CalHFA

REPORTS

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State of California

2002

MEMORANDUM

To Board of Directors **Date:** May 1, 2003

Ken Carlson

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS HOME MORTGAGE REVENUE BONDS 2003 SERIES EFG

On March 26th we set swap rates for $139.8 million of tax-exempt variable rate bonds. The total bond issue, including $50 million of unswapped taxable variable rate bonds and $10.2 million of tax-exempt serial bonds, is $200 million. The transaction proceeds will be used to fund approximately 1,250 new loans with rates expected to range from 4.25% to 5.25%.

As described in previous reports, the proportion of taxable bonds blended into our structures has declined as we try to minimize our cost of funds in order to keep our mortgage rates competitive with today's low market rates. When rates were higher 12 months ago, we were able to structure as much as 50% of each transaction as taxable bonds. Currently we find that a structure with only 25% of the bonds taxable works satisfactorily.

As expected, we continue to be faced with very low short-term investment rates. As we wait for our lenders to send us loans for purchase, our bond proceeds are invested at rates significantly below our cost of funds. In response, we have delayed the delivery of our bonds and commencement of the swaps until June 5th, by which time we expect that most loans would be originated.

The bonds have been structured in three series as shown on the table on page 2. The Series E bonds are non-AMT serial bonds scheduled to be priced on May 15th. The Series F Bonds are tax-exempt variable rate demand obligations with liquidity to be provided by Dexia Credit Local, a Belgian bank that is the parent company for the bond insurer FSA. The Series G Bonds are taxable variable rate LIBOR-indexed bonds that will be insured by MBIA and are expected to be purchased by the Federal Home Loan Bank of San Francisco. If interest rates stay low we plan to leave these bonds outstanding and directly recycle prepayments into new mortgages.

We have arranged interest rate swaps to provide a fixed rate cost of funds for the Series F Bonds. The interest rate swaps are structured with declining notional amounts that match the expected amortization of the corresponding variable rate bonds.

SERIES	E	F	G
$ Amount	$10,165,000	$139,835,000	$50,000,000
Type of Bonds	Serial Bonds	VRDO	Indexed Floaters
Tax Treatment	Non-AMT	AMT	Taxable
Maturities	2004-2010	2022 & 2034	2034
Average Life	3.88 yrs	2022: 10 yrs 2034: 22 yrs	3.76 yrs.
Interest Rates	To be priced May 15th	Variable	Variable
Reset Frequency	N/A	Weekly	Quarterly
Floating Rate Swap Formula	N/A	60% of LIBOR + 26 bps	N/A
Swap Rates	N/A	3.125 % & 3.70 %	N/A
Swap Start Date	N/A	6/5/03	N/A
Credit Rating	Aa2/AA-	Aaa/AAA	Aaa/AAA
Bond Insurer	N/A	FSA	MBIA

State of California

MEMORANDUM

2004

To: Board of Directors **Date:** May 1, 2003

Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS

The following report describes our bond and swap positions as of May 1. It takes into account bond pricings and interest rate swap agreements already agreed to even if actual issuance or swap commencement takes place on a later date. Since the previous Board meeting, we have added $140 million of interest rate swaps for $200 million of bonds we plan to issue on June 6, and redeemed $218 million of drawdown bonds.

Variable Rate Debt Exposure

The total amount of CalHFA variable rate debt continues to be $4.5 billion, 58% of our $7.8 billion of total indebtedness. As shown in the table below, our "net" variable rate exposure is $739 million, 9.5% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments.

VARIABLE RATE DEBT

($ in millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
Single Family	$490	$2,772	$624	$3,886
Multifamily	10	508	115	633
Total	$500	$3,280	$739	$4,519

Our net exposure has slightly increased since one year ago when it was $713 million and 8.8% of our indebtedness. Two years ago it was $648 million and 8% of our indebtedness; three years ago it was $518 million and 7.7%.

