staff given the level of complexity of the deals that we do. To that end we are using loan originators on the outside for the 202 program and for special needs. You were introduced to Ms. Ilvonen today who is also helping us with the outside underwriting.

The final piece of our infrastructure today is our underwriting system. The system we have with the Agency was homegrown, it is somewhat old, and we are now going to embark upon the purchase of an automated system which is tied to web-based interactivity. Hopefully we can use that to help streamline our process and to connect better with our third party vendors and such like that. So that's a program we are going to look at this year. So in a nutshell, that's where we are headed. And as Terri said, in May you will get a more complete overview of what we are going to do.

MS. PARKER: Just to sum it up, I think what we, again, have tried to lay out to you is what we think, given the past, we have heard as the Board's directive to staff about where they would like us to use our time and energies. We think that this makes sense, utilizing what is in the broader market and what the Legislature is looking at. Using those opportunities before us.

But also, I think, to answer Mr. Finney's question earlier, some of the production levels that are in here are varied because of if the bond passes or not. On the multifamily side it is probably less contingent on the bond than it is continuing to get the infrastructure and the staff capacity to do the deals. We do not have staff that has good training and background so that we do the risk analysis if it's necessary. We can't bring it to you, and we certainly don't feel that we can do what we need to do from a fiduciary standpoint for our bondholders. So we may have to, if we cannot continue to compete, find some other way, or in that sense, do fewer deals.

These are the sort of things, from a broad perspective, we will be working on or proposing to work on if this is consistent with what you believe is the appropriate view of what the Agency should be doing to meet its missions and objectives. Then we would submit a Business Plan that has the numbers laid out, including our administrative budget, that ties into it.

MR. FINNEY: Mr. Chair, can I ask a couple?

CHAIRMAN WALLACE: Yes.

MR. FINNEY: First, I wanted to commend you on the multifamily side the small business program. That's a pretty jood thing. We just actually appointed our small business ldvocate for the state and we have a big summit coming up in September or October. This is just exactly the type of thing we like to see happening and also it is very innovative. Another thing. I wanted to, as a member of the Independent System Operator, commend you on your S&P rating. It's refreshing to sit on a board where I don't have to worry about that.

CHAIRMAN WALLACE: Come back. We expect it to get better.

MR. FINNEY: And then lastly, I did actually want to know a little bit more, if I could, about the tax increment lending. You said that's a pilot program, right?

MR. WARREN: We are not sure, Mr. Finney, how well that is going to be received. We do know that some of the small localities don't utilize their tax increment very effectively. And if we can find a way to capitalize that income stream and loan them the money and then get repaid from the stream, then on a project-specific basis they could use those Agency funds to fund a multifamily project or predevelopment loans or whatever the use might be.

MR. FINNEY: How would that work from our end then? What would you do to accomplish that?

MR. WARREN: From our end?

MR. FINNEY: Yes.

MR. WARREN: We would need to underwrite the tax increment stream to see if it is encumbered by some other obligations or such like that.

MR. FINNEY: Okay.

MR. WARREN: What is the likelihood the stream will continue in the dollars that are represented by the localities? What is happening with the redevelopment, the taxes that are being collected? And do a risk analysis as to whether that is an appropriate risk for us and what is the likelihood of repayment. That is normally how we do it.

We do increment lending on large projects in which the locality will pledge their increment, say for a 20 year term, to build a single project. And as you know, I'm sure that many large localities, Santa Monica is a good example.

MR. FINNEY: Right.

MR. WARREN: Bonding increment is a matter of daily work. The smaller localities are not nearly as sophisticated to do that because of the cost of the bonding.

MR. FINNEY: So that's where we try to step in.

MR. WARREN: We are going to try to do that. We don't need to deal with the large localities. It's the mid-level and smaller towns that have increment that would like to capitalize that for specific purposes. That's where we are headed.

MR. FINNEY: Okay.

MS. PORINI: Mr. Chair.

CHAIRMAN WALLACE: Yes, Annette.

MS. PORINI: Just one quick question for Terri. In your introductory comments you spoke of marketing in addition to the infrastructure needs. Are you going to bring a marketing plan back to us once we have adopted a Business Plan or just periodic reports on marketing?

MS. PARKER: I think what we would plan to do -- As I said, we are actually in the process of hiring a firm to work with us to develop what would be a marketing strategic plan. A whole concept of developing, perhaps, a branding campaign. We really wanted to look at what are the most effective uses of our time. Trade shows versus printed material versus annual report. We thought this would be a good time, with everything else that's going on, to actually develop a strategic plan along those lines.

So we will be bringing that to you. I would like to, once we get this done, come back and give you some information that we have gotten from the analysis that we have done that would essentially -- We have seen some preliminary stuff. How often our products are talked about in the media versus products of other HFAs across the country. Some ways for us to be able to identify the successes and, in that sense, measure what a marketing effort might provide for us.

CHAIRMAN WALLACE: A number of the discussions this morning indicated, and maybe it is just settling in for the first time, that you are having trouble recruiting and retaining. When I headed up another department of state government a number of years ago we always looked at CHFA as being over there. They had special dispensation from whomever and that was never thought to be a problem. It sounds like it's -- And then I look at the economic times and I say, it's great boom times, but we have been in a recession, quote/unquote, however you want to define it, not a boom time, since a year ago March, in reality. And I can understand Jim Liska and maybe others getting spirited away in that environment. Is that settling out? I'm concerned.

MS. PARKER: Let me talk a little --

CHAIRMAN WALLACE: I know Nancy, you have got some issues, and Linn, you have mentioned it now. It's sounding strikingly unfamiliar.

MS. PARKER: The Agency is very fortunate from the standpoint of the flexibility that we have for ourselves under statutes. However, overall our staffing is under civil service and in that sense the salaries are set within those limitations. For example, with the freeze that the Governor has put on because of the budget situation CHFA is not impacted by that. So we don't have to, essentially, be in a position of not being able to go out and fill our positions.

We have those exemptions but we still have the problem of still trying to find them.

I think the last probably year-and-a-half, Mr. Klein has asked these questions of Jackie. We have talked about exams that we have been giving, particularly to hire and recruit in the multifamily area, where we do exams that take several months and we end up with not having one qualified person that we would want to hire.

What we are coming down to in order to convince the Department of Personnel Administration, as a process of being able to get increased salaries we have to demonstrate that we can't hire anybody and be able to do it in a few solid examples rather than, you know, incidental things. They won't accept that. So we are, essentially, trying to build the case to go back with them. We have lost, basically, in multifamily the number two person that Mr. Warren had. Nancy has just come on board and the number two person in CaHLIF has just accepted a position with Freddie Mac. Since we are really competing with people in the private sector the salaries that we have available to us are not competitive.

MR. WARREN: I would point out though, Mr. Chairman, and I agree with everything Terri said, is that we have -- The other strategy, of course, is to grow internal staff. We have had some recent hires and they are very good. We will continue to grow the staff that we have and train them and bring them along. That's the dual track. So we have brought some folks in from the outside, which we are very pleased with. But as Terri indicated, the complexity of what we do does require folks that have seen the stuff before. That is where the competition factor exists and they are hard to recruit. That is just a fact of life. And I see Judy nodding. No terribly different than what Judy went through on the MHP program.

CHAIRMAN WALLACE: We have four other members here on the Board who are dealing -- Is this pervasive in state government?

MS. PORINI: My experience has been that it is in some particular areas of state government. For instance, both of the pension funds have that problem because they are out competing with the outside investment world. Some of their good staff is being taken away and they are having a harder time recruiting at the highest level staff. Interestingly enough, in state service, accounting level positions have been very hard to fill.

MR. FINNEY: It's finance-oriented, primarily. We have the same problem at the ISO. We keep losing some of our top people.

MS. PORINI: Right.

MR. FINNEY: Right in the middle of the energy crisis, because we can't afford to keep them.

MS. PORINI: Nurses in hospitals. There are just some categories where the outside world is highly competitive.

CHAIRMAN **WALLACE:** So it is not just **CHFA.**

MS. PORINI: **No,** it's not. We are not being singled out.

MS. NEVIS: Certainly both competition from the private sector and local government. Local government salaries, to the degree you have people doing underwriting in housing programs at local government are at a higher level. That was not the case, say, 20 years ago, so we are losing folks there. When we go to our conferences with nonprofit developers, and some of the banks as well, even they are having difficulty bringing enough new people into the field and having seasoned people. I know that in partnership with **CHFA** and UC Davis we are working on a grant proposal to bring in for an internship program. So there's lots of ways you can start. But from an intern to being a seasoned underwriter is quite a long way.

MR. FINNEY: And there is a real desire for folks who have state experience, too. They are more attractive in the private sector now than maybe they have been in the past. I'm not sure but I know that's a big issue that we have faced on the variety of boards I sit on. The opportunity to be able to work closely with this Board or this staff for a private sector entity is very attractive to them.

MS. PARKER: I think what we have been in some capacities is the training ground.

MR. FINNEY: Right.

MS. PARKER: We have been able to recruit in our accounting field. Even with the limitations there we can get people. But they end up coming and it's a revolving door. Some of our other areas, we are just not being able to get anybody at all. And the dilemma that we have with our operation is that people don't have to come to CHFA. If we can't do deals, in that sense, the deal will be done, more than likely, by somebody else.

But the advantages that we can provide, because we are not profit-based, may not be as good. And that translates on that the benefits may not be as great to the tenant. So we, essentially, have to come in and convince people that in order for us to be effective, and the business we can do, and the benefits we can provide, we need to have the resources in order to make what we do viable. We are trying to collect that and either use consultants or whatever basis that we possibly can, but it may come to a situation where we have to go the next level up and try to make a pitch for a salary structure that will work. Or come back and essentially let the Board know that these are what our limitations are.

CHAIRMAN WALLACE: And one other thing. Terri briefly alluded to space requirements and the need to expand. It seems kind of the flip side of, we don't have enough bodies in our existing space in certain areas. We are okay in Culver City, basically?

MS. PARKER: Right.

CHAIRMAN WALLACE: But you are talking the Senator Hotel does not have any chunks of space. What magnitude are we talking about?

MS. PARKER: Primarily, probably the areas that if you look at the staff configuration at CHFA, the two largest staffed areas are accounting, surprise, and home ownership. Every time we do a transaction we essentially need accountants to take care of it. We start getting into these programs that are in the bond that have second loans on top of first loans, that's even more loans for us to track. So we need accounting staff, we need servicing staff. So that is probably the fastest growing area. Usually when we come in for staffing increases it's that area.

Right now they are in three floors in our buildings and we may be in the situation of just -- We haven't decided that they are the ones but we may decide that it is beneficial for us to locate them someplace close so they can be together in that function. That frees up space.

Nancy's part of looking at the overall CaHLIF operation. We have out-sourcing of some of our processes. We may decide that it is beneficial for us to be doing it in-house. If that is the case we will need space for it and we have no space for it right now. Our marketing staff, they are tripping over all of the marketing materials they have. We would like to be able to give, even some of our existing operations, some additional capacity, let alone what we think we will be adding with the kind of growth, particularly from what a bond might do.

So I think if you look at -- And many of you are familiar with state agencies and I think PERS is a really good example. They built that beautiful building then immediately it became obsolete and they started to have to grow and put staff along the 1-5 corridor. Now they are building a second building and they will bring them all back together. Think what will happen to CHFA. We may have to out-source, and when we come back in to do our master lease again, we may have to look at some different space for the entire organization as opposed to the Senator Hotel. So the good news in that sense is that we are growing and evolving and this is just part, in that sense, of having us have the capabilities, the capacity and the infrastructure to do that.

CHAIRMAN WALLACE: When does the bulk of our space come up for renewal?

MS. PARKER: Well, we just re-did our master lease this last year. IS it five years, Jackie?

MS. RILEY (FROM THE AUDIENCE): In 2009.

MS. PARKER: 2009.

MS. RILEY (FROM THE AUDIENCE): August of 2009.

CHAIRMAN WALLACE: So if you did move out the accounting three floors nearby, arguably we would be giving space back or we would be able to do some of the other expansion you are talking about. And let's not take time, we're late, I'm sorry.

MS. PARKER: That is what we are going to be looking at. What we are going to try to do if we are going to do this is do some growth planning for the next five to seven year period.

CHAIRMAN WALLACE: Right.

MS. PARKER: So that we are not having to be in six different buildings downtown.

CHAIRMAN WALLACE: Good. Okay.

MS. PARKER: Again, I apologize and I would let you know that, even though some of your colleagues are not here, I have been trying to meet with all of you individually to talk about what we are doing, get your feedback. I have done that. We have met with Carrie, we have met with -- I have a meeting next month with Bob Klein. So we will have these conversations and get input from them. But I guess this is your time now. If there are things in particular that you have comments or concerns about for our direction we would want to be hearing them.

