

RESOLUTION 03-19

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4 WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home
5 Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority
6 to provide mortgage guaranty insurance in connection with the administration of the
7 California Housing Loan Insurance Fund (the "Insurance Fund"); and

8
9 WHEREAS, pursuant to Resolution 93-18, the Agency previously provided certain
10 pledges of financial support to its insurance programs from the Insurance Fund and from the
11 California Housing Finance Fund ("Finance Fund") in order to maintain the Insurance
12 program's claims-paying rating with Standard & Poor's and Moody's Investor Services; to
13 maintain certain capital levels required by Fannie Mae; and to maintain such reserve and
14 surplus levels as are required of the Insurance Fund under the applicable provisions of the
15 California Insurance Code; and

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17 WHEREAS, California Health & Safety Code section 51368 authorizes the creation
18 of the Supplementary Bond Security Account within the Finance Fund, and further
19 authorizes the Agency to create supplementary reserve accounts within the Supplementary
20 Bond Security Account that may be used for the purpose of insuring mortgages financed by
21 the Agency; and

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23 WHEREAS, the Agency wishes to update, restate and restructure the financial
24 support of the Insurance Fund to state additional objectives and to meet current
25 requirements;

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

1. Resolution 93-18 is rescinded.
2. The purpose of this resolution is to establish certain mechanisms by which the Agency may utilize the resources of the Finance Fund to support the mortgage guaranty insurance programs of the Agency, in addition to the funds contained in the Insurance Fund.
3. The objectives of the Agency in creating such mechanisms are (i) to meet any ratings requirements established by any credit ratings service, including, but not limited to, Standard & Poor's or Moody's, in order to obtain a rating that the Agency deems necessary or desirable in order to support its programs of mortgage guaranty insurance; (ii) to maintain such capital levels as are required of mortgage insurers by Fannie Mae or Freddie Mac; (iii) to meet such reserve and surplus levels as are required of the Insurance Fund under the applicable provisions of the California Insurance Code; and (iv) to otherwise support the programs of mortgage guaranty insurance provided by the Agency's continuing business plans, as such plans may be amended from time to time.

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4 4. The Executive Director of the Agency is authorized to create one or more
5 supplementary reserve accounts within the Supplementary Bond Security Account of the
6 Finance Fund, that may be used to indemnify the Insurance Fund for losses incurred by the
7 Insurance Fund, or to pay claims against the Insurance Fund, in connection with loans that
8 are both (i) financed by the Agency as lender, and (ii) insured by the Agency as
9 administrator of the Insurance Fund.

10 5. The Executive Director may additionally establish an inter-fund agreement by
11 which the Insurance Fund may borrow such sums from the Finance Fund as may from time
12 to time be required in order to provide a source of funds sufficient to maintain the claims
13 paying rating of any credit ratings service. The Executive Director shall establish the terms
14 and conditions of such loan or loans at the time of such borrowing. The Executive Director
15 shall from time to time establish the maximum amounts which may be borrowed by the
16 Insurance Fund from the Finance Fund to meet the claims paying requirements of any credit
17 ratings service, which amount shall be consistent with the Agency's bond and issuer credit
18 ratings, as well as the Agency's business plan for mortgage guaranty insurance programs.
19 The Executive Director shall, in connection with each annual business plan, report to the
20 Board the levels of support of the Insurance Fund so established.

21 I hereby certify that this is a true and correct copy of Resolution 03-19 adopted at a
22 duly constituted meeting of the Board of Directors of the Agency held on March 20, 2003, at
23 Sacramento, California.

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28 ATTEST: _____
29 Secretary

MEMORANDUM

To: CalHFA Board of Directors

Date: 18 March 2003

From: Di Richardson, Director of Legislation
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

Federal Activity

We are continuing to focus our efforts on the repeal of an archaic provision of law commonly referred to as "The Ten Year Rule." This rule prevents us from recycling loan repayments that come in 10 years after the original date a bond is sold, requiring instead that those payments be used to repay the original bond. When we originally started talking about this issue last year, our Financing Division estimated that we were losing the ability to recycle approximately \$250 million each year. However, because interest rates have been low and refinancing activity so high, in 2002 we actually lost the ability to recycle \$474 million.