2005

As discussed in each previous report, our $739 million of net exposure provides a useful internal hedge against today's low interest rate environment, where we are experiencing low short-term investment rates and fast loan prepayments. For example, interest rates for the State Treasurer's investment pool, where we invest our bond proceeds, have now fallen to 1.85%. In addition, the high incidence of single family loan prepayments since early in 2001 has caused our loan portfolio to begin to contract in spite of our $1.1 billion pace of annual new production. However, debt service savings on our unswapped variable rate bonds helps to offset the economic consequences of low investment rates and high prepayments. As an example, the interest rates on our unswapped taxable variable rate bonds are currently in the 1.30% - 1.40% range, levels far lower than we ever imagined.

The table below summarizes this risk position as of May 1.

NET VARIABLE RATE DEBT
($ in millions)

	Tax-Exempt	Taxable	Totals
Short average life	$133	$316	$449
Long average life	100	190	290
TOTALS	$233	$506	$739

Interest Rate Swaps

Currently, we have arranged a total of 71 swaps with eight different counterparties for a combined notional amount of $3.28 billion and expect to enter into another $300 million of swaps during May and June. These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fixed-rate bonds. This savings will help us continue to offer exceptionally low interest rates to multifamily sponsors and to first-time homebuyers. The table below provides a summary of our notional swap amounts.

INTEREST RATE SWAPS
($ in millions)

	Tax-Exempt	Taxable	Totals
Single family	$1,340	$1,432	$2,772
Multifamily	508	0	508
TOTALS	$1,848	$1,432	$3,280

2006

The table below shows the diversification of our swaps among the eight firms acting as our swap counterparties. Note that our swaps with Lehman Brothers, Bear Stearns, and Goldman Sachs are with highly-rated structured subsidiaries that are special purpose vehicles used only for derivative products. We have chosen to use these subsidiaries because the senior credit of those firms is not as strong as that of the others. Note that with our most recent swaps with Merrill Lynch we are benefiting from the credit of their triple-A structured subsidiary.

SWAP COUNTERPARTIES

Swap Counterparty	Credit Ratings Moody's	S & P	Fitch	Notional Amounts Swapped (*$ in millions*)	Number of Swaps
Merrill Lynch Capital Services Inc.					
Guaranteed by:					
Merrill Lynch & Co.	Aa3	A+	AA-	$ 910.5	18
MLDP, AG	Aaa	AAA	AAA	121.1	3
Citigroup Financial Products Inc.*	Aa1	AA-	AA+	718.5	15
Lehman Brothers Derivative Products Inc.	Aaa	AAA	NR	575.0	16
Bear Stearns Financial Products Inc.	Aaa	AAA	NR	560.0	9
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AA+	NR	169.6	4
UBS AG (Union Bank of Switzerland AG)	Aa2	AA+	AAA	99.6	2
JPMorgan Chase Bank	Aa3	AA-	AA-	96.8	2
Bank of America, N.A.	Aa1	AA-	AA	29.1	2
				$3,280.2	71

Note that, with interest rate swaps, the "notional amount" (equal to the principal amount of the swapped bonds) itself is not at risk. Instead, the risk is that a counterparty would default and, because of market changes, the terms of the original swap could not be replicated without additional cost.

*Formerly called "Salomon Brothers Holding Company, Inc."

2007

Because all of our swaps have been entered into to establish "synthetic" fixed rates for our variable rate bonds, we receive floating rate payments from our counterparties in exchange for a fixed rate obligation on our part. In today's market, with very low short-term rates, the net periodic payment owed under our swap agreements is from us to our counterparties. As an example, on our February 1, 2003 semiannual debt service payment date, we made a total of $47.5 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

Basis Risk

All of our swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because swap floating rates are based on indexes, which consist of market-wide averages, while bond floating rates are specific to the individual bond issue.