CHAIRMAN WALLACE: I think that what I am hearing, though, is basically it's incremental improvements in our next Five Year Business Plan pending the outcome of the hoped-for bond vote. If that happens and it's successful then you are almost going to have to -- and you are about to the time, almost, when we would be starting on the successive term's Business Plan. So we really are probably, is it fair to say, kind of in an incremental holding pattern for this next year pending the outcome of that? Then next year we probably could have some major changes or redirection. In the meantime Nancy has got her arms better around CaHLIF, what it is to be and so on, etcetera, etcetera, etcetera. My sense is you are telling us we are kind of --

MS. PARKER: Modest growth in home ownership and, essentially, trying to maintain the program production levels that we have in insurance and multifamily that have increased substantially over the last couple of years. I think what we would do is, if the bond doesn't pass, we will know that at our November Board. We would have the opportunity to come back in our January Board when we have our mid-year update.

CHAIRMAN WALLACE: Sure.

MS. PARKER: And, essentially, to the extent that we would want to make any recommendations to the Board

Members at that point in time of any changes to the Business Plan and of products that we could introduce we would certainly be doing it at that time.

CHAIRMAN **WALLACE:** Sounds like a rational program.

(Ms. Annette Porini exited the meeting room.)

OTHER BOARD MATTERS

I am going to move on to Item **7** to see if there is any discussion from Board Members relative to other matters or reports or whatever. You have a series of reports, particularly from Ken. And, Dawn, we never saw stuff like this, keep up the good work. So I commend your reading to those sections. Is there anything else on Item 7 for discussion?

PUBLIC TESTIMONY

If not, any member of the public under Item 8 for non-agendized items is invited to bring forth something briefly for potential future action at this time. Hearing and seeing none we are adjourned until May 16 in Burbank. We are adjourned. Thank you for your cooperation in a semi-difficult situation.

(The meeting was adjourned at 12:52 p.m.)

--oOo--

* * * * * * * * * *

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 two (2) tapes in number and this covers a total of pages 1 through 126, 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 20th day of March, **2002**, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 12th day of April, 2002, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

--ooo--

THIS PAGE
INTENTIONALLY
LEFT BLANK

State of California

MEMORANDUM

To: Board of Directors **Date:** May 16,2002

From: Theresa A. Parker, Executive Director TAP
CALIFORNIA HOUSING FINANCE AGENCY

Subject: CHFA FIVE-YEAR BUSINESS PLAN
Resolution **02-12**

It is with great pleasure that I offer for your consideration CHFA's **10*** annual Five-Year Business Plan **(2002/03-2006/07)** and a resolution for its adoption. This proposed plan is consistent with the philosophies and direction provided by the Board, as well as with the path the Agency has followed during the recent years.

The recommended plan takes advantage of the unprecedented **$2.1** billion Housing and Emergency Shelter Trust Fund Act of **2002.** Should the voters of California approve this measure in November **2002,** it will have a significant impact on CHFA's programs. In preparation for this possibility, and for our continued growth efforts moving forward, this plan will position the Agency to best manage the opportunities presented by the housing bond, as well as internal capacity issues.

The foundation for this plan has been laid with the leadership of the Board at prior meetings, including the annual mid-year update in January **2002.** Additionally, input for this plan has been received on an ongoing basis from focus groups and industry relations groups, as well as the lending community.

As we strive to increase CHFA's infrastructure capacities, we will also continue our close cooperation with our sister agencies within the State to avoid overlap and duplication of efforts. We will work with each member of the State's housing team (BT&H, HCD, CDLAC, CTCAC) to continue to seek ways to provide greater added value to our programs, so that our clients are not stalled in a sea of bureaucracy and can expeditiously navigate through the system.

The plan proposes considerable enhancements to our infrastructure, as well as a total of **$10.2** billion in lending and insurance activity for the three branches of CHFA. It also allows for the flexibility necessary should voters pass the Housing and Emergency Shelter Trust Fund Act of **2002.** Additionally, new construction activity financed under this plan will support the creation of an estimated 64,000 jobs in California.

Agency staff 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 to help make housing more affordable for Californians.

THIS PAGE INTENTIONALLY LEFT BLANK

a

GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
2002/2003 TO 2006/2007

FOR PRESENTATION TO THE
BOARD OF DIRECTORS
MAY 16, 2002

THIS PAGE
INTENTIONALLY
LEFT BLANK

TABLE OF CONTENTS

THIS PAGE
INTENTIONALLY
LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 2002/03-2006/07

EXECUTIVE SUMMARY

2002 Business Plan Overview

Considerable opportunity is afforded this year to CHFA through the Housing and Emergency Shelter Trust Fund Act of 2002. Should voters pass the ballot measure in November 2002, it will provide expansion in all three Agency program areas (Rental, Homeownership, and Mortgage Insurance). In preparation for this potentiality and the Agency's future growth in general, significant efforts will be focused on enhancing internal infrastructure capacities. Those enhancements will cover four major areas including facilities, human resources, technology and marketing.

CHFA's 2002 Business Plan proposes total activity of $10.2 billion during the five-year period. Homeownership and multifamily lending programs are estimated to be $7.1 billion, with an additional $3.1 billion in loan insurance activity. The previous five-year plan proposed a total of $10.1 billion. The proposed new business results from changing market conditions and new opportunities in insurance activities.

Should voters approve the Housing and Emergency Shelter Trust Fund Act of 2002 in November, CHFA lending programs could be increased by as much as $700 million. Individual impacts are shown throughout this plan.

Estimated levels of first mortgage lending for homeownership increase to $1.125 billion per year for 2002/03 and the remainder of the five-year plan, raising the new five-year target to $5.81 billion. This includes downpayment assistance and self-help builders' assistance. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.125 billion goal should be attainable in the coming fiscal year. Beyond calendar year 2002, however, additional annual allocation may be required as our opportunities are reduced to re-use allocation received from prior years. (The Business Plan does not assume repeal of the Ten Year Rule.)

The 2002/03 goal for multifamily lending is $205 million, with a total target of $1.2 billion for the five-year period. Projected activity in new construction is expected to remain strong through our tax-exempt lending programs. Meantime, preservation lending programs will continue to finance a wide range of at-risk government assisted projects. The Multifamily Division also anticipates development of new programs to address unmet needs in the rental housing area.

Total mortgage insurance activity in the 2002 plan is proposed at $620 million for the 2002/03 fiscal year and $3.1 billion for the five-year period. This compares to 2001 plan goals for $718 million in fiscal 2001/02 and $3.6 billion for the 2001/02-2005/06 plan period. During the past six years CaHLIF has doubled its insurance portfolio and moved emphasis away from insuring primarily CHFA loans.

Housing Activity to be Stimulated

New construction activity financed under the plan is estimated at $2.2 billion in new construction homes and $840 million in new affordable multifamily rental units. This will support the creation of 64,000 jobs.* Additionally, there will be a significant economic impact resulting from CHFA's financing of resale homes and multifamily acquisition/rehabilitation projects, as well as from CaHLIF's mortgage insurance activities.

'Source for multiplier: Construction Industry Research Board

CALIFORNIA HOUSING FINANCE AGENCY
Five-Year Business Plan
FISCAL YEARS 2002/03 - *2006107*

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 some of the important 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 CHFAs 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.

CHFAs 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: homeownership loan programs, multifamily loan programs (for rental properties) and mortgage loan insurance programs (for homeownership 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. Of course, the most important unknown is whether in November California voters will approve the $2.1 billion Housing and Emergency Shelter Trust Fund Act of 2002. In addition, the following are some of the key assumptions on which the projections depend:

- receipt of State allocation of private activity bond issuance authority,
- the Federal "ten year rule" will not be repealed,
- continued investor demand for CHFA bonds,
- continued investor appetite for newly-created, higher risk mortgage insurance products,
- timely implementation of new partnerships,
- ongoing demand from first-time home buyers and rental housing sponsors,
- continued low and stable rates of interest,
- State and local agency financial participation.

Because of the uncertainty regarding the bond approval, programs are shown with two separate sets of goals.

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.

2001 Business Plan - Progress to Date as of May 2002

The table below shows an estimate of actual production for CHFA lending and insurance programs in comparison with fiscal 2001/02 goals.

	2001-2002 Goal	**Estimated Actual**	**Percentage of Goal**
	(millions of dollars)		
Homeownership Programs	$1,030	$1,073	104%
Multifamily Programs	$ 255	$185.2	73%
Insurance Programs	$ 718	$542.0	75%

Homeownership first mortgage volume is projected to reach slightly more than the $1 billion goal for the year, a production level that will slightly exceed last year's pace. A demand for financing and downpayment assistance leveraging financial resources, 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 $185.2 million for the fiscal year 2001/02. While the number of projected loans to be processed this year equals the prior fiscal year, the average loan balances are smaller.

Insurance activity is projected at $620 million in fiscal 2002/03. This is 35% over the $456 million achieved in 2000/01 and 14% over the $542 million in insured mortgages achieved in 2001/02.

2002 Business Plan Overview

CHFA's 2002 Business Plan proposes a total of $7.1 billion for loan programs and $3.1 billion in insurance activity for a total of $10.2 billion for the 2002/03 to 2006/07 five-year period. This compares with $10.1 billion of CHFA/CaHLIF programs proposed for the five-year period of the previous plan. If the voters approve the Housing and Emergency Shelter Trust Fund Act of 2002 the planned annual level of all three program areas would be increased. This is shown in tables III and V and in the program description.

The planned level of homeownership first mortgage lending is proposed at $1.125 to billion per year for 2002/03 and for the remainder of the five-year plan period, resulting in a five-year target range of $5.8 to $6.4 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.125 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation we have received this calendar year, including an unexpected carryforward allocation received at the end of 2001. However, beyond the year 2002 annual allocation amounts in the $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 2002/03 goal is $205 million, with a total target of $1.2 billion for the five-year period. Lending activity is expected to focus on new construction and preservation activities primarily through tax exempt financing.

Total CaHLIF activity in the 2002/03 Plan is proposed at $620 million for the 2002/03 fiscal year and $3.1 billion for the five-year 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 three and one half years of operation $70 million of loans has already been committed to 58 participating local agencies and $42 million has been disbursed. We expect to meet the $20 million 2001/2002 goal.

In addition, if the Housing and Emergency Shelter Trust Fund Act of 2002 is approved, CHFA and CaHLIF would contract with the Department of Housing and Community Development (HCD) to administer the School Facility Fee Program and California Homebuyer's Down Payment Assistance Program (CHDAP), both of which would receive new funding. Other programs that will receive funding increases are shown in tables III and V and in the program description.

Organization of Plan

This introduction is followed by the sections described below:

Table I - Planned and Actual Summary, which displays the goals and actual results for fiscal 2000/01 and the goals and current projections for fiscal 2001/02.

Table II - Plan Summary, showing goals by program for each of the years in the plan period 2002/03 to 2006/07 without assuming voter approval of the Housing and Emergency Shelter Trust Fund Act of 2002.

Table III - Plan Summary Alternative, a summary of the plan assuming voter approval of the Housing and Emergency Shelter Trust Fund Act of 2002.

Table IV - HAT Program Summary, show a compilation of the five-year lending goals for the Housing Assistance Trust. (The HAT is the portion of CHFA's resewes that is available for direct investment in various programs.)

Table V - HAT Program Summary Alternative, a summary of the HAT Programs with voter approval of the housing bond act.

Divisional Summaries, following the tables is a list of accomplishments and descriptions **of how the plan will be** carried out by the CHFA Programs Divisions 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 Divisions and CaHLIF in meeting the objectives of the plan.

Financial Summary, this final section discusses in detail the Agency's equity position as of September 30,2001, the many restrictions on the Agency's resewes, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

CALIFORNIA HOUSING FINANCE AGENCY
2002/03 to 2006/07 BUSINESS PLAN
TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

LOAN PROGRAMS

	FY 2 m 1		FY 2001/02		
	Planned	Actual	Planned	Actual to 3/31	Projected
HOMEOWNERSHIP PROGRAMS[a]					
Homeownership 1st Loans	$1,000.0	$1,000.0	$1,000.0	$745.3	$1,050.0
Homeownership Downpayment Assistance	$15.0	$11.1	$15.0	$12.3	$19.8
Self Help Builder Assistance Program	2.0	0.0	2.5	0.8	1.3
High Cost Area HPA 2nd Loans	NA	NA	9.5	0.2	1.0
Extra Credit Teacher 2nd Loans	NA	NA	2.5	0.4	1.0
Total Homeownership Programs	$1,017.0	$1,011.1	$1,029.5	$759.0	$1,073.1
MULTIFAMILY[b]					
Retail - Direct Lending	$200.0	$201.2	$250.0	$165.0	$180.0
Wholesale: Secondary Market Support	269.0	269.0	NA	NA	NA
Multifamily HAT Programs:	$5.0	$67.5	$5.0	$4.4	$5.2
Total Multifamily Programs	$474.0	$537.7	$255.0	$169.4	$185.2
OTHER HAT PROGRAMS					
HELP Program	$20.0	$20.0	$20.0	$10.0	$20.0
Small Business Development	2.0	0.0	2.0	0.0	0.0
Total Other HAT Programs	$22.0	$20.0	$22.0	$10.0	$20.0
TOTAL HOUSING PROGRAMS	$1,513.0	$1,568.8	$1,306.5	$938.4	$1,278.3

	FY 2 m 1		FY 2001/02		
	Planned	Actual	Planned	Act to 3/31	Projected
CONTRACT ADMIN PROGRAMS					
CHDAP	$17.3	$11.1	$14.2	$13.4	$13.4
School Facilities Fees Down Payment Assistance Program	37.0	8.6	6.7	2.9	3.0
School Facilities Fees Rental Assistance Program	19.1	8.0	8.0	9.2	9.2
TOTAL CONTRACT ADMIN PROGRAMS	$73.4	$27.7	$28.9	$25.5	$25.6

(a) Homeownership loans purchased

(b) Multifamily loans committed.