Bills have been reintroduced in both the Senate and the House to enact the repeal (HR 284 and S 595). Last year, we were able to convince 83% (45/54) of the California delegation to sign on as cosponsors. We have initiated discussions with the current delegation and to date, we have convinced 29% (16 of the now 55 member delegation) to cosponsor this session. We expect that number to continue to increase.

Of course, our bill will need to be attached to a broader tax bill before it can be enacted. There was some discussion of the House preparing a mark up of a tax bill as early as this week, limiting the contents to only those items proposed by the Administration. However, we have recently been informed by NCSHA that the Committee has instead decided to wait for the Budget Resolutions to clear both houses, which would actually make it easier for them to consider possible amendments. The Senate appears to be more likely to propose changes to the Administration's proposal, but it is unlikely there will be a great deal of room for additional items to be added on at this time. So, we will simply continue to increase the number of cosponsors, and wait patiently for a more viable vehicle to be identified.

State Budget

The State Budget continues to be "interesting." The Legislature recently passed more than \$3 billion of mid-year spending reductions for the current year. This package does not include transferring "unencumbered" redevelopment housing funds or transferring Vehicle License Fees from cities and counties.

The Legislative Analyst's most recent estimate of the 18 month deficit is \$28 million. Her most recent analysis of the Governor's Budget contained a list of "options" to address that deficit, including supplanting committed but not yet dispersed housing funds from the previous budget with Proposition 46 dollars, and replacing money that could be transferred from redevelopment agencies with Proposition 46 dollars. To date, neither the Senate nor the Assembly has embraced those proposals.

Other State Activities

Many of us thought that Members would be so preoccupied with the Budget crisis that the number of non-budget bills introduced would be lower than recent years. That turns out not to be the case, as more than 1800 bills were introduced in the Assembly and more than 1,000 in the Senate. Below is my first cut at the bills I think you would be interested in. As always, if you have any questions, please don't hesitate to give me a call at (916) 324-0801.

CalHFA Sponsored Bills

SB 353 **Ducheny** Multifamily Rental Housing Program.
 Status: 03/12/2003-Set for hearing April 7.
 This bill would grant CalHFA greater discretion when financing multifamily projects by allowing the Agency to subordinate to local regulatory agreements.

SB 596 **Torlakson** Housing Finance.
 Status: 03/06/2003-To Com. on H. & C.D.
 This bill would update several statutes governing CalHFA's Mortgage Insurance Services Division to eliminate provisions out of date with current industry practices and bring them into conformance with other Agency practices.

Downpayment Assistance

AB 304 **Mullin** Housing: Downpayment Assistance.
 Status: 03/17/2003-In committee: Hearing postponed by committee. (Refers to 3/17/2003 hearing)
 This bill would increase the amount of assistance available from the California Homebuyer's Downpayment Assistance Program, funded by Proposition 46, from 3% to 6%.

AB 672 **Montanez** Housing: Smart Growth: Downpayment Assistance and Mortgages.
 Status: 02/27/2003-Referred to Com. on H. & C.D.
 This bill would require CalHFA, upon appropriation of moneys for this purpose, to establish and administer the Smart Growth Homebuyer's Downpayment Assistance Program, which would provide buyers of homes, including townhouses and condominiums, located within 1/2 mile of a public transportation station, as specified, with financial assistance for a downpayment.

Misc.

AB 305 **Mullin** Density Bonuses: Child Care Facilities.
 Status: 02/14/2003-Referred to Coms. on H. & C.D. and L. GOV.
 The Planning and Zoning Law requires, when a developer of housing proposes a housing development within the jurisdiction of the local government, that the city, county, or city and county provide the developer with a density bonus or other incentives or concessions for the production of lower income housing units within the development if the developer meets certain requirements. This bill would also require a developer of housing to make adequate provision for child care facilities.