Periodically, the divergence between the two floating rates widens, as market conditions change. Some periodic divergence was expected when we entered into the swaps. In today's very-low-rate market, we have encountered one such divergence that is worth noting as it pertains to our LIBOR-based swaps used in conjunction with the Agency's tax-exempt variable rate bonds. Based on a conservative reading of historic relationships between short-term tax-exempt and taxable rates, we chose to enter into many swaps at a ratio of 65% of LIBOR. LIBOR, the London Inter-Bank Offered Rate, is the market benchmark taxable floating rate index. These percentage-of-LIBOR swaps have afforded us with excellent liquidity and great savings compared with other alternatives.

With short-term rates at historic lows and with an increased market supply of tax-exempt variable rate bonds, the historic relationship between tax-exempt and taxable rates has not maintained itself. For example, during 2002 the average BMA/LIBOR ratio was 77%, and it has averaged 81.6% so far this year. The BMA (Bond Market Association) index is the market benchmark index for tax-exempt variable rates.

When the BMA/LIBOR ratio is very high – as it is today – the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. In response to this recent anomaly, we and our advisors have looked for a better formula than a flat 65% of LIBOR. After considerable study of California tax-exempt variable rate history, we have settled on a new formula (60% of LIBOR plus 0.26%) that results in comparable fixed-rate economics but performs better when short-term rates are low and the BMA/LIBOR percentage is high.

Risk of Changes to Tax Law

For an estimated $1.41 billion of the $1.85 billion of tax-exempt bonds swapped to a fixed rate, we remain exposed to certain tax-related risks, another form of basis risk. In return for significantly higher savings, we have chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. In addition, we bear this same risk for $247 million of our tax-exempt variable rate bonds which we have not swapped to a fixed rate. Together, these two categories of variable rate bonds total $1.66 billion, less than 22% of our $7.8 billion of bonds outstanding. This risk of tax law changes is the same risk that investors take every time they purchase our fixed-rate tax-exempt bonds.

Amortization Risk

Our interest rate swaps (and the underlying bonds) amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have been designed to accommodate prepayment rates between two and three times the "normal" rate. In other words, our interest rate swaps have fixed amortization schedules that can be met under what we have believed were sufficiently wide ranges of prepayment speeds. Unfortunately, when market rates fell to unprecedented levels, we started receiving more prepayments than we ever expected.

Since January 1, 2002, we have received $1.9 billion of prepayments. Of this amount, approximately $300 million is "excess" to swapped transactions we entered into in 2000 and 2001. In other words, our current loan portfolios for these 2000 and 2001 bond transactions have shrunk to amounts that are $300 million less than the current "notional" amounts of the interest rate swaps. While these swaps will continue to amortize according to their own schedules, we estimate that the excess may grow to $500 million this year or next unless market rates rise and prepayments start to slow down.

There are several strategies for dealing with these excess prepayments: they may be reinvested, used for the redemption of other (unswapped) bonds, or recycled directly into new loans. Alternatively, we could make termination payments to our counterparties to reduce the notional amounts of the swaps, but this alternative appears to be the least attractive economically.

Currently we are reinvesting the $300 million of excess with the banks that originally provided us, for each transaction, with fixed-rate "float" agreements at what seem like high rates today. Most of these agreements, however, were written to limit the amount of time that we could reinvest moneys; in these cases the reinvestment of the excess enables us to put off implementing longer-term strategies that are likely to be less economic.

We believe that the best long-term strategy will be eventually to recycle the excess prepayments into new CalHFA loans. Of course, this means that we will be bearing the economic consequences of replacing old 7% to 8% loans that have paid off with new loans at the rates that will be current at the time we start recycling. If we start recycling today, that means loans with rates ranging from 4.25% to 5.25%. Fortunately, however, our capacity to take on prudent amounts of net interest rate risk and take advantage ourselves of today's very low short-term borrowing rates enables us to offset some of the economic consequences of recycling at low rates.

2009

In addition, to the extent we recycle excess prepayments into new loans, we may reduce the size or number of new bond transactions.