2002/03 to 2006/07 BUSINESS PLAN
TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions of dollars)

MORTGAGE INSURANCE PROGRAMS

Insurance Loan Programs	FY 2000/01 Planned	FY 2000/01 Actual	FY 2001/02 Planned	FY 2001/02 Actual to 3/31	FY 2001/02 Projected
CHFA Mortgages	$40.0	$36.4	$40.0	$39.0	$50.0
Reinsured/RDA Loans	200.0	211.0	225.0	208.3	220.0
100% Loan/FHLMC	100.0	11.9	100.0	20.6	25.0
PERS/STRS	55.0	194.2	150.0	164.9	203.0
80/17 Loan Program	NA	NA	200.0	30.6	40.0
Subtotal. Insurance	$395.0	$453.5	$715.0	$463.4	$538.0
Related Second Mortgages	$3.5	$2.7	$3.5	$3.4	$4.2
TOTAL CaHLIF PROGRAMS	$398.5	$456.2	$718.5	$466.8	$542.2

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 2002/03 to 2006/07
TABLE II - PLAN SUMMARY
(In millions of dollars)

LOAN PROGRAMS WITHOUT VOTER APPROVAL OF THE HOUSING BOND ACT

	2002/03	2003/04	2004/05	2005/06	2006/07	5 Yr Total
HOMEOWNERSHIP PROGRAMS[a]						
Homeownership 1st Loans	$1,125.0	$1,125.0	$1,125.0	$1,125.0	$1,125.0	$5,625.0
Self Help Builder Assistance	2.5	2.5	2.5	2.5	2.5	12.5
Homeownership Downpayment Assistance	22.6	22.6	22.6	22.6	22.6	113.0
High Cost Area 2nd Loans	9.5	9.5	9.5	9.5	9.5	47.5
Extra Credit Teachers 2nd Loans	2.5	2.5	2.5	2.5	2.5	12.5
Total Homeownership Programs	$1,162.1	$1,162.1	$1,162.1	$1,162.1	$1,162.1	$5,810.5
MULTIFAMILY PROGRAMS[b]						
Direct Amortizing Loans	$200.0	$225.0	$250.0	$250.0	$250.0	$1,175.0
HAT Programs	5.0	5.0	5.0	5.0	5.0	25.0
Total Multifamily Programs	$205.0	$230.0	$255.0	$255.0	$255.0	$1,200.0
SPECIAL LENDING PROGRAMS						
HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
Small Business Development	2.0	5.0	5.0	5.0	5.0	22.0
Total	$22.0	$25.0	$25.0	$25.0	$25.0	$122.0
TOTAL LOAN PROGRAMS	$1,389.1	$1,417.1	$1,442.1	$1,442.1	$1,442.1	$7,132.5

(a) Homeownership loans purchased
(b) Multifamily final commitments

FIVE-YEAR BUSINESS PLAN
Fiscal Years 2002/03 to *2006107*
TABLE II - SUMMARY
(In millions of dollars)

INSURANCE PROGRAMS WITHOUT VOTER APPROVAL OF THE HOUSING BOND ACT

	2002/03	2003/04	2004/05	2005/06	2006/07	5 Yr Total
CaHLIF Insurance Programs						
CHFA Mortgages	$50.0	$50.0	$50.0	$50.0	$50.0	$250.0
Local Agency Partnerships	225.0	225.0	225.0	225.0	225.0	1,125.0
100% Loan/FHLMC	40.0	40.0	40.0	40.0	40.0	200.0
PERS	25.0	25.0	25.0	25.0	25.0	125.0
STRS	275.0	275.0	275.0	275.0	275.0	1,375.0
Subtotal, CaHLIF Ins.	$615.0	$615.0	$615.0	$615.0	$615.0	$3,075.0
CaHLIF 3% Silent Seconds	$5.0	$5.0	$5.0	$5.0	$5.0	$25.0
TOTAL INSURANCE PROGRAMS	$620.0	$620.0	$620.0	$620.0	$620.0	$3,100.0

Note: The Housing Bond Act provides for an $85 million allocation to CaHLIF's reserves. CHFA is in discussions with stakeholders on the most effective and efficient use of these funds and a program proposal will be submitted to the Board in the event of enactment.

CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR BUSINESS PLAN
Fiscal Years 2002/03 to 2006/07
TABLE III - PLAN SUMMARY
(In millions of dollars)

LOAN PROGRAMS WITH VOTER APPROVAL OF THE HOUSING BOND ACT

	2002/03	2003/04	2004/05	2005/06	2006/07	5 Yr Total
HOMEOWNERSHIP PROGRAMS[a]						
Homeownership 1st Loans	$1,250.0	$1,250.0	$1,250.0	$1,250.0	$1,250.0	$6,250.0
Self Help Builder Assistance	2.5	2.5	2.5	2.5	2.5	12.5
Homeownership Downpayment Assistance	12.4	0.0	0.0	25.0	25.0	62.4
High Cost Area 2nd Loans	9.5	9.5	9.5	9.5	9.5	47.5
Exta Credit Teachers	1.5	0.0	0.0	0.0	0.0	1.5
Total Homeownership Programs	$1,275.9	$1,262.0	$1,262.0	$1,287.0	$1,287.0	$6,373.9
MULTIFAMILY PROGRAMS[b]						
Direct Amortizing Loans	$225.0	$250.0	$275.0	$275.0	$275.0	$1,300.0
HAT Programs	5.0	10.0	10.0	10.0	10.0	45.0
Total Multifamily Programs	$230.0	$260.0	$285.0	$285.0	$285.0	$1,345.0
SPECIAL LENDING PROGRAMS						
HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
Small Business Development	2.0	5.0	5.0	5.0	5.0	22.0
Total Special Lending Program Loans	$22.0	$25.0	$25.0	$25.0	$25.0	$122.0
TOTAL LOAN PROGRAMS	**$1,527.9**	**$1,547.0**	**$1,572.0**	**$1,597.0**	**$1,597.0**	**$7,840.9**
CONTRACT ADMIN PROGRAMS						
CHDAP 2nd LOANS						
With CHFA 1sts (c)	$10.8	$25.0	$25.0	$0.0	$0.0	$60.8
With Non-CHFA 1sts	8.8	25.0	25.0	0.0	0.0	58.8
Neighborworks	3.1	6.3	3.1	0.0	0.0	12.5
Extra Credit Teachers	2.0	4.5	6.5	6.5	5.5	25.0
School Facilities Fees Downpayment Assistance Program	6.3	12.5	12.5	12.5	6.3	50.0
TOTAL CONTRACT ADMIN PROGRAMS	$30.9	$73.3	$72.1	$19.0	$11.8	$207.1

(a) Homeownership loans purchased
(b) Multifamily final commitments
(c) CHDAP set aside for self-help from 2001/02

CALIFORNIA HOUSING FINANCE AGENCY
Five Year Business Plan - 2002/03 to 2006/07
(In millions of dollars)

TABLE IV - SUMMARY OF HAT PROGRAMS WITHOUT VOTER APPROVAL OF THE HOUSING BOND ACT

	2002/03	2003104	2004/05	2005/06	2006/07	5 Yr Total	HAT Recycling	Net HAT Investment
Iomeownership HAT Programs								
Self-Help Builder Assistance Program	$2.5	$2.5	$2.5	$2.5	$2.5	$12.5	$7.5	$5.0
Multifamily HAT Programs	$5.0	$5.0	$5.0	$5.0	$5.0	$25.0	$0.0	$25.0
Special Lending Programs								
HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0	$0.0	$100.0
Small Business Development	2.0	5.0	5.0	5.0	5.0	22.0	0.0	22.0
Total Other HAT Programs	$22.0	$25.0	$25.0	$25.0	$25.0	$122.0	$0.0	$122.0
Total HAT Programs	$29.5	$32.5	$32.5	$32.5	$32.5	$159.5	$7.5	$152.0

CALIFORNIA HOUSING FINANCE AGENCY
Five Year Business Plan - 2002/03 to 2006/07
(In millions of dollars)

TABLE V - SUMMARY OF HAT PROGRAMS WITH VOTER APPROVAL OF HOUSING ACT

	2002/03	2003/04	2004/05	2005/06	2006107	5 Yr Total	HAT Recycling	Net HAT Investment
Homeownership HAT Programs								
-Self-Help Builder Assistance Program	$2.5	$2.5	$2.5	$2.5	$2.5	$12.5	$7.5	$5.0
Multifamily HAT Programs	$5.0	$10.0	$10.0	$10.0	$10.0	$45.0	$0.0	$45.0
Special Lending Programs								
- HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0	$0.0	$100.0
-Small Business Development	2.0	5.0	5.0	5.0	5.0	22.0	6.0	16.0
Total Other HAT Programs	$22.0	$25.0	$25.0	$25.0	$25.0	$122.0	$6.0	$116.0
Total HAT Programs	$29.5	$37.5	$37.5	$37.5	$37.5	$179.5	$1 3.5	$166.0

THIS PAGE
INTENTIONALLY
LEFT BLANK

a

CALIFORNIA HOUSING FINANCE AGENCY

ACCOMPLISHMENTS
FISCAL YEAR 2001-2002 TO DATE

Homeownership

- 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. So far this fiscal year, CHFA has financed 5,368 loans totaling $745.3 million through March 31, 2002.

- Targeted loans to low-income borrowers. 68% of all CHFA first-time homebuyer loans were made to borrowers with incomes at 80% or less of the median income by county as compared with 45% as specified in the CDLAC Procedures.

- Expanded the level of minority first-time homebuyers from 68% in FY 2000-01 to 74% of CHFA's total loan production.

- Projected to achieve and exceed the $15 million production goal for CHAP (CHFA's 100% loan program). Financed 2,663 loans totaling $12.3 million through March 31, 2002.

- Sustained the annual production level for the mutual self-help housing program (SHBAP). Expect to purchase 46 self-help loans totaling $3.6 million in the current fiscal year. Forward commitments have been awarded totaling $25.1 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 localities and nonprofits to 187 that participate in CHFA's Affordable Housing Partnership Program (AHPP). This program partners CHFA and local housing assistance programs and has resulted in the financing of 546 AHPP first-time homebuyer loans, with local contributions totaling $9.5 million through March 31, 2002.

- Focused downpayment assistance programs to high-cost underserved regions to increase housing affordability, resulting in a 62%, $466.8 million total production level in these high cost regions through March 31, 2002.

- Introduced the High Cost Area Home Purchase Assistance Program (HiCAP) on September 7, 2001. This program was designed to assist first-time homebuyers in the highest housing cost areas of the state. The initial counties selected were San Francisco, San Mateo and Santa Clara. The program provides for a CHFA first mortgage combined with a CHFA second mortgage of up to $25,000 for down payment assistance. As of March 31, 2002, there have been 9 HiCAP loans purchased totaling **$2.3** million and **35** loans totaling **$9.2** million are waiting to be purchased.

- Introduced the Extra Credit Teacher Program (ECTP) on July **2, 2001.** This program is intended to help low performing schools recruit and retain credentialed teachers and principals to increase the academic standing and thus provide pupils with high quality education. The program is a combination of a CHFA first loan at a reduced interest rate along with a CHFA second loan of $7,500 for downpayment assistance. As of March **31,2002,** there have been **48** first loans purchased for a total of **$8.3** million and **92** loans totaling **$16,024,498** are waiting to be purchased.

- Processed **$11.7** million of School Facility Fee Downpayment Assistance grants through March **31,2002.**

Mortgage Insurance

- Provided mortgage insurance for **3,119** first-time homebuyer loans at premiums lower than conventionally available. This was an **86%** increase over the previous calendar year. CaHLIF's lower premiums reduce the overall debt ratio thus enabling more borrowers to qualify to purchase homes.

Multifamily

- Processed commitments for **25** affordable rental projects totaling **1,936** units with loans totaling **$165** million. These projects provide a high degree of affordability: **41%** of the units are at rents of 50% or less of median income, **47%** are **51%** to **80%** of median income and **12%** 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.

- Financed **22** affordable rental multifamily housing developments with **2,122** units with loans totaling **$154.9** million.

- Funded over **$6** million in reimbursements for the School Facility Fee Reimbursement Program, providing for 98 units of affordable housing for thirty years. Another **$8.1** million in reimbursements have been committed which will provide another **139** affordable rental units.