- AB 463** **Oropeza** Transit Facilities: Infill Housing.
 Status: 02/18/2003-From printer. May be heard in committee March 20.
 The Transit Village Development Planning Act of 1994 authorizes a city or county to prepare a transit village plan for a transit village development district that addresses, among other things, a mix of housing types within not more than a 1/4 mile of the exterior boundary of the parcel on which the transit station is located and other land uses, including a retail district oriented to the transit station. The act also encourages local plans and local agencies to direct new development close to the transit stations to increase transit ridership and reduce vehicle traffic on the highways and to provide financial assistance to implement these plans. This bill would declare the intent of the Legislature to enact legislation to develop an incentive-based strategy to encourage the construction of infill housing and commercial and retail development within opportunity zones in cities, suburbs, and towns and to provide local governments with transportation funding to reward the approval and construction of infill housing and other developments that are at or near transit facilities.
- AB 1112** **Lowenthal** Housing Opportunity Districts.
 Status: 03/17/2003-Referred to Coms. on H. & C.D. and L. GOV.
 This bill would enact the Housing Near Transit Act, which and would authorize a city, county, or city and county that has adopted a resolution of intent, to create a housing transit district, subject to approval by the department. The department could approve only 12 housing transit districts.
- SB 561** **Knight** Veterans: Administration.
 Status: 02/22/2003-From print. May be acted upon on or after March 24.
 Existing law vests administration of the Veterans' Farm and Home Purchase Program in the Department of Veterans Affairs. This bill would, instead, vest administration of that program in the California Housing and Finance Authority.
- SB 619** **Ducheny** Housing.
 Status: 03/12/2003-Set for hearing April 7.
 This bill would prohibit a local agency from prohibiting or discriminating against a residential development or emergency shelter because the development consists of a multifamily residential project or because of the method of financing or other specified assistance, and would include actions taken based in whole or in part on the specified reasons.

Prevailing Wage

- AB 1418** **Longville** Public Works: Prevailing Wage.
 Status: 03/06/2003-To Com. on L. & E.
 This bill would require the Department of Industrial Relations to post prevailing wage rates on their website.
- SB 730** **Burton** Prevailing Rate of Per Diem Wages: Determinations.
 Status: 03/13/2003-To Com. on L. & I.R.
 This bill would require the Director of the Department of Industrial Relations to provide wage rates to an awarding body within 60 days of a request for the rates, and would require that any appeal of a wage rate determination be decided within 30 days of the appeal. This bill would also require the Director to maintain a log, as a public record, of these determination requests and appeals, as provided.

SBX1 1

Poochigian State Economy: Suspension of Statutes.

Status: 01/06/2003-Introduced. Read first time. To Com. on L. & I.R.

Various statutes enacted in the 2001-02 Regular Session of the Legislature, relating to workers' compensation, labor standards, and agricultural labor relations, will take effect on January 1, 2003. This bill would provide that these statutes shall not become operative until the date the Governor issues a proclamation declaring that the California economy has fully recovered from the recession that began in 2000.

Tax Credits

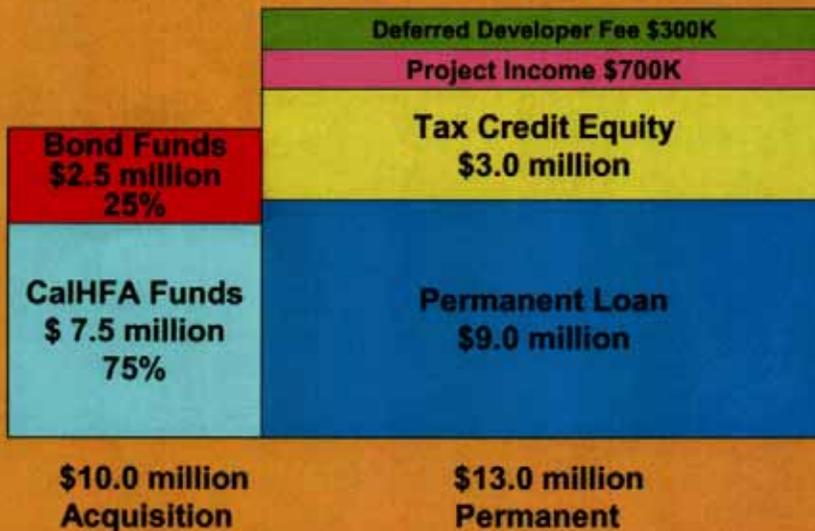
AB 644

Mullin Taxation: Low-Income Housing.