Types of Variable Rate Debt

The table below shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
Single Family	$174	$1,722	$1,990	$3,886
Multifamily	0	0	633	633
Total	$174	$1,722	$2,623	$4,519

Since September of 2000 we have been able to sell over $1.5 billion of taxable single family variable rate bonds to the Federal Home Loan Banks, and we expect to sell another $300 million to the San Francisco FHLB over the next few months. These bonds have all been designed as indexed-rate securities. In addition, our $180 million of currently outstanding drawdown bonds are indexed-rate securities.

Liquidity Providers

The table on the following page shows the financial institutions providing liquidity in the form of standby bond purchase agreements for our VRDOs. Under these agreements, if our variable rate bonds are put back to our remarketing agents and cannot be remarketed, these institutions are obligated to buy the bonds. For the current single family transaction Dexia Credit Local, a highly-rated Belgian bank, will provide liquidity as they did for the previous two transactions, and we have asked Dexia to participate in a fourth transaction as well. Fannie Mae provided liquidity for all our multifamily VRDOs in 2002 and continues to be our largest participant.

However, this year we plan to begin financing our multifamily program with auction rate securities, for which no liquidity support is required. Use of auction rate securities for multifamily will enable us to target Fannie Mae's remaining liquidity capacity to our single family deals. In addition, we continue to expect Freddie Mac to be ready to offer us liquidity services for single family bonds to be issued later this year.

LIQUIDITY PROVIDERS

($ in millions)

Financial Institution	$ Amount of Bonds	Type of Bonds
Fannie Mae	$ 405.9	MF
Dexia Credit Local	357.4	SF
Lloyds TSB	331.5	SF
CalSTRS	236.2	SF/MF
Commerzbank	229.3	SF
Bank of Nova Scotia	207.0	SF
Westdeutsche Landesbank	182.6	SF/MF
Landesbank Hessen-Thuringen	181.9	MF
KBC	151.2	SF
Bayerische Landesbank	135.6	SF
Bank of New York	101.0	SF
Bank of America	77.5	SF
Morgan Guaranty	14.0	SF/MF
State Street	11.4	SF
Total	$2,622.5	

After credit rating downgrades to Commerzbank, one of our biggest providers, our Commerzbank-backed bonds have had to be remarketed at higher rates than other bonds backed by higher-rated financial institutions. As a result, we plan to eliminate almost all of our investors' exposure to Commerzbank through a variety of means, including converting $218 million of Commerzbank-backed taxable bonds to indexed mode (and selling them to the FHLB) and, for tax-exempt bonds, restructuring most of them as auction rate securities. A $42.5 million tax-exempt Commerzbank-backed series has already been converted to auction rate, and we expect the remaining conversions to be accomplished over the next couple of months.

Unlike our interest rate swap agreements, our liquidity agreements do not run for the life of the related bonds. Instead, they are seldom offered for terms in excess of five years, and a portion of our agreements require annual renewal. We expect all renewals to take place as a matter of course; however, changes in credit ratings or pricing may result in substitutions of one bank for another from time to time.

2011

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MEMORANDUM

To: Board of Directors **Date:** May 1, 2003

Ken Carlson

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Locking in Today's Low Interest Rates for Future Multifamily Refundings

The purpose of this report is to inform the Board of our intention to obtain interest rate swaps for certain bond transactions we are planning for the future, thus locking in our new cost of funds in today's interest rate market. In my opinion, it seems prudent to take advantage of today's rates at least for a portion of our future business. While no one can accurately predict the future, it seems unlikely that interest rates will fall farther. There's far more room for them to rise than to fall, and the possible upside benefit of letting our exposure float further downward seems smaller than the downside risk and expense of possible higher rates in the future.

The mechanism by which we can do this is by obtaining "anticipatory hedges" in the form of interest rate swaps with forward start dates. For example, if we knew that on (say) August 1, 2005 we were going to issue $20 million of bonds with 30-year amortization we could enter into an interest rate swap agreement today for which no exchanges of payments would take place until a period beginning on that future date. For an agreement with a two-year forward start, we would anticipate paying a rate approximately 0.50% higher than for an agreement that would start today. This "forward premium" varies depending on a number of factors, including the length of the forward period, the average life of the swap, and the steepness of the yield curve.