- Continued the popular Housing Enabled through Local Partnerships (HELP) program. The two allocation rounds for this fiscal year are expected to be fully committed at the **$20** million level. In the first **3.5** years of the program, $70 million in loans have been committed to **58** participating local governments and as of March **31,2002** over **$42** million has been disbursed.

- Received two awards for Program Excellence from the National Council of State Housing Agencies (NCSHA). In the category of Rental Housing: Preservation & Rehabilitation, CHFA won first place for its 501(c)(3) Preservation Program. The program provides qualified non-profits with the ability to retain 100% ownership of project. In return, the owners are required to maintain affordable rents for the life of the Agency loans. CHFA was also awarded first place in the category of Management Innovation: Operations Management for its HELP (Housing Enabling Local Partnerships) Program.

- Funded three diverse special needs projects in San Francisco: The ARC Apartments, nine units for developmentally disabled adults; 864 Ellis, a 25-unit project for emancipated foster youth; and The Ambassador Hotel, 134 units for tenants with substance abuse. The last two projects are with the Tenderloin Neighborhood Development Corporation.

THIS PAGE
INTENTIONALLY
LEFT BLANK

I. HOMEOWNERSHIP PROGRAMS
FISCAL YEAR 2002/03- 2006/07
FIVE-YEAR BUSINESS PLAN

Mission

The mission of Homeownership Programs is to increase homeownership opportunities to Californians by making financing available to low and moderate-income first-time homebuyers.

Objectives

In FY 2002/03, 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,
- assisting teachers and principals working in low performing schools to buy their first home,
- distributing loans equitably throughout the state,
- targeting loans to extremely high housing cost areas of 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.
- promoting loan products to assist low income disabled homebuyers.

Strategies

The planned strategies to accomplish the mission and objectives, and in particular to maximize the public benefit to 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 homeownership to include the Affordable Housing Partnership Program (AHPP), the 100% Loan Program (CHAP), the Self-Help Builder Assistance Program (SHBAP), the Nonprofit Housing Program; and the Rural Development Leveraged Participation program;
- offering interest rate differentials and program incentives in special programs such as the Extra Credit Teacher Program, AHPP, SHBAP and the Rural Development Leveraged Participation Program.
- continuing and expanding pilot programs that will assist homebuyers in extreme high cost areas, and teachers and principals in low performing schools, and disabled homebuyers;
- utilizing a statewide network of lending institutions to provide consumer access to CHFA loan products; and
- providing outreach and technical assistance support to lenders and other industry organizations.
- partnering with localities and nonprofit housing organizations to assist low-income borrowers;
- 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.
- utilizing marketing and media resources to publicize programs; and participation in special events and occasions.

Specific Program Goals and Performance

Following is a list of the major Homeownership programs, with the applicable fiscal year and five-year goals. A brief performance history against the current fiscal year goals for the listed programs is provided. The possibility of voter approval of a Housing and Emergency Shelter Trust Fund Act of 2002 is included.

Homeownership Lending

2001/02 Plan Goal: $1.00 billion Projected: $1.05 billion		
New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$1.125 billion	$1.25 billion
Five Year Goal	$5.625 billion	$6.25 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, 2002, the Agency has purchased loans totaling $745.3 million in the current fiscal year, of which 73% were resale loans and 27% 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 increase the $1 billion loan purchase next year by 12.5% to a level of $1.125 billion and maintain this level for each year of the five Business Plan years. If the housing bond act is approved, the annual goal would be increased to $1.25 billion per year. The $1.25 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation received this calendar year. However, beyond the year 2002 annual allocation amounts in the $400 million range 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).

100% Loan Program: California Homebuyers Assistance Program (CHAP)

New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$22.6 million	$12.4 million
Five Year Goal	$113.0 million	$57.6 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 100% Loan 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 has so far been 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, to promote development of new construction housing and has been instrumental in assisting with the Agency's equitable distribution objectives.

It is the Agency's intention to begin issuing bonds to finance downpayment assistance rather than relying on liquidity in the HAT fund for this purpose.

As of March 31,2002, there have been 2,663 CHAP second mortgages purchased for a total of $12.3 million with an accompanying $401.6 million of CHFA first mortgages

purchased. It is expected that the $15 million goal this fiscal year will be exceeded, and it is estimated that $19.8 million in second mortgages will be purchased.
This year's Plan proposes the two alternate total funding levels shown above for five years for the second mortgage portion of the 100% Loan Program. There is one amount of funding proposed without the voter approved housing bond act funds and an alternate amount if the housing bond act is approved.

Self Help Builder's Assistance Program (SHBAP)

2001/02 Plan Goal: $2.5 million Projected: $1.3 million		
New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$ 2.5 million	$ 2.5 million
Five Year Goal	$12.5 million	$12.5 million

In the past, the Agency committed to maintain $2 million of HAT funds annually in the SHBAP Program to provide site acquisition, development, and/or construction financing to nonprofit self-help housing sponsors. In the 2001/02 Business Plan the Agency increased the $2 million to $2.5 million per year. In addition, in 2001/02 the Agency reduced the interest rate for permanent loan financing from 5% to 4% for 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. The reduction in interest rate was to recognize the needs of low-income homebuyers in the Program.

The 2001/02 Plan increased the SHBAP Development Loan amount from a current limit of $300,000 per development to $500,000. The 2002/03 Plan proposes to set the interest rate on the SHBAP Development Loans at a fixed rate of 3%. This rate would be subject to change for new loans if market interest rates change significantly. The previous rate was set at the rate of the State's Surplus Money Investment Fund (SMIF), which was 2.884% as of March 31,2002.

As of March 31, 2002, the Agency has received projects for review and approval for a total of $1.8 million in development loans. There are projects in the pipeline totaling approximately $1.5 million that are expected within the next 120 - 180 days. CHFA expects to approve at least one project by the end of the current fiscal year, for approximately $500,000. Self-help projects are unique and require a considerable amount of pre-development time.

TOTAL HOMEOWNERSHIP MORTGAGES
First Mortgage Originations
(Fiscal Years)

	Annual Totals		Cumulative Totals	
	Amount	Loans	Amount	Loans
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
2000/2001	1,001,538,421	8,216	9,939,353,475	107,175
2001/3-31-01	745,251,175	5,368	10,940,891,896	112,543

First Mortgages currently in portfolio (March 31,2002) **$5,623,224,769** **52,762**

High Cost Area Home Purchase Assistance Program (HiCAP)

High Cost Area Second Mortgages

New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$ 9.5 million	$ 9.5 million
Five Year Goal:	$47.5 million	$47.5 million

Last September CHFA implemented a special pilot program that provides financing to create new opportunities for low-to-moderate income homebuyers to purchase housing in areas with very high job demand and extreme housing cost areas. This pilot program has initially been focused in Santa Clara, San Francisco and San Mateo counties, where the year 2001 median sales price range from $443,091 to $501,000.

Based on analysis that evaluated employment and other lending criteria, the following counties will be added to this pilot program in 2002/03: Alameda, Contra Costa, and Sonoma counties.

Generally it has been difficult to serve the above counties because of the wide down payment disparity between income limits, affordability, and sales prices. Under this program CHFA provides 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 has worked with localities including the Housing Trust of Santa Clara County, the County of San Mateo, twelve cities in San Mateo County, and the cities of San Jose and San Francisco to develop partnerships to offer deeper targeting assistance for homebuyers.

Funding of the first mortgages has come from CHFA's $1 billion Homeownership Program. The 2001/02 Plan made up to $9.5 million of Home Purchase Assistance (HPA) second mortgage funds available for this Program. As of March 31, 2002, there have been nine second mortgages purchased for a total of $220,000 with an accompanying $2.3 million of CHFA first mortgages purchased and 35 first mortgage loans totaling $9.2 million waiting to be purchased.

•The Roberti-Green Home Purchase Assistance Program (HPA) was created by Senate in 1988 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.

Extra Credit Teacher Home Purchase Program

Extra Credit Second Mortgages

2001/02 Plan Goal: $2.5 million Projected: $1.0 million		
New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$2.5 million	$3.5 million
Five Year Goal	$12.5 million	$ 25 million

In FY2001/02, CHFA 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 approved our allocation at $15 million. The Agency has leveraged the $15 million allocation to provide up to $30 million of acquisition financing. CDLAC increased the allocation by an additional $25 million bringing the total to $55 million for the statewide program and an additional $6 million for the City of Oakland program. Additionally, downpayment assistance in the amount of $2.5 million of residual Home Purchase Assistance (HPA) funds has been committed to support the program. As of March 31,2002, there had been 48 second mortgages purchased for a total of $360,000 with $7.9 million of accompanying CHFA first mortgages purchased. In addition, there were approved commitments totaling $682,500 of second mortgages for 92 first mortgages totaling $16 million.

The Extra Credit Teacher Home Purchase Program consists 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 is 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 HPA funds set aside for the two HiCAP and Extra Credit Teacher programs are prepaid funds from prior HPA loans originally funded years ago. The Agency currently has $12 million of HPA funds available. However, if voters approve the Housing and Emergency Shelter Trust Fund Act of 2002, $25 million will be provided for the Extra Credit Teacher Home Purchase Program for downpayment assistance, providing second loans equal to the greater of 3% or $7,500.

II. CHFA MORTGAGE INSURANCE PROGRAMS
FISCAL YEARS 2002103 - 2006/07
FIVE-YEAR BUSINESS PLAN

Mission

The mission and goal of the Agency's Mortgage Insurance Programs, managed by its California Housing Loan Insurance Fund (CaHLIF), is to provide affordable home mortgage insurance to underserved homebuyers and to stimulate housing opportunities in California. Consistent with this mission, CaHLIF also seeks to offer its products to demonstrate the viability of new affordable homebuying techniques in the marketplace.

Strategies

In 2002/03 and beyond, CaHLIF will continue to review its current products/programs, assuring that they meet the needs of the low- to-moderate income buyers by enhancing their ability to purchase a home. When products do not meet these needs they will either be changed or discontinued. A primary focus of the program in this Plan will be to improve its infrastructure, product management and systems support. Additionally, CaHLIF will continue to work with Fannie Mae, Freddie Mac, the Federal Home Loan Bank, and other investors, along with localities, in the design and offering of new products.

The housing bond act provides for an $85 million allocation to CaHLIF's reserves. CHFA is in discussions with stakeholders on the most effective and efficient use of these funds and a program proposal will be submitted to the Board in the event of enactment.

Specific steps to implement CaHLIF's strategies will include:

- Review existing programs for enhancements, develop and implement new products where appropriate.
- Leverage our relationships with GSE's, jumbo investors, localities, other MI's to develop new programs.
- Build on current infrastructure to support programs and goals.
- Explore additional opportunities with the Agency's Homeownership lending programs.
- Enhance its infrastructure to include upgrade of technology, and development of operations/product manuals, etc.

Accomplishment

In meeting these goals, it should be noted that CaHLIF significantly increased its business in calendar year 2001 over 2000. Total new insured mortgages for 2000 were 1,675 policies with a mortgage value of $269 million. In 2001, this increased by 86% and 111%, respectively, with 3,119 new policies with a mortgage value of $568 million.

Program Performance and Strategy Implementation

I. Conventional Loan Insurance Programs:

a. Local Agency Partnerships

2001/02 Plan Goal:	**$225 million**
2001/02 Projected:	**$220 million**
2002/03 Plan **Goal:**	**$225** million
Five **year** Goal:	**$1.125** million

In **1994,** CaHLIF embarked on a new program known as the **97/3** RDA (Redevelopment Agency) Program. Under this arrangement, a **97%** first loan is usually combined with a 3% second resulting in 100% financing for the homebuyer. The first mortgage is sold to the secondary market **GSE** while the 3% second is provided by the Agency. CaHLIF provides 50% MI coverage on the first. Local redevelopment agencies provide a 2% pledge and CHFA a 1% pledge towards a 3% loss reserve as the first loan's loss protection during the initial five years of the loan. After five years the pledges are no longer required which frees the reserve funds for other housing needs. To date, over a dozen localities have been or are currently partners with CaHLIF.

In addition, the Agency's Housing Finance Fund has pledged $10 million towards a loss reserve pledge pool for loans which are originated outside of the RDA's geographical boundaries.

The 3% seconds have been initially financed from a $2.5 million Housing Finance Fund revolving pledge and a **$7.5** million non-revolving loan secured by notes from an insurer participating under the Department of Insurance COIN program. It is possible that this arrangement will not be continued. If not, it will be the Agency's intention to initially warehouse these loans from HAT fund reserves, with long-term financing from Agency issued bonds.

Recently, the program has been expanded in high cost areas to allow for an increase in the second loan amount to 6% of the purchase price. High-cost counties involved to date include Santa Clara, Los Angeles, and Orange. In the latter two counties, loss reserve pledge funds of $1 million have been provided by Century Housing. The 6% second is used to prepay 2% or 3% of the mortgage insurance premium, thus reducing the monthly payment, and to either buy down the interest rate or cover closing costs. The 6% second is financed as either a second loan from CHFA or sold to Rural Alliance Inc (RAI).

