CalHFA BOARD OF DIRECTORS

Wednesday, May 12, 2004

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 11, 2004 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to a final loan commitment for the following project: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
02-052-N	Plaza de las Flores	Sunnyvale/ Santa Clara	101

5. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 2004/2005 to 2008/2009. (Wayne Bell; Nancy Abreu; Linn Warren; Bruce Gilbertson)

6. Discussion, recommendation and possible action relative to the adoption of a resolution approving the fiscal year 2004/2005 CalHFA Operating Budget. (Jackie Riley)

7. Discussion of other Board matters and reports.

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

9. Closed session to confer with, and receive advice from legal counsel regarding pending litigation in the following matters:

   1. WestLB AG v. California Housing Finance Agency, United States District Court, Southern District of NY, Case No. 03CV3974

   2. CHFA v. Hanover California Management and Accounting Center, Inc., Orange County Superior Court, Case No. 02CC10634

NOTES

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

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be July 8, 2004, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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Hyatt Regency Sacramento
Regency Ballroom A
1209 L Street
Sacramento, California

Thursday, March 11, 2004
9:35 a.m. to 1:02 p.m.

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Minutes approved by the Board of Directors at its meeting held:
MAY 12 2004
Attest:

Reported By: YVONNE K. FENNER, CSR #10909, RPR

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson

JAN BOEL

PETER N. CAREY

EDWARD M. CZUKER

MATTHEW O. FRANKLIN

DORA LEONG GALLO

JOHN G. MORRIS

JEANNE PETERSON
for Philip Angelides
State Treasurer

CATHY SANDOVAL
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

JACK SHINE

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CalHFA Staff Present:

THERESA A. PARKER
Executive Director

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

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BE IT REMEMBERED that on Thursday, March 11, 2004, commencing at the hour of 9:35 a.m., at the Hyatt Regency, Regency Ballroom A, 1209 L Street, Sacramento, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRPERSON COURSON: I'll call the meeting to order and I will -- I'd like to introduce myself, I guess it would be appropriate. And I think I know we have obviously -- I've met everyone, and we have three of us who are brand new to the CalHFA Board. And I thought it would be a wise expenditure of our time to maybe have everybody on the Board and those here at the table introduce themselves and just describe a little bit about who they are and what their occupation is, and any other comments they'd like to make.

My name is John Courson, and I am -- I've been appointed chair of the CalHFA Board, and I'm delighted with that. My background is one that -- in the mortgage banking business. I've been in the mortgage banking business 45 years and am currently president and CEO of Central Pacific Mortgage, which is actually located here in the Sacramento area. We're a residential single family lender in 20 states, about 120 offices.

I am thrilled to have this opportunity to serve the State, citizens of the state. I come out of spending about five or six years active and the last year as chair of the Mortgage Bankers Association of America, and through that have really developed an unswerving passion for housing and the investment that we make in our communities and have spent that time in Washington, primarily, working throughout the country on low- and moderate- affordable housing, among other issues.

And I have a vision, which I talked to those who I've spoken with through the process of coming on this Board about a vision that I have for what we at CalHFA can do as part of building that housing for our citizens. And so I hope as we move forward and perhaps as we go through the Board meetings, we'll have those kinds of policy discussions that we can determine how we can use our resources in conjunction with other resources that exist in our state to provide more housing.

To my fellow Board members and those of you who are the grizzled veterans, I feel like my grandsons as I try to teach them at my ripe old age to ride a bicycle, and my training wheels are still on and hopefully that I'll have them off by the next meeting, and look forward to working with all of you today.

So with that, why don't we just sort of proceed to my right. And everybody knows Terri, but --

MS. PARKER: Terri Parker. I'm the executive director of California Housing Finance Agency. My background is really being a long-time public servant. I'm working on my 30 years in government, six years with the Housing Finance Agency. Prior to that, most of my experience in government has been in the financial area with the State Department of Finance specializing in issues of local government, housing, and particularly health and welfare.

So it's a great pleasure to be able to continue to serve in this capacity. And particularly I welcome all of you. And staff, I speak for staff from the standpoint of saying that we're very excited about having, with the exception of one vacancy at the moment, a very full and professional and competent board that we can challenge you with the work to meet towards visions and goals.

With that, I will introduce my colleague, Jeanne Peterson, from the Treasurer's Office.

MS. PETERSON: Thank you. I'm Jeanne Peterson, and I'm from the Treasurer's Office. I am representing Treasurer Angelides. And I'm happy to have the opportunity to be a regular. I don't know about grizzled, but I'll accept that.

And I've been doing a tax credit committee in the

Treasurer's Office for almost five years now. And prior to that, I was general counsel at the Michigan Housing Finance Agency, so my -- my entire working career has been in public service and the vast majority of it as a staff person on the HFA, so it's nice to be able to turn the wheels a little bit and be a Board member.

MS. NEVIS: Judy Nevis. I'm here today representing Matthew Franklin, the director of the Department of Housing and Community Development. Matt regrets that he was unable to be here. He had a conflict. He's in Southern California today.

And I've been with the State since Hector was a pup, with the Department of Housing and Community Development since 1989, and previously, like Terri, with Department of Finance and also other state agencies. I'm very excited to be working on housing. And we are, at Department of Housing and Community Development with the advent of Prop 46, very excited about how well our housing programs are meshing with those of the California Housing Finance Agency. It's going very well.