The portion of our future business that seems the most obviously suitable for forward swaps are the multifamily refunding transactions that we anticipate doing over the next 2-1/2 years. These transactions seem suitable because we know the dates that these prior bonds can be refunded, we know exactly how many bonds will be outstanding on the refunding dates, and we know the amortization schedules of the loans that we financed with these prior transactions. In addition, with our multifamily portfolio we generally do not bear the risk that our loans will be prepaid.

By locking in our cost of funds today, we will gain certainty that we can offer lower loan rates to the projects once the refundings occur. Lower rates will improve project cashflows and reduce our risks as lender. In many cases, we will also be in a position to negotiate greater affordability for tenants.

Preliminarily, we have identified approximately $130 million of prior loans and related bonds that could be eligible for forward start interest rate swaps designed to match refunding dates between February 1, 2004 and February 1, 2006. My staff and I intend to work with our derivatives advisor to design the forward start swaps and to arrange a competitive bidding process for qualified interest rate swap providers.

2013

It should be noted that we are already using forward starting swaps in conjunction with our bond issues for new multifamily projects that receive tax-exempt authority from CDLAC. In these cases, we obtain our swaps soon after the CDLAC meeting, and we regularly set the start date for the swaps to coincide with the projected conclusion of construction and origination of the permanent loans. Forward starting swaps may also be especially suitable for large 501(c)(3) financings such as those anticipated for student housing at the University of California campuses.

We will not be alone in using forward starting swaps to lock in our future cost of funds in today's attractive market. A notable example is that of the State of New Jersey, which last week locked in rates for $2.5 billion of future bond issuances for court-mandated school construction.

I plan to provide reports to the Board regarding the procurement of forward start swaps or other anticipatory hedges designed to reduce our interest rate exposure on future transactions.

State of California

2014

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** May 1, 2003

Linn G. Warren, Director of Multifamily Programs

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: DELELGATED APPROVAL FOR LOANS UNDER $4 MILLION

At the November 2001 meeting of the CalHFA Board of Directors, the Executive Director was delegated the authority to approve individual multifamily loans or multiple loans on single projects with amounts under four million dollars. The delegation was intended to shorten the time required to approve loans for smaller rental projects.

At the time of the Board action, staff estimated that approximately 20 loans could be approved annually under the delegation. As of this date, eight loans have been approved (see list attached) out of a total of 66 loans approved from January 2002 to March 2003, or 12%. The majority of loans were approved in December of 2002 and March of 2003.

There are two primary reasons for the limited use of the delegated authority. The first concerns anticipated volumes of the HUD 202 refinancings. Loan volume for this program has been less than expected due to non-profit owners being slow to commit their projects to the refinancing process. The second reason is due to the delegation approval as requested. The approval specified that should total loans on a single project exceed $4 million, Board approval was required. In eight cases, projects containing multiple loans (17 loans in total, all under $4 million) could not be approved under the delegated authority due to this restriction and consequently were submitted to the Board

Pursuant to the Board approval of the delegated authority, a sample of loan(s) approved by the Agency is to be selected by the Board Chairman for presentation and review. In addition, the program was to be reviewed one year after the Board authorized the delegation; however, no appreciable activity had occurred at that time (November 2002), hence the report as of this Board meeting. A more extensive report with possible recommendations for change is scheduled to be presented at the July 2003 Board meeting.

Attachment

Loans Under $4 Million

Project Name	Loan No.	Approval Date	Loan Amount	Location	Pro
Winter Creek Village	02-001-N	3/25/2002	$3,900,000	Windsor, Sonoma	New
Countrywood Apts.	01-044-N	11/13/2002	$750,000	Linda, Yuba	Prese
Redwood Court	00-016-N	12/20/2002	$2,080,000	Redwood City, San Mateo	Prese
Morse Court	00-017-N	12/20/2002	$2,800,000	Sunnyvale, Santa Clara	Prese
MooreVillage	01-046-P	3/5/2003	$250,000	Davis, Yolo	Prede
Sierra Madre Apts.	02-015-S	3/21/2003	$2,760,000	Los Angeles	New
Winters Apts.	02-035-N	3/21/2003	$1,615,000	Winters, Yolo	Rehal
The Surf Apts.	03-001-N	3/24/2003	$2,930,000	San Leandro, Alameda	Rehal
Total	**8**		**$17,085,000**		