CaHLIF plans to continue and expand these programs with local participation and is implementing steps to streamline the process. The most recent effort is CaHLIF's participation in San Francisco's Workforce Initiative Program. This is a public/private partnership involving CaHLIF, the SF Chamber of Commerce, the FHLB of SF, **RAI,** First Nationwide and the SF business community. The program will offer **97%** first loans and a deferred 6% second (as discussed above) to middle income workers in the San Francisco region.

Accomplishment:

With a high-cost area emphasis, 59% of these local agency partnered loans were in high-cost areas with borrower incomes of up to 140% of median income.

b. Freddie Mac Affordable Gold 100

2001/02 Plan Goal:	**$100 million**
2001/02 Projected:	**$25 million**
2002/03 Plan Goal:	$40 million
Five year Goal:	**$200 million**

This partnership with Freddie Mac 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% or lower LTV loan. It has resulted in current year lenders' production of roughly $25 million of insurance for the year. The program is also currently in use in a Los Angeles residence program for safety officers, and Freddie Mac is working with CaHLIF to promote the program.

Accomplishments:

Along with insuring 100% loans, thereby expanding the opportunity of homeownership, 20% of these borrowers had incomes below 80% of median and 66% of the loans were originated in high cost areas.

c. Public Employees Retirement System

2001/02 Plan Goal:	**$25 million**
2001/02 Projected:	**$13 million**
2002/03 Plan Goal:	$25 million
Five year Goal:	**$125 million**

The Public Employees Retirement System (PERS) Program began in 2000/01 and offers a CaHLIF insured 97% first loan with a 3% second loan provided by the PERS fund.

d. State Teachers Retirement System

2001/02 Plan Goal:	**$325 million**
2001/02 Projected:	**$230 million**
2002/03 Plan Goal:	$275 million
Five year Goal:	**$1.375 million**

The initial California State Teachers' Retirement System (CalSTRS) program was started in the fall of 2001 and offers a CaHLIF insured 95% first loan and a STRS funded 5% silent second. A San Jose teachers' CaHLIF insured 97% loan program is also currently in production.

A new STRS loan program is an 80/17 structure designed for the high cost counties of California. It is comprised of an 80% first loan sold in the secondary market and a CaHLIF insured 17% deferred payment second loan sold to STRS. Because the second loan is deferred, the borrower need only qualify for the 80% first loan, which does not require mortgage insurance, thereby increasing the purchasing power of the borrower.

II. CHFA Loan Insurance Program

2001/02 Plan Goal:	**$40 million**
2001/02 Projected:	**$50 million**
2002/03 Plan Goal:	$50 million
Five year Goal:	$250 million

CaHLIF continues to insure CHFA mortgages, but with the focus in recent years to increasingly offer its affordable products in the conventional marketplace, CHFA mortgages are a smaller amount of CaHLIF's total business. For instance, in 2001-02, CHFA mortgages amount to 8.5% of CaHLIF's business. For planning purposes, the projected volume is $50 million per year.

Insured CHFA Loan Accomplishments:

In 2000-01, 66% of CaHLIF-insured CHFA loans were originated in high-cost areas. In 2001-02 that figure has increased to 73%. Sixty seven percent were for 97% low downpayment loans and 56% of the loans were for low income borrowers at or below 80% of county or statewide below income.

Other Accomplishments:

- CaHLIF's production for calendar year 2001 was $568 million compared to $269 million in 2000. This is a 111% dollar volume increase in production over the prior year.

- For the first time, CaHLIF crossed the $1 billion milestone for total amount insured, with over $1.26 billion actively insured. Total number of active policies increased to 8,919 from 7,750 in the prior year.

- Forty six percent of CaHLIF insured loans were for minority homebuyers.

- The 80/17 program is gaining in popularity and first year production will be over $40 million, with an increased 2002-03 projection of $75 million.

- CaHLIF's ratings continue to be positively reaffirmed by the rating agencies with the Moody's rating at "Aa3 stable" and the S&P rating at "A+ strong".

TABLE 1: INSURANCE STATISTICS 1988 - 2001

Table 1 reflects CaHLIF production data and reported net income per its financial statements since 1988 by calendar year.

	Net Income	CHFA Loans	Non-CHFA Loans	Total Insured Policies	Total Amount Insured
2001	$5,436,000	3,853	5,066	8,919	$1,263,548,151
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 2: ANNUAL NEW BUSINESS

Table 2 shows the source of new loans each year.

	New CHFA Loans	Amount	New Non-CHFA Loans	Amount
2001	260	$34,230,872	3,119	$567,882,832
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	1,289	83,535,065	--	
Totals	8,060	$883,047,373	3,870	$580,727,239

III. MULTIFAMILY PROGRAMS
FISCAL YEARS 2002/03 - 2006/07
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 through the development of innovative lending programs.

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 New Construction, Preservation 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 and rehabilitation of at-risk housing through the use of tax-exempt and taxable permanent financing including 501(c)(3) bonds for qualified non-profit sponsors. Also utilize interim financing to assist in the timely acquisition of qualified projects.
- Provide lending programs in partnership with state and local agencies through loans to construction lenders, local agency bond refundings, and locality lending programs.
- Continue the efficient issuance of tax-exempt bonds through the Agency's pooled bond issues taking advantage of 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 by providing financing to facilitate the purchase or refinancing of individual projects.

- Promote partnerships with lenders, consultants and other affordable housing professionals to leverage existing Agency resources.

Voter approval of the Housing and Emergency Trust Fund Act of 2002 would result in greater lending opportunities for Multifamily Programs. With additional State monies, lending programs could increase to $275 million by year three of the plan period, increasing the total five year goal to $1.345 billion.

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.

Direct Amortizing Loans

2001/02 Plan Goal: $250 million Thru 3/31/2002 $165 million Projected thru 6/30/02 $180 million		
New **Goals**	w/o Approval of **Bond** Act	Voter Approval of Bond Act
2002/03 Plan **Goal:**	**$200 million**	**$225 million**
Fie Year **Goal**	$1.20 **billion**	**$1.345 million**

The previous Five Year Business Plan anticipated a total of $250 million in final commitments for bond funded loans in FY 2001/2002, to include new construction, preservation acquisitiodrehabilitation, and special needs programs. As of March 31, 2002 we approved final commitments totaling $165 million for 25 projects, involving 1,936 units. The percentages of final commitments by program can be classified as follows: new construction 32%; preservation 36%; acquisition/rehabilitation 29% and Special Needs 3%. These projects provide a high degree of affordability with 41% of the total units restricting rents at 50% or less of area median income; 47% with rents at 51% to 80% of area median income; and 12% at rents over 80% of area median income.

We estimate year end final commitment activity of $180 million to finance a total of 31 projects, representing 2,149 units.

This fiscal year CHFA began funding the Loan-to-Lender Program. This program provides low cost funds to construction lenders to reduce construction period interest and is linked to a CHFA permanent loan. Most of the loans in this program also contained financing from the Department of Housing and Community Development Multifamily Housing Program (MHP). To date, 14 projects have received loan commitments under the program representing $95,415,000 and 2,453 units.

The Preservation Financing Program continued its strong activity over the last year with a combination of acquisition/permanent financing structures closing of some of our earliest preservation projects. In the past year six preservation projects were funded for $70,576,500, representing 1,302 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 to a level 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 funded two loans under this aspect of the Special Needs Programs totaling $14 million.

Housing Assistance Trust Program

New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$ 5 million	$ 5 million
Five Year Goal	$25 million	$45 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. The expected increased lending activity that will result from approval of the housing bond act will create a need for additional HAT funds of up to $5 million per year to be utilized as required to complement and enhance this increased activity.

IV. Special Lending Programs
Fiscal Years 2002/03 - 2006/2007
Five-Year Business Plan

The Housing Assistance Trust programs outlined below are discussed separately because they cross boundaries between Homeownership and Multifamily. Neither program is expected to be affected by voter approval of the housing bond act.

Housing Enabled through Local Partnerships (HELP)

2001/02 Plan Goal:	**$20 million**
Projected:	$20 million
2002/03 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, 2002, we have committed $70 million in 82 contracts to 58 local government entities and disbursed $42 million.

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

2001/02 Plan Goal:	$2 million
Projected:	**$1.3 million**
2002/03 Plan Goal:	$2 million
Five year Goal:	**$22 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.

We plan to introduce two new program initiatives that are similar to HELP and Small Business lending. The first initiative involves assisting local governments by providing financing for small, urban infill projects targeted at smaller project developers. In this case funds could be directed through the locality that would select and monitor the local developers. The second program contemplates CHFA lending against a local government's tax increment for periods up to ten years. The project selection criteria for this program would be similar to that now utilized for the HELP Program. Both programs still require further analysis of the legal, financial and regulatory implications. The anticipated funding levels for these pilot programs are included in the $22 million five year goal for Small Business Development.

V. CONTRACT ADMINISTRATION PROGRAMS (CAP)
FISCAL YEARS 2002/03 - 2006/07
FIVE-YEAR BUSINESS PLAN

California Homebuyer's Downpayment Assistance Program (CHDAP)

2001/02 Plan Goal: $2.5 million Projected: $1.3 million		
New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:		
-With CHFA 1sts	$0	$10.75 million
-With Non-CHFA 1sts	$0	$8.75 million
-Neighborworks	$0	$3.12 million
Five Year Goal:		
-With CHFA 1sts	$2.0 million	$60.00 million
-With Non-CHFA 1sts	$0.0	$58.75 million
-Neighborworks	$0.0	$12.50 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 originally provided State funding for $50 million of downpayment assistance to first-time low and moderate-income homebuyers. The amount was subsequently reduced to $32 million. 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 was available on a statewide basis.

The CHDAP junior mortgage had a term not to exceed the term of the first mortgage. The maximum principal amount was up to 3% of the purchase price of the home. The Agency has set the interest rate at 3% per annum simple interest for the term of the loan.

The Legislature appropriated State general funds to the Department of Housing and Community Development (HCD). HCD 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.

The Program began on October 17, 2000. On July 24, 2001, the Agency announced that because the 2001-02 State Budget reduced the total funding for the Program, the Agency would no longer take loan reservations after July 23, 2001, except for the $2 million Self-Help set aside committed prior to July 23, 2001.

As of March 31, 2002, CHFA had a pipeline of $24.5 million of CHDAP junior mortgages resewed, approved or purchased.

If the voters approve the Housing and Emergency Shelter Trust Fund Act of 2002, $290 million would be provided for the Program. This could include a new Neighborworks Program setting. aside $12.5 million of CHDAP funds. The Neighborworks Program provides CHDAP funds for low income first time homebuyers purchasing a home in a community revitalization area and who have received counseling from a federally funded national nonprofit corporation. Provisions in the bill revert unused funds, if any, from the School Facility Fee Program and Extra Credit Teacher Home Purchase Program to the CHDAP over specific periods of time. Accordingly this Plan includes figures above with and without the housing bond funds.

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 was funded by the Department of General Services and administered under contract by CHFA.

<u>Homeownership Programs</u>

School Facility Fee Down Payment
Assistance Program

New Goals	w/o Approval of Bond Act	Voter Approval of Bond Act
2002/03 Plan Goal:	$0.0 million	$ **6.25** million
Five Year Goal	**$0.0** million	**$43.75** million

Originally there were three School Facility Fee programs which provided for down payment assistance to homebuyers of newly constructed residences, titled: (1) Economically Distressed Areas, (2) Maximum 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 was calculated using all or part of the school facility fees paid by the builder.

The School Facility Fee programs 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 increased. However, increases in new home sales prices in the year 2000, and a limited supply of homes meeting the price limits for the Maximum Sales Price program, have constrained applications.

The funding of the Program through State general funds was eliminated from the State budget effective December 31, 2001. CHFA ceased accepting applications as of December 31,2001 , but continues to process those applications received and resewed as of that date, and expects to fund a total of $1.9 million in down payment assistance for the three homeownership programs.

The Housing and Emergency Shelter Trust Fund Act of 2002 includes $50 million for the School Facility Fee Down Payment Assistance Program. The legislation would continue the Economically Distressed Area and First-Time Homebuyer-Moderate Income Limits components and would eliminate the Maximum Sales Price component of the Program.

VI. SUPPORT DIVISIONS

A. Marketing Division
Fiscal Years 2002/03 – 2006/07
Five-Year Business Plan

Mission

The mission of the Marketing Division is to assist the Agency in meeting its goal of providing safe, decent and affordable housing to Californians, as well as furthering awareness, education and understanding of CHFA with clients, stakeholders, and others concerned with the need for affordable housing in California.

Objectives/Strategies

The Marketing Division has three objectives for the five year fiscal period. It will increase awareness of CHFA as a primary source of below market interest rate funding for those in California's affordable housing market. Additionally, the division will promote our products with the goal of expanding affordable housing opportunities throughout the state. We will also assist in achieving the maximum mortgage loan and insurance output for the homeownership program and in maximizing the rental development financing programs.

Strategies used to achieve these objectives will include client/consumer research about the agency and the creation and execution of a branding campaign for CHFA. We will also develop and execute a strategic marketing plan to make the most effective and efficient use of CHFA's resources.