Status: 02/27/2003-Referred to Com. on REV. & TAX.

This bill would require the California Tax Credit Allocation Committee to also consider child care as one of the criteria for selection of projects to which the low-income housing tax credits may be allocated.

Acquisition/Permanent Loan Structure



Preservation Fund Guidelines and Underwriting

- Purpose
 - Provide low cost acquisition funds in a short time frame to preserve at-risk assisted projects
 - Re-cycle Bond and Agency funds for new acquisitions
- Agency's Role
 - Under an agreement with HCD, administer and originate loans following established CalHFA guidelines

Preservation Fund Guidelines and Underwriting (continued)

- Fund Requirements
 - Acquisition loans are underwritten based on Agency preservation experience
 - Generally, total acquisition funds will be split 75% from CalHFA and 25% from the Bond
 - 25% is the "risk" piece of debt
- Agency staff will underwrite and fund the acquisition loan
 - Contract underwriters may be used for loan processing

Preservation Fund Guidelines and Underwriting (continued)

- Acquisition Loan Review
 - Physical Needs Assessment (PNA)
 - Outline scope of work
 - Permanent financing strategy (bonds, credits, etc.)
- Exit Strategies
 - Convert Agency debt to a 30 year loan, 501(c)(3)
 - Bond funds become a long-term residual receipt loan at 3%

Sources and Uses**Branham Lane Family Apartments****SOURCES:**

<i>Name of Lender / Source</i>	Amount	% of total	\$ per unit
CalHFA First Mortgage	25,210,000	49.8%	144,057
CalHFA Bridge	0	0.0%	0
CalHFA HAT	0	0.0%	0
Other Loans	0	0.0%	0
City Loan	14,100,000	27.8%	80,571
Other Loans	0	0.0%	0
Total Institutional Financing	39,310,000	77.6%	224,629
Equity Financing			
Tax Credits	11,332,000	22.4%	64,754
Deferred Developer Equity	0	0.0%	0
Total Equity Financing	11,332,000	22.4%	64,754
TOTAL SOURCES	50,642,000	100.0%	289,383

USES:

	Amount	% of total	\$ per unit
Acquisition	8,805,741	17.4%	50,319
Rehabilitation	0	0.0%	0
New Construction	29,544,666	58.3%	168,827
Architectual Fees	798,000	1.6%	4,560
Survey and Engineering	400,000	0.8%	2,286
Const. Loan Interest & Fees	5,100,308	10.1%	29,145
Permanent Financing	430,650	0.9%	2,461
Legal Fees	79,105	0.2%	452
Reserves	414,979	0.8%	2,371
Contract Costs	50,000	0.1%	286
Construction Contingency	1,309,478	2.6%	7,483
Local Fees	1,863,114	3.7%	10,646
TCAC/Other Costs	645,959	1.3%	3,691
PROJECT COSTS	49,442,000	97.6%	282,526
Developer Overhead/Profit	1,200,000	2.4%	6,857
Consultant/Processing Agent	0		0
TOTAL USES	50,642,000	100.0%	289,383

Sources and Uses**Bayview Senior Apartments****SOURCES:**

<i>Name of Lender / Source</i>	Amount	% of total	\$ per unit
CalHFA First Mortgage	11,740,000	67.2%	78,267
CalHFA Taxable	0	0.0%	0
CalHFA HAT	0	0.0%	0
CalHFA Loan to Lender	0	0.0%	0
Loan 5- City of Newport	1,000,000	5.7%	6,667
Other Loans	250,000	1.4%	1,667
Total Institutional Financing	12,990,000	74.4%	86,600
Equity Financing			
Tax Credits	4,474,671	25.6%	29,831
Deferred Developer Equity	0		0
Total Equity Financing	4,474,671	25.6%	29,831
TOTAL SOURCES	17,464,671	100.0%	116,431