State of California

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** 1 May 2003

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

Subject: Legislative Report

Federal Activity

Congress returned from their Spring Break this week, and according to NCSHA, the focus is on the President's tax plan. Both Houses are expected to take the issue up next week, as they are required to adopt a report by May 8 (if that date is not met, it expected to be soon thereafter). The only thing that appears to be for sure is that nothing is for sure. The House is looking at a tax bill that comes in at about $550 billion, whereas the Senate is looking for something less, possibly in the range of $350 billion. In the end, it will likely be somewhere in between. It is still unclear whether the dividend proposal will be included, but the smaller the bill the less likely it will be included. That's the good news.

The bad news is that the chances of including anything the President didn't ask for in this bill is highly unlikely. That means this probably won't be the vehicle for repealing the 10 Year Rule. However, chances are good that there will be other tax bills this year, so for now, we are continuing to work on our cosponsor numbers so that when the opportunity presents itself, we'll be in good position.

State Budget

It looks as though the Legislature has begun to focus in earnest on the budget. Today, both houses are expected to take up bills that include approximately $3.6 billion in cuts, deferrals, and loans (including the authority to issue pension obligation bonds). That leaves only about another $29 billion to go!

Bills, Bills, Bills...

And finally, here is an update of what is going on with a number of bills currently pending before the Legislature. 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) California Housing Finance Agency

Status: Pending on the Senate Floor.

Summary: This bill would permit the California Housing Finance Agency to subordinate to other regulatory agreements, and would clarify the Agency's authority to finance loans secured by something other than the property.

SB 596 (Torlakson) Housing finance.

Status: Pending before the Senate Housing Committee.

Summary: This bill is indented to be used as a vehicle to update the Agency's mortgage insurance statutes. The language that will ultimately be added to this bill is currently being finalized.

Downpayment Assistance

AB 304 (Mullin) Housing: downpayment assistance.

Status: Passed Assembly Appropriations 4/30/03, currently pending on the Assembly Floor.
Summary: Under existing law, the California Housing Finance Agency administers a downpayment assistance program for low-income first-time homebuyers who, as documented to the agency by a nonprofit organization certified and funded to provide homeownership counseling, are purchasing a residence in a community revitalization area targeted by the nonprofit organization and have received homeownership counseling from the nonprofit organization (the Housing In Revitalization Areas Program, or HIRAP). This bill would increase that downpayment assistance to those low-income first-time homebuyers from 3% to 6% of the home sales price.

AB 333 (Mullin) CalHOME Program.

Status: Pending before the Assembly Housing and Community Development Committee.
Summary: The existing CalHOME Program authorizes funds appropriated for purposes of the program to be used to enable low- and very low-income households to become or remain homeowners. The funds are provided by the Department of Housing and Community Development to local public agencies or nonprofit corporations as grants for programs that assist individual households or as loans that assist development projects involving multiple homeownership units. This bill would require the department, no later than December 31, 2004, to provide a report to the Legislature indicating the progress of the CalHOME Program, including the number of jurisdictions accessing the program. This bill is sponsored by HCD, and ultimately may be used for another purpose.

AB 672 (Montanez) Housing: smart growth: downpayment assistance and mortgages.

Status: Pending before the Assembly Housing and Community Development Committee.
Summary: This bill would require the California Housing Finance Agency, 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.

SB 162 (Alarcon) Federal tax credits: housing: teachers

Status: Pending on the Senate Floor.
Summary: This bill would expand the Extra Credit Teacher Home Purchase Program to include classified school employees who work at low performing schools. The bill is sponsored by the California School Employees Association and is supported by AFSCME, San Francisco Unified School District, and the Los Angeles County Office of Education.