Program Performance & Strategy Implementation:

A marketing team was put in place last fall to support CHFA's efforts.

The Agency made strides in capitalizing on media opportunities, with a significant increase in the number of positive stories about CHFA programs published/aired throughout California.

CHFA received national recognition in September.2001. The National Council of State Housing Agencies honored the Agency's 501(c)(3) Preservation Program with first place in the category of ***Rental Housing: Preservation and Rehabilitation,*** while the HELP Program received first place for ***Management Innovation: Operations Management.***

CHFA launched and marketed two specialized homeownership programs. The Extra Credit Teachers Program has received positive coverage from a number of news media. Additionally, all supervisors and principals in qualifying low performing schools received information and articles to distribute to teachers, as did the state's teacher recruiting agencies and unions. The HiCAP Pilot Program began in September 2001 in San Francisco, San Mateo and Santa Clara counties. It has slowly been building momentum through a number of outreach programs done in conjunction with local government entities and businesses. Additionally, a number of Bay Area TV stations, radio stations and newspapers have run stories about the program.

During the year. CHFA participated in approximately a dozen industry trade shows. These events provided opportunities to help increase awareness of the agency and the programs it provides.

The Agency also utilized a number of other methods of distributing marketing materials, including production/dissemination of newsletters, the CHFA 800 number and the website.

The Marketing Division is preparing a strategic marketing plan to assist in meeting the goals outlined under the Business Plan. Some tactics which will be used are:

- Creation of a corporate "brand", and the corresponding messages which will resonate with CHFA's clients, stakeholders, and employees.
- Design of an agency graphic "look" which will be used in updating all collateral materials, the agency's internet and intranet sites. This will help further the brand, and disseminate the organization's messages.
- Promotion of CHFA programs through news and other media.
- Increased outreach efforts with stakeholders, clients, and the public.

We will also look at ways to expand upon existing tools. Some examples are:

- "Connections" – Research is currently underway to determine the most effective use of this tool, including a potential move to an on-line version of the multifamily programs newsletter.
- Internet/Intranet – Increase opportunities and uses of these tools to help disseminate CHFA messages and information both externally and internally.
- Continued participation in trade shows and partnering with the building industry, redevelopment agencies, lender, developers, non-profits, Realtors®, and public agencies.
- Analysis and, if needed, improvements to CHFA's homeownership and rental development consumer information "800" numbers.

B. ADMINISTRATION DIVISION/ INFORMATION TECHNOLOGY
FISCAL YEARS 2002103 - 2006/07
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 continues its efforts to maintain a state-of-the-art technology environment. Recent improvements include completion of a network upgrade to increase data transfer speed. We have also installed new desktop computers for all staff, including new energy-efficient flat panel LCD monitors. A formal technology "Help Desk" has been established to assist staff. There has been significant progress on the project to track and service CHFA's multifamily loan portfolio. The loan servicing component of the system has been implemented. A new computer program called "HFA Manager" is now being used to track financial data for the Section 8 portion of the Multifamily Portfolio. This year, the project will focus on completely integrating all components and building a Data Warehouse centralized repository that can be used for all ongoing and special data reporting.

Program Performance and Strategy Implementation

CHFA's Human Resources staff has, once again, had an exhaustive agenda this past year with 30 new employees being hired. Despite these successes in a still tight labor market, additional staff are needed and our quest is ongoing. The Agency is also updating its very outdated personnel classifications to make them more relevant to today's work environment.

The Training Office has also had a busy and successful year. A new training policy with an emphasis on upward mobility and career development has been implemented. It has an additional level of reimbursement to employees for training in these areas. In addition, we are setting up a new database to identify and track training resources.

Even though the Senator Hotel lease was renegotiated last year and contained provisions that would give us the ability to expand our premises, we find that there is not enough space. Therefore, we are pursuing additional space outside of the Senator for the first time since 1985 to accommodate our continued growth.

This next fiscal year we will continue to use technology to better support our business practices as well as focus on building capacity as we continue to build our infrastructure.

C. MULTIFAMILY ASSET MANAGEMENT
FISCALYEARS 2002/03 - 2006/2007
FIVE-YEAR BUSINESS PLAN

Mission

The Multifamily Asset Management Division's mission is to preserve CHFA's 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 CHFA's 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 Multifamily 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, 202 non-Section 8 projects.
- 202 projects in northern region. 161 projects in southern region.
- In the next fiscal year it is anticipated that 6-12 portfolio projects will be offered loan modifications as a result of Agency bond refundings. In addition, it is anticipated that several portfolio loans with expiring Section 8 HAP contracts will begin the process to restructure.
- Two portfolio loans, Village Oduduwa in Marin City and Dixon Manor in Dixon, 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. Village Odudwa increased its affordable units by 5 and Dixon Manor extended its regulatory period for a new 30 year term. It should be noted that some projects that were offered a loan modification declined.
- One portfolio project, West Avenue Apartments, in Santa Rosa, received a loan restructure under the Agency's Work-out Program. The original underwritten rents did not meet proforma, while expenses continued to increase. The loan rate was reammortized for a new 30-year term, extending the original note by thirteen years. A second loan in the amount of $115,000 was created to pay for needed rehabilitation to the project. A third loan, a residual receipt HAT loan remained as originally placed. The CHFA Board approved the new structured loan in January 2001 and it was ultimately completed in November 2001.

D. LEGAL DIVISION
FISCAL YEARS 2002/03 - 2006/07
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 govem its operations.

E. LEGISLATION
FISCAL YEARS 2002/03 - 2006/07
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, the legislative division worked to increase cosponsorship and support for a bill to eliminate the Ten Year Rule. Although those reforms have not yet been embraced by the Administration, we have been successful in securing cosponsorship from more than 60% of the California delegation.

At the State level, we successfully secured an increase in the amount of amount of bond debt CHFA could have outstanding by an additional $2.2 billion, ensuring that CHFA has adequate capacity to continue to meet the needs of low and moderate income borrowers throughout the state. The Legislative Division also worked closely with the Legislature, Administration, and other interested parties to secure passage of the Housing and Emergency Shelter Trust Fund Act of 2002, a bill to place a $2.1 billion general obligation bond on the November 2002 ballot. If approved by the voters, the resulting bonds will be used to help fund a number of State housing programs, including multifamily housing, supportive housing, emergency housing, preservation, and downpayment assistance for first time homeowners.

F. FISCAL SERVICES DIVISION
FISCAL YEARS 2002/03 - 2006/07
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 **$6.7** billion of loans receivable and **$7.6** billion of bonds payable in 202 separate bond series under **13** active indentures. **In** addition, 9,000 loan insurance policies are accounted for with a total loan value of **$1.3** billion, and the Division is servicing **3,864** single family first mortgages and **360** multifamily mortgages. As of March **31,** 2002, the delinquency ratio for single family mortgages serviced by Agency staff was 6%.

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, internal controls and our in-house home loan sewicing operation were also conducted during the year. No significant findings resulted from these reviews

G. FINANCING DIVISION
FISCAL YEARS 2002/03 TO 2006/07
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 up to $7.55 billion of homeownership and multifamily loan production if the voters approve the Housing and Emergency Shelter Trust Fund Act of 2002.

In order to meet the goal of up to $6.25 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 addition, funding for the Agency's CHAP downpayment assistance program will be derived from the issuance of bonds during the plan period. This will be a departure from the prior strategy of using the Housing Assistance Trust.

In the multifamily area, CHFA expects to commit up to $1.3 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 **2001/02** to date CHFA has already contracted to issue **$1.26** billion of bonds and plans to contract for another **$250** million before the end of the fiscal year. Of the **$1.26** billion, **$796.5** million is variable rate, of which **$746.1** million is swapped to fixed rates. As of April **15,** total variable rate debt is approximately **$3.3** billion, some **41%** of the Agency's total indebtedness of **$7.9** billion. Bonds swapped to fixed rate total **$2.3** billion.

At the end of the five-year planning period, it is possible that the Agency will have more than **$12** billion of bonds outstanding, and as much as **60%** 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 Federal Home Loan Bank of San Francisco is currently purchasing almost all of our taxable variable rate bonds for the homeownership program, including **$443** million to date this fiscal year, bringing the total to over **$1** billion. 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.

- The California State Teachers Retirement System currently provides standby liquidity for **$267** million of CHFA variable rate bonds.

- Fannie Mae currently provides standby liquidity for **$209** million of variable rate multifamily bonds and is committed to provide up to **$1** billion of liquidity to CHFA and other state housing agencies nationwide. From this commitment we anticipate that Fannie Mae will be able to provide liquidity for our multifamily bonds to be issued in calendar **2002.** In addition Fannie Mae liquidity may be used to back CHFA bonds to be issued for downpayment assistance.

- We have begun discussions with Freddie Mac about providing standby liquidity for variable rate bonds.

- We have begun discussions with the Southern California Home Financing Authority (SCHFA) toward a partnership that would combine our bond funding resources. SCHFA, a joint powers authority consisting of the counties of Orange and Los Angeles, operates the largest and most successful local agency MRB program for homeownership.

FINANCIAL SUMMARY
FISCAL YEARS 2002/03 - 2006/07
FIVE-YEAR BUSINESS PLAN

OVERVIEW

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of September 30, 2001, 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.

DISCUSSION 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 September 30, 2001, the Agency had total assets of $8.9 billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of $8.0 billion (comprised primarily of bond indebtedness). The residual restricted assets of $875 million (Housing Finance Fund) and $32 million (Housing Loan Insurance Fund) represent the Agency's equity position at September 30, 2001.

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 2000/01 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 Housing Finance Fund maintained all required balances in the loan and bond reserve accounts as of June 30, 2001.

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 ($537.6 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 ($64.5 million) 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 ($160.5 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 $972.8 million of bonds outstanding that are backed by CHFA's general obligation. The Agency has also extended its general obligation pledge to $321 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $160.5 million. In addition, the Agency pledges its general obligation for another $2.32 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 ($40.4 million) and the Emergency Reserve Account ($24 million). In addition, the Agency's general obligation stands behind CaHLIF's 50% insurance exposure on its $1.3 billion insured portfolio.

While most of the Agency's reserves are contractually restricted as security behind the $8 billion in Agency liabilities and the $1.3 billion 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 ($91.2 million) includes the Contract Administration Programs that were originally funded with an appropriation from the State and is restricted by state statutes. 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 $20.7 million operating reserve, equivalent to one year's operating budget, including a $3 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 $1,280 billion of single family and multifamily debt, plus $160.5 million for multifamily FHA Risk Share, $2.32 billion to our swap counterpatties for our outstanding interest rate swaps, as well as behind CaHLIF's top 50% insurance exposure on its $1.3 billion portfolio. It is anticipated that, during the term of the Pian, 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)

	Current Pledges	Estimated as of June 30, 2007
CHFA G.O. Bonds	$1,280	$2,200
FHA Risk Share Program	160	400
CaHLIF	650	1,100
Interest Rate Swaps	2,321	6,000
	$4,411	**$9,700**

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, uncollateralizable investment agreements, and unanticipated interest rate swap terminations.

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 March 31,2002 the Agency had $3.3 billion of variable rate bonds outstanding, and another $300 million may be added before the end of the 2001/02 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, 2002, the market value of the Agency's 47 interest rate swaps was a negative $86 million. This number fluctuates based on interest rates; for example, on October 30, 2001 it was a negative $220 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 swaps 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.

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 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 $682 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 $1.4 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 September 30, 2001 was $875 million (Housing Finance Fund) and $32 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 September 30, $537.6 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.

Contract Administration Programs

The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program and the California Homebuyers Downpayment Assistance Program. Funding of these programs was appropriated by the legislature to other departments and agencies within the State that have contracted with the Agency for this purpose. The equity of $36 million at September 30 is unavailable for Agency reallocation.

Housing Assistance Trust

As of September 30, HAT accounts for $163 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 $265 million of equity will be needed to support the $272.5 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 $53.9 million of the Agency's equity at September 30. 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 $67 million of the Agency's equity at September 30. 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 $4.4 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 $67 million equals 1% of the 9/30/01 unpaid principal balance of loans.

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 $67 million balance.

California Housing Loan Insurance Fund

CaHLIF has restricted reserves of $32 million. The Agency's Five-Year Business Plan has a goal of insuring $3.1 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, $40.4 million is charged against the equity in the Supplementary Bond Security Account. The balance, $24 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 $1.28 billion 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 interest rate caps to $162 million of CHFA floating-rate single family bonds. Under these internal agreements, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of the cap rates. In addition, to cover worst case deficiencies in a new $210 million bond issue we have made a temporary pledge of $24.2 million that will be released upon delivery of new cash flow runs. This use of the Agency G.O. will be duplicated in future issues.

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 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 **$682** million of loans on condos in its portfolio. The Agency has proposed to rating agencies that the 1% reserve be made for new and resale condos in the Supplementary Reserve Account for **$6.8** 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 $1.4 billion of unpaid principal balance.