USES:

	Amount	% of total	\$ per unit
Acquisition	101,885	0.6%	679
Rehabilitation	0	0.0%	0
New Construction	11,319,027	64.8%	75,460
Architectual Fees	663,300	3.8%	4,422
Survey and Engineering	0	0.0%	0
Const. Loan Interest & Fees	1,106,034	6.3%	7,374
Permanent Financing	187,500	1.1%	1,250
Legal Fees	150,000	0.9%	1,000
Reserves	149,783	0.9%	999
Contract Costs	8,700	0.0%	58
Construction Contingency	687,738	3.9%	4,585
Local Fees	1,225,610	7.0%	8,171
TCAC/Other Costs	215,094	1.2%	1,434
PROJECT COSTS	15,814,671	90.6%	105,431
Developer Overhead/Profit	1,500,000	8.6%	10,000
Consultant/Processing Agent	150,000	0.9%	1,000
TOTAL USES	17,464,671	100.0%	116,431

Sources and Uses**Corralitos Creek Apartments****SOURCES:**

<i>Name of Lender / Source</i>	Amount	% of total	\$ per unit
CalHFA First Mortgage	2,400,000	17.7%	37,500
Santa Cruz County RDA	1,325,000	9.8%	20,703
State of Calif. HOME	3,500,000	25.9%	54,688
Neighborhood Reinvestment	327,000	2.4%	5,109
Farmworker Housing Grant	1,073,000	7.9%	16,766
AHP	400,000	3.0%	6,250
County Reimbursement-traffic signal	179,200	1.3%	2,800
Total Institutional Financing	9,204,200	68.0%	143,816
Equity Financing			
Tax Credits	4,322,123	31.9%	67,533
Deferred Developer Equity	10,155	0.1%	159
Total Equity Financing	4,332,278	32.0%	67,692
TOTAL SOURCES	13,536,478	100.0%	211,507

USES:

	Amount	% of total	\$ per unit
Acquisition	1,888,420	14.0%	29,507
Rehabilitation	0	0.0%	0
New Construction	7,519,381	55.5%	117,490
Architectual Fees	316,268	2.3%	4,942
Survey and Engineering	162,240	1.2%	2,535
Const. Loan Interest & Fees	478,373	3.5%	7,475
Permanent Financing	95,000	0.7%	1,484
Legal Fees	51,088	0.4%	798
Reserves	74,552	0.6%	1,165
Contract Costs	15,000	0.1%	234
Construction Contingency	485,111	3.6%	7,580
Local Fees	1,120,460	8.3%	17,507
TCAC/Other Costs	130,585	1.0%	2,040
PROJECT COSTS	12,336,478	91.1%	192,757
Developer Overhead/Profit	1,200,000	8.9%	18,750
Consultant/Processing Agent	0	0.0%	0
TOTAL USES	13,536,478	100.0%	211,507

MEMORANDUM

To: Board of Directors

Date: March 24, 2002

From: Tom Hughes, General Counsel ^{JH}
CALIFORNIA HOUSING FINANCE AGENCY

Subject: March 20, 2003 Closed Session Board Meeting

California Government Code section 11126 requires that I submit to the Board, no later than one week after the Board meeting in which a closed session has been held, a memo describing the legal basis for the closed session. The March 20, 2003 closed session meeting was held pursuant to Government Code section 11126 (e) (1), which provides that a closed session may be held to confer with counsel, or to receive advise from counsel, in connection with pending litigation, where to discuss such matters in open session might prejudice the position of the Agency in that litigation. The closed session was held to discuss the pending litigation in CHFA v. Hanover California Accounting & Management Center Inc., and it is my opinion that holding such discussions in open session would prejudice the position of the Agency.