Land Use

AB 305 (Mullin) Density bonuses: child care facilities.

Status: Pending on the Assembly Floor.
Summary:
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 grant an additional density bonus, concession, or incentive to

a developer of housing that includes a child care facility as part of his or her proposal, except as specified.

AB 1112 (Lowenthal) Housing opportunity districts.

Status: Pending before Assembly Appropriations Committee.

Summary: This bill would enact the Housing Near Transit Act, which 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 of Housing and Community Development.

SB 619 (Ducheny) Housing.

Status: Pending, Senate Committee on Rules.

Summary: This bill would make it more difficult for a local agency to deny a multifamily residential project of 150 units or less that is consistent with general plan and local zoning. This bill passed Senate Housing, but not without reservation from several of the members, particularly about sections that deal with damages and potential impact on public input.

Misc

AB 210 (Nation) Tobacco: dwellings.

Status: Jointly referred to Assembly Housing and Community Development and Governmental Organization Committees.

Summary: The bill would also prohibit the smoking of any tobacco-related product within any indoor or outdoor common area of multifamily residential housing.

Prevailing Wage

AB 1310 (Dutton) Public works: prevailing wages.

Status: Pending vote in Assembly Labor and Employment

Summary: As originally introduced, this bill would have repealed the statutory methodology for determining the general prevailing wage rate, including the rate for holiday and overtime work, thereby relegating to the Director of DIR the authority to establish the methodology for determining those rates. The bill was recently amended and the current version would exempt from the prevailing wage requirements prefabrication work done at permanent offsite facilities of a contractor. It is supported by the Association Builders and Contractors of CA, and opposed by CA Labor Federation; State Association of Electrical Workers; CA State Pipe Trades Council; CA Teamsters Public Affairs Council; Coalition of CA Utility Employees; Consumer Federation of CA; International Association of Plumbing and Mechanical Officials; State Building and Construction Trades Council; and the Western States Council of Sheet Metal Workers. Opponents argue the bill will result in work that has been historically been done on site being shifted to other locations to avoid paying prevailing wage.

AB 1418 (Longville) Public Works: Prevailing Wage

Status: Pending in Assembly Committee on Appropriations.

Summary: As originally introduced, this bill would have required the Department of Industrial Relations to post prevailing wage rates on their web page. In its present form, the bill would require that the existing maximum penalty relating to violations of prevailing wage be not less than $10 per day, and would require the penalty be not less than $20 per day for contractors and subcontractors with prior violations.

SB 730 (Burton) Prevailing Rate of Per Diem Wages: Determinations

Status: Passed the Senate April 28 (38-0); pending assignment in the Assembly.

Summary: This bill would require the Director of the Department of Industrial Relations to provide wage rates to an awarding body within 120 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.

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This bill would also require the Director to maintain a log, as a pubilc record, of these determination requests and appeals.

SB 789 (Johnson) State economy: suspension of statutes.

Status: Placed on Senate Education suspense file.

Summary: Various statutes enacted in 1998, 2000, and 2002, impose regulations on agreements involving school employees, public works, and personal services. This bill would suspend those statutes enacted in 1998, 2000, and 2002, relating to agreements involving school employees, public works, and personal services (this includes the prevailing wage requirements contained in SB 975) upon the effective date of this bill, and would reinstate those provisions on the date that 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: Pending in Asembly Revenue and Taxation Committee

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

Veterans

SB 561 (Knight) Veterans: administration.

Status: Held in Senate Committee on Housing and Community Development

Summary: This bill would transfer the administration of the CalVet Home Loan Program from the Department of Veterans Affairs (DVA) to the California Housing Finance Agency, and would require the Agency to convene an advisory committee and prepare a report containing suggestions for the improvement of the administration and operation of that program. At the hearing, a representative from DVA testified that the department was in the process of completing a number of improvements and changes that were recommended by the Bureau of State Audits (BSA). The Committee agreed to hold the bill pending a report from BSA on the current status of the program.