Operating Account

The Operating Account accounts for $20.7 million of the Agency's equity at September 30. 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 being prepared this year by a consultant for the purpose of determining the financial strength of these programs. While these cashflow analyses are being prepared primarily for review by the credit rating agencies, they will also be used by the Agency to analyze the current equity position of any program and to forecast future net revenues under different interest rate scenarios. 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 $5.6 billion to $6.25 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.

2. Commitments of $1.175 billion of multifamily loans to be financed with tax-exempt or taxable bonds.

3. Insurance of approximately $3.1 billion of mortgages through CaHLIF.

4. Sufficient Private Activity Bond (PAB) allocation. Increasing amounts of PA6 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 deliquency and default rates.

3. Homeownership prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
5.25% - 5.5%	133%
5.6% - 6.0%	169%
6.1% - 6.5%	215%
6.6% - 7.0%	367%
7.1% - 7.5%	441%
7.6% -7.75%	699%

4. Average investment rate in the absence of investment agreements to equal 2.5%.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

a

RESOLUTION 02-12

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 01-18 adopted on May 17,2001, which committed the Agency to a business pian for the years 2001/2002 through 2005/2006; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2002/2003 through 2006/2007 annual update of the business plan, in order to adjust to the ever changing economic, fiscal and legal environment, which updated business plan is designed to assist the Agency to meet its statutory objectives, to address the housing needs of the people 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-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 02-12 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 16,2002, at Burbank, California.

ATTEST: ______________________
Secretary

Attachment

State of California

MEMORANDUM

900

Board of Directors
California Housing Finance Agency

Date: May 2,2002

Theresa A. Parker, Director' ß

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: **Resolution 02-13: Operating Budget 2002/2003**

This budget year the Agency is focusing on building infrastructure to catch up with the tremendous growth in programs on the production side. We have done a top to bottom review of the organization and despite our redirection of unfilled positions, we have determined that 22 new positions are necessary to meet current operational demand and grow our capacity.

Personal Services
Fourteen of these positions are to be added to the Operations side of the business to provide support needed for: servicing and accounting for loans, recruiting and training staff, providing business and management support, processing payroll and benefits, and providing additional resources for our marketing efforts.

Eight positions have been added to our lending programs: three are in Homeownership for increased level of production; two in Insurance for current workload; two in Multifamily lending -- one to manage risk share and a second to provide underwriting support in southern California. Lastly, one position has been added to Asset Management for the continued growth of the portfolio.

Operations
With the increased growth, we are no longer able to accommodate all of our employees in the Senator Hotel in Sacramento. We are actively pursuing space outside of the Senator and have added the financial resources necessary to accomplish this. Along with the expanded space, new furniture and other equipment will also be needed, resulting in an equipment line increase of 100%.

Lastly, we propose a significant increase in our contracts line item. Contract dollars are targeted for a number of one-time infrastructure projects including our new Multifamily and Asset Management financial tracking system, a large scale document imaging and management system, and a new inventory control system. In addition, with the reorganization of CaHLIF, contract resources are needed to provide technical and legal support to effect this change.

We have set ambitious goals and have met them on the production side. Now we need to provide an interlude to catch up on the operational side so that we can be well positioned to grow the business capacity in subsequent years.

THIS PAGE
INTENTIONALLY
LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY
2002/03
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 00/01	Budgeted 01/02	Proposed 02/03
PERSONAL SERVICES			
Authorized Salaries	$10,613	$13,070	$14,197
Estimated Salary Savings		(653)	(710)
Staff Benefits	1,560	2,483	2,697
TOTALS, Personal Services	$12,173	$14,900	$16,185
OPERATING EXPENSES AND EQUIPMENT			
General Expense	501	500	500
Communications	374	345	345
Travel	364	398	356
Training	130	101	100
Facilities Operation	1,248	1,422	1,758
Consulting & Professional Services	750	1,335	2,789
'Central Admin. Serv.	573	697	768
Data Processing	586	375	600
Equipment	282	125	250
Operating Expenses and Equipment	$4,808	$5.298	**$7,466**
TOTALS, EXPENDITURES	$16,981	$20,198	$23,65 1

• **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 2,2002

903

CALIFORNIA HOUSING FINANCE AGENCY
2002/03
CHFA FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 00/01	Budgeted 01/02	Proposed 02/03
PERSONAL SERVICES			
Authorized Salaries	$10,080	$12,335	$13,330
Estimated Salary Savings		(617)	(666)
Staff Benefits	1,481	2,344	2,533
TOTALS, Personal Services	$11,561	$14,062	$15,196
OPERATING EXPENSES AND EQUIPMENT			
General Expense	477	465	465
Communications	358	330	330
Travel	341	378	336
Training	124	91	93
Facilities Operation	1,198	1,362	1,678
Consulting & Professional Services	483	991	2,288
'Central Admin. Serv.	530	640	703
Data Processing	559	325	550
Equipment	278	100	200
Operating Expenses and Equipment	$4,348	$4,682	**$6,643**
Distributed Administration	($342)	($320)	($373)
TOTALS, EXPENDITURES	$15,567	$18,425	$21,465

• 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 2, 2002

CALIFORNIA HOUSING FINANCE AGENCY
2002/03
CaHLIF FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 00/01	Budgeted 01/02	Proposed 02/03
PERSONAL SERVICES			
Authorized Salaries	$533	735	**868**
Estimated Salary Savings		(37)	(43)
Staff Benefits	79	140	165
TOTALS, Personal Services	$612	**$837**	**$989**
OPERATING EXPENSES AND EQUIPMENT			
General Expense	24	35	35
Communications	16	15	15
Travel	23	20	20
Training	6	10	7
Facilities Operation	50	60	80
Consulting & Professional Services	267	344	501
'Central Admin. Serv.	43	57	65
Data Processing	27	50	50
Equipment	A	25	50
Operating Expenses and Equipment	$460	$616	**$823**
Distributed Administration	$342	$320	**$373**
TOTALS, EXPENDITURES	$1,414	$1,773	**$2,185**

• 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 2,2002

905

CALIFORNIA HOUSING FINANCE AGENCY
2002/03

SUMMARY
PERSONNEL YEARS AND SALARIES

DIVISION	PERSONNEL YEARS			AMOUNT	
	ACTUAL 00/01	AUTHORIZED BUDGET 01/02	PROPOSED 02/03	FINAL BUDGET 01/02	PROPOSED BUDGET 02/03
EXECUTIVE OFFICE	4.0	6.0	5.0	$458,758	$411,778
ADMINISTRATION	24.4	25.0	31.0	1,406,075	1,703,550
FINANCING	8.3	9.0	9.0	647,388	647,388
FISCAL SERVICES	43.1	49.0	54.0	2,530,782	2,740,471
GENERAL COUNSEL	10.0	11.0	14.0	855,554	1,021,449
MARKETING	3.3	4.0	5.0	260,571	252,179
SINGLE FAMILY	27.4	41.0	44.0	2,183,684	2,373,821
MULTIFAMILY	21.0	31.0	33.0	2,077,708	2,228,092
ASSET MANAGEMENT	24.7	26.0	27.0	1,474,886	1,553,810
CaHLIF	9.0	12.0	14.0	694,502	827,527
Temporary Help	17.6	10.0	10.0	420,000	380,000
Overtime				60,000	57,000
	192.8	224.0	246.0	$13,069,908	$14.1 97,063
TOTAL SALARIES				$13,069,908	$14,197,063
Less Salary Savings'		(11.2)	(12.3)	(653,495)	(709,853)
NET SALARIES	192.8	212.8	233.7	$12,416,412	$13,487,210

'This figure represents a normal rate of vacancies and lag time in refilling positions in accordance with State budget practices.

2002/03
PERSONNEL YEARS
AND SALARIES
SCHEDULE 7A

ORGANIZATIONAL UNIT	Authorized					Authorized	
	Actual	Budget	Proposed		Actual	Budget	Proposed
Classification	00/01	01/02	02/03		00/01	01/02	02/03
OPERATIONS				SALARY RANGE			
Executive Office:							
Exec Director	1.0	1.0	1.0	9.824 - 10.625		127,496	127,496
Chief Dep Director	1.0	1.0	1.0	8,681 - 9,388		112,657	112,657
Staff Services Mgr II (Supvr)	1.0	1.0	1.0	4,963 - 5,987		71,847	71,847
Assoc Govtl Prog Analyst	0.0	1.0	0.0	3,915 - 4,759		46,980	0
Admin Asst II	1.0	1.0	1.0	3,915 - 4,759		57,108	57,108
Exec Assistant	0.0	1.0	1.0	2,926 - 3,556		42,669	42,669
Totals, Executive Office	4.0	6.0	5.0		$351,695	$458,758	$411,778
Administration:							
Director's Office:							
CEA I	1.0	1.0	1.0	5,493 - 6,975		83,703	83,703
'Exec Assistant	0.0	0.0	1.0	2,926 - 3,556		0	42,669
Administrative Services:							
'Staff Services Mgr I	1.0	1.0	2.0	4,520 - 5.453		62,870	130,872
Assoc Personnel Analyst	1.0	1.0	1.0	3,915 - 4,759		49,329	49.329
Assoc Management Analyst	1.0	1.0	1.0	3,915 - 4,759		57,108	57,108
Training Officer I	0.9	1.0	1.0	3,915 - 4.759		57,108	57,108
Staff Services Analyst	1.0	2.0	2.0	3,255 - 3,957		94,973	94,973
Bus Services Offr	1.0	1.0	1.0	3,255 - 3,957		47,486	47.486
Bus Services Assistant	0.0	1.0	1.0	2.714 - 3,300		39,599	39,599
Personnel Services Spec. I	0.3	0.0	1.0	2,757 - 3.351		*0*	0
'Mgt Services Techn	1.0	0.0	1.0	2.507 - 3,049		*0*	36,591
Personnel Technician I	0.7	0.0	0.0	2,507 - 3,049		*0*	0
Ofc Techn	0.9	1.0	0.0	2.348 - 2,855		34.258	0
*Ofc Asst	1.1	2.0	3.0	2,029 - 2,465		59,155	88,733
Data Processing:							
DP Mgr III	1.0	1.0	1.0	6.032 - 6.651		79,810	79.810
Sr. Programmer Analyst (Sup.)	0.7	0.0	1.0	4,958 - 6,026		0	72,312
Systems Software Spec II	1.0	1.0	1.0	4,949 - 6,015		72,184	72.184
'Systems Software Spec I	0.0	0.0	1.0	4,507 - 5,480		0	**54,084**
Staff Programmer Analyst	3.9	5.0	7.0	4,507 - 5,480		328,786	460.300
'Staff Information Systems Anal,	0.0	0.0	1.0	4,507 - 5,480		0	56,788
(a)Assoc Programmer Analyst	5.5	4.0	1.0	4,110 - 4,997		239,866	59.966
Associate Info. Sys. Analyst	1.0	0.0	2.0	4,110 - 4,997		0	119,933
Programmer II	0.0	1.0	0.0	3.589 - 4,363		52,354	*0*
Staff Services Analyst	0.4	1.0	0.0	3,255 - 3,957		47,486	*0*
Totals, Administration	24.4	25.0	31.0		$1,324,907	$1,406,075	$1,703,550
Financing:							
Director	1.0	1.0	1.0	8,201 - 8,870		106,442	106.442
Financing Off	2.3	4.0	4.0	5,441 - 6,577		315,694	315.694
Financing Spec	3.0	2.0	2.0	4,301 - 5,228		125,474	125,474
Financing Assoc	1.0	1.0	1.0	3,915 - 4.759		57,108	57.108
Exec Assistant	1.0	1.0	1.0	2,926 - 3,556		42,669	42.669
Totals, Financing	8.3	9.0	9.0		$538.089	$647,388	$647.388

907

Fiscal Services:							
Comptroller, CEA II	1.0	1.0	1.0	6.954 -	7.668	92,015	92015
Mortgage Loan Acctg Admin	0.7	3.0	3.0	4,963 -	5,987	215,542	215,542
Acctg Admin II	0.7	0.0	0.0	4.963 -	5,987	0	0
Acctg Admin I (Supervisor)	2.0	2.0	2.0	4,520 -	5,453	130,865	130,865
Acctg Admin I (Specialist)	3.8	4.0	4.0	4.301 -	5,228	250,948	250,948
Assoc Acctg Analyst	3.2	3.0	3.0	4.110 -	4,997	179,899	179.899
Sr Acctg Off (Supervisor)	1.0	1.0	2.0	4,113 -	4.963	59,555	119,109
Sr Acctg Off (Specialist)	5.3	6.0	6.0	3.915 -	4,759	342,651	342,651
Mortgage Loan Acctg Off	6.6	7.0	6.0	3,418 -	4,155	349,003	299,146
'Accountant Trainee	4.5	2.0	3.0	2,883 -	3,338	80,122	120,182
Mortgage Loan Accountant	1.6	5.0	5.0	2,554 -	3,104	186.264	186,264
Mgt Services Techn	0.7	2.0	2.0	2,507 -	3,049	73,183	73,183
Ofc Techn	0.3	2.0	2.0	2.348 -	2,855	68,515	68,515
Account Clerk II	1.1	0.0	0.0	2.104 -	2,559	0	0
*Ofc Asst	0.7	0.0	1.0	2,029 -	2,465	0	29,578
Loan Servicing:							
Housing Finance Off	0.0	0.0	1.0	5,441 -	6,577	0	78,924
Staff Services Mgr II (Supvr)	1.0	1.0	0.0	4.963 -	5,987	71,847	0
Housing Finance Spec	1.0	1.0	1.0	4,301 -	5,228	62,737	62737
'Housing Finance *Assoc*	1.0	1.0	2.0	3,915 -	4,759	57,108	114,217
Housing Finance Asst	1.5	2.0	2.0	3,255 -	3.957	94,973	94,973
Collections Agent	0.5	0.0	0.0	2,834 -	3,444	0	0
Housing Finance Trainee	1.0	1.0	1.0	2,714 -	3,300	39,599	39,599
'Mgt Services Techn	2.0	2.0	3.0	2,507 -	3,049	73,183	109,774
Ofc Tech	0.6	3.0	3.0	2,348 -	2.855	102,773	102,773
*Ofc Asst	1.3	0.0	1.0	2.029 -	2,465	0	29,578
Totals, Fiscal Services	43.1	49.0	54.0		$2,108,090	$2,530,782	$2,740,471
Legal:							
Gen Counsel	0.6	1.0	1.0	8,201 -	8,870	106,442	106,442
Staff Counsel III	1.8	4.0	4.0	6,573 -	8.111	389,326	389,326
'Staff Counsel	3.6	2.0	3.0	5,703 -	7,034	168,804	253,207
Housing Finance Assoc	1.0	2.0	2.0	3,915 -	4,759	114,217	114,217
'Legal Analyst	0.0	0.0	1.0	3,418 -	4,155	0	49,860
Housing Finance Asst	1.0	0.0	0.0	3,130 -	3,957	0	0
Exec Assistant	0.0	0.0	1.0	2,926 -	3,556	0	42,669
Exec Secty I	1.0	1.0	0.0	2,688 -	3,268	39,212	0
Sr Typist Legal	1.0	1.0	1.0	2.575 -	3,129	37,552	37,552
*Ofc Tech	0.0	0.0	1.0	2.348 -	2,855	0	28,176
Totals, Legal	10.0	11.0	14.0		$685,035	$855,554	$1,021,449
Marketing:							
Director	0.5	1.0	0.0	7,448 -	8,056	87,960	0
Special Asst for Marketing	0.8	0.0	0.0	7,003 -	8,031	0	0
Asst for Marketing	0.0	1.0	0.0	5,878 -	6,358	76,290	0
Information Officer II	0.0	0.0	1.0	4.727 -	5,703	0	56,724
Information Officer I	0.0	0.0	1.0	3,915 -	4,759	0	46,980
*Assoc Govtl Prog Analyst	1.0	1.0	2.0	3,915 -	4.759	57,108	114,217
Ofc Tech	0.0	0.0	1.0	2,348 -	2.855	0	34,258
Exec Secty I	1.0	1.0	0.0	2.585 -	3.268	39,212	0
Totals, Marketing	3.3	4.0	5.0		$211,291	$260,571	$252,179
Temporary Help	4.2	2.5	2.5		$166,106	149,000	119,000
Overtime					$32,931	37,000	45,000
Totals, OPERATIONS	97.3	106.5	120.5		$5,418,144	$6,345,127	$6,940,814

HOMEOWNERSHIP PROGRAMS							
Homeownership Lending:							
Director	0.0	1.0	0.0	7,886 -	8,870	94,632	0
'Housing Finance Chief	1.3	1.0	2.0	6,632 -	7,312	87,747	175,494
Housing Finance Off	2.9	4.0	4.0	5,232 -	6,577	315.694	315,694
'Housing Finance Spec	3.5	4.0	6.0	4.301 -	5,228	250,948	376,422
Housing Finance Assoc	3.7	7.0	6.0	3,915 -	4,759	399,759	342,651
'Housing Finance Asst	6.7	8.0	10.0	3,255 -	3,957	379,891	474,864
Housing Finance Trainee	5.0	8.0	8.0	2.714 -	3.300	316,792	316,792
Mgt Services Techn	0.3	0.0	0.0	2,507 -	3,049	0	0
Support Staff - Sacramento:							
Ofc Techn	0.7	1.0	1.0	2,258 -	2,855	34,258	34,258
Ofc Asst	0.3	2.0	2.0	1,951 -	2.465	59,155	59,155
Contract Admin Prog (CAP):							
Housing Finance Off	0.0	1.0	1.0	5.441 -	6,577	78,924	78,924
Housing Finance Spec	1.0	0.0	0.0	4,301 -	5,228	0	0
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	57,108	57,108
Housing Finance Asst	0.0	0.0	3.0	3,255 -	3,957	0	142,459
Housing Finance Trainee	0.7	2.0	0.0	2,714 -	3,300	79,198	0
Ofc Asst	0.3	1.0	0.0	1,951 -	2,465	29.578	0
Totals, Homeownership	27.4	41.0	44.0		$1,417,493	$2,183,684	$2,373,821
Insurance Program:							
Ca Housing Loan Insurance Fund							
Director's Office:							
Director	1.0	1.0	1.0	8.379 -	9,062	108.738	108,738
'Chief	0.0	0.0	1.0	6,377 -	7,312	0	87,747
'Exec Assistant	0.0	0.0	1.0	2,926 -	3,556	0	42.669
Delinquency & Claims							
Mortgage Insurance Off	1.0	1.0	1.0	5.182 -	5,713	68,553	68,553
Mortgage Insurance Rep I	1.0	1.0	1.0	3,255 -	3,957	47,486	47,486
Product Development / Outreach							
Mortgage Insurance Off	0.3	1.0	1.0	5,182 -	5,713	69.168	69.168
Mortgage Insurance Spec	0.0	0.0	0.0	4,301 -	5,228	0	0
Mortgage Insurance Rep II	1.0	1.0	2.0	3.915 -	4,759	57,108	114.217
Risk Management:							
Mortgage Insurance Off	1.0	1.0	1.0	5,182 -	5,713	68,553	68,553
Mortgage Insurance Spec	0.7	0.0	0.0	4,301 -	5,228	0	0
Mortgage Insurance Rep II	1.0	1.0	1.0	3,915 -	4,759	57,108	57,108
Operations:							
Mortgage Insurance Spec	0.0	1.0	1.0	4,301 -	5,228	49,632	49,632
Mortgage Insurance Rep I	0.5	2.0	1.0	3,255 -	3,957	94,973	47,486
Mgt Services Techn	0.8	2.0	1.0	2,411 -	3,049	73,183	36.591
Ofc Asst	0.7	0.0	1.0	1,951 -	2,465	0	29.578
Totals, Insurance Program:	9.0	12.0	14.0		$532,545	$694,502	$827,527

90 MULTIFAMILY PROGRAMS:

Lending:							
Director	1.1	1.0	1.0	8,201 -	8,870	106,442	106,442
Deputy Director	0.0	1.0	1.0	7,283 -	8.031	96.371	96,371
Spec Asst to Dir	1.0	1.0	1.0	6,687 -	7,668	92,015	92015
Housing Finance Chief	0.3	2.0	2.0	6,632 -	7,312	175,494	175,494
'Housing Finance Officer	3.8	4.0	6.0	5,232 -	6,577	315,694	473,541
Housing Finance Spec	2.7	4.0	3.0	4,301 -	5,228	250,948	188,211
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	57.108	57,108
'Housing Finance Asst	1.0	2.0	4.0	3,255 -	3,957	94,973	189.946
Housing Finance Trainee	0.5	0.0	0.0	2,714 -	3,300	0	0
Mgt Services Techn	0.5	1.0	0.0	2,507 -	3,049	36,591	0
Support Staff:							
Exec Assistant	0.0	0.0	1.0	2.926 -	3,556	0	42,669
Ofc Techn	0.0	1.0	0.0	2,258 -	2,855	34,258	0
HELP:							
Housing Finance Off	1.0	1.0	1.0	5,441 -	6,577	78,924	70,924
Housing Finance Spec	1.0	1.0	1.0	4,301 -	5,228	62,737	62,737
Ofc Techn	0.0	1.0	1.0	2,258 -	2,855	34,258	34,258
Small Business Dev:							
Housing Finance Off	0.9	1.0	0.0	5,441 -	6,577	78,924	0
Housing Finance Spec	1.0	1.0	2.0	4,301 -	5,228	62,737	125,474
Mgt Services Techn	0.6	0.0	1.0	2,507 -	3,049	0	36,591
Ofc Techn	0.4	1.0	0.0	2,258 -	2,855	34,258	0
Tech Support:							
Supvng Design Off	1.0	1.0	1.0	5,575 -	6,778	81,332	81,332
Sr Housing Const Insp	1.0	1.0	1.0	5,082 -	6,174	74,094	74,094
Housing Const Insp	0.3	2.0	2.0	4,661 -	5,891	141,373	141,373
Sr Design Off	1.0	1.0	1.0	4,840 -	5,879	70,549	70,549
Assoc Design Off	0.0	1.0	1.0	4,244 -	5,364	64,372	64,372
Mgt Services Techn	0.0	0.0	1.0	2,507 -	3,049	0	36,591
Ofc Techn	0.9	1.0	0.0	2,258 -	2.855	34,258	0
Totals, Multifamily Lending	21.0	31.0	33.0		$1,360,661	$2,077,708	$2,228,092
Asset Management:							
Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,312	87,747	87,747
Admin Asst I	1.0	1.0	1.0	3,405 -	4,140	49,683	49,683
Asset Management - North:							
'Housing Finance Off	1.0	1.0	2.0	5,441 -	6,577	78,924	157,847
Housing Maint Insp	2.0	3.0	3.0	4,415 -	5,363	193,078	193,078
Housing Finance Spec	3.0	3.0	3.0	4,301 -	5,228	188,211	188,211
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	57,108	57.108
Housing Finance Asst	4.0	4.0	4.0	3,255 -	3,957	189,946	189,946
Mgt Services Techn	1.0	1.0	1.0	2,507 -	3,049	36,591	36,591
Support Staff - North:							
Ofc Techn	0.9	1.0	1.0	2,258 -	2,855	34,258	34,258
Asset Management - South:							0
Housing Finance Off	1.0	1.0	1.0	5,441 -	6,577	78,924	78,924
Housing Maint Insp	2.0	2.0	2.0	4,245 -	5,363	128,719	128,719
Housing Finance Spec	3.0	3.0	3.0	4,301 -	5,228	188,211	188.211
Housing Finance Asst	2.0	2.0	2.0	3.255 -	3,957	94,973	94.973
Support Staff - South							
Ofc Techn	1.8	2.0	2.0	2.258 -	2,855	68,515	68,515
Ofc Asst	0.0	0.0	0.0	1,951 -	2,465	0	0
Totals, Asset Mngmnt	24.7	26.0	27.0		$1,334,191	$1,474,886	$1,553,810
Temporary Help	13.4	7.5	7.5		$534,752	271,000	261,000
Overtime					$14,740	23,000	12,000
Totals, LENDING PROGRAMS	95.5	117.5	125.5		$5,194,382	$6,724,781	$7,256,249
TOTALS, AUTHORIZED POSITIONS							
CHFA Totals	192.8	224.0	246.0		$10,612,526	$13,069,908	$14,197,063
Regular/Ongoing Positions	175.2	214.0	236.0		$9,863,997	$12,589,908	$13,760,063
Temporary Help	17.6	10.0	10.0		$700,858	$420,000	$380,000
Overtime					$47,671	$60,000	$57,000

(*) New positions as of FY 02/03

CALIFORNIA HOUSING FINANCE AGENCY
ACTUALANDPROJECTEDREVENUESANDEXPENSES

OPERATING ACCOUNT
(In millions)

	2000/01 (Actual)	2001/02 (Budgeted)	2002/03 (Projected)
Beginning Balance	$18.0	$18.5	$17.7
HOUSING REVENUES			
Administrative Fees:			
Single Family	7.5	7.7	7.5
HUD/Multifamily	1.5	1.2	2.0
SMIF Int. on Impounds	0.9	1.0	1.1
Commitment Fees/Misc. Inc.	0.7	1.1	1.0
SMIF Interest on Balance	1.9	1.5	2.0
Net Servicing Fee Income	1.5	1.2	2.0
Operating Transfers	2.1	4.0	4.5
Total, Housing	$16.1	$17.7	$20.1
CaHLIF REVENUES			
Investments and Premiums	1.7	1.8	1.8
HOUSING AND CaHLIF TOTAL OPERATING REVENUES	$17.8	$19.5	$21.9
EXPENSES			
Housing - Operating Budget	15.6	18.4	21.5
CaHLIF - Operating Budget	1.4	1.8	2.2
HOUSING AND CaHLIF FUNDS TOTAL OPERATING EXPENSES	$17.0	$20.2	$23.7
Non-Operating Expenses	0.3	0.1	0.1
Ending Balance	$18.5	$17.7	$15.8

THIS PAGE
INTENTIONALLY
LEFT BLANK