MR. SHINE: My name is Jack Shine. My company is called First Financial Group or American Beauty Homes. I've been a homebuilder and developer for almost 44 years, 45 years. And I'm the past president of the Building Industry Association of Southern California and a past president of the California BIA. And I'm a member of the board of directors of Habitat for Humanity in my area of California.

MS. GALLO: I'm Dora Leong Gallo. I'm the chief executive officer of A Community of Friends. We're a nonprofit developer of affordable housing for the special needs population. I have spent 12 years in the public sector working both in the city of Los Angeles and the city of Culver City from the analytical and political standpoints. And I'm also a fairly new Board member to CalHFA, joining last -- the end of 2003.

MR. CAREY: I'm Peter Carey, president and CEO of Self-Help Enterprises, a nonprofit housing development organization serving the San Joaquin Valley. I've been there 30 years this month, first as a volunteer. We build single family housing primarily, some mutual self-help multifamily housing, do sewer and water system development in small communities, home buyer programs, and a variety of other things, working very heavily in partnership with small cities throughout the San Joaquin Valley.

MR. HUGHES: I'm Tom Hughes. I'm the general counsel of the Agency, and statutorily I'm the secretary of the Board. And I've been the general counsel here since 2001 when I left private practice here in

Sacramento to join the Agency. I previously was a partner with Kronick, Moskovitz, Tiedemann, Girard for about 20 years before that.

MS. BOEL: I'm Jan Boel, and I know nothing about housing, except that I live in one. Actually, today my husband is just buying a houseboat, so we'll probably be in a houseboat instead of a house. But anyway, I am the Governor's representative. I'm the acting director of the Governor's Office of Planning and Research. I've been that since he was elected in November, so you know this is only my second Board meeting.

Prior to that, I was retired for a few years. And prior to that, I had 30 years with AT&T. I closed my career -- started my career as an operator when I went to college at Stanford and then closed my career as the director of the -- or vice president of the office in Washington, D.C. for AT&T, so my experience is primarily in government affairs.

MR. MORRIS: My name is John Morris, and this is my first meeting. And I own a private investment firm in Los Angeles that specializes in shopping center development, office building development and also venture capital. In my spare time I make films as well. As a matter of fact, this Sunday, if you're home at 8:00 o'clock, on Showtime there's going to be a film called "Spinning Boris" about the Russian elections starting Jeff Goldblum, Matt Shriver, Anthony LaPaglia, which I produced last year, so that's it.

MS. SANDOVAL: My name is Catherine Sandoval, and I'm the undersecretary for Business, Transportation and Housing Agency and also senior policy advisor for Housing and Economic Development. I am a lawyer. I've practiced in private practice at a company, another law firm, and also spent several years with the Federal Communications Commission, but I've always had a love for housing. And one of the most fun and important things I've ever had the opportunity to do is to be the chairman of the Housing Corporation, where we build housing for people with disabilities and their families.

And also I have an announcement to make, that I'd like to welcome especially the new people to the Board meeting and say that sadly this will be my last CalHFA meeting because I have accepted a position as a law professor at Santa Clara University. And I hope to be teaching contracts, communications law, property, and continuing to look at infrastructure, including the intersection between housing, transportation, and land use.

So I really wanted to wish you luck and say that it has been an absolute pleasure serving with the CalHFA

Board members. And I really wanted to particularly thank Terri Parker, Dick LaVergne, Judy Nevis, Matt Franklin, and all of my colleagues at BT and H who are here and everybody at CalHFA, all of the staff members. You've been wonderful, always answered our questions as Board members and on behalf of the secretary. And I really wanted to thank Governor Schwarzenegger and Secretary Sunne Wright McPeak for continuing to give me the opportunity to serve, as well as Governor Davis and Secretary Maria Contreras-Sweet.

And I just wanted to emphasize again Governor Schwarzenegger and Secretary McPeak's commitment to housing as the linchpin of economic development. And, you know, I will continue to be available to do whatever I can to help you in that process. So thank you all very much, and it's been a pleasure.

MR. CZUKER: My name is Edward Czuker, and I'm president of E.M.C. Investment Company and Jan Development Company. We are builders and developers. We build, own, and manage primarily apartment buildings and senior citizen rental housing. We've done a lot of market-rate housing, and we've done a lot of affordable housing, some tax-exempt bonds, some tax credit, some heavily complicated multilayered financing structures that involve public and private sector, city, local housing agencies, city, county, state, and federal subsidies, HUD, Fannie Mae, Freddie Mac, all different types of participations, joint ventures with nonprofits, both small and large.

And I have an extensive background. I have the pleasure of having served on this Board for approximately eight years, which probably makes me the lasting old veteran on the Board, and I look forward to continued service.

Before delving extensively into the development and construction and management business, I had my tenure in banking, so I have a lot of finance background, as well as the real estate and construction division and building industry background and affordable housing background, which just sort of gives me a unique perspective on how all the pieces fit together that we deal with at this Board. Thank you.

CHAIRPERSON COURSON: And JoJo, who those of us who are new on the Board have been told is like a lifeline when the waves are chopping out there, is support with CalHFA and supports the Board.

MS. PARKER: If I could just -- I want to -- I'd like to at the beginning give some of the Board members a flavor of who we have in the audience, because they're some of our key partners and players. Obviously sitting at the table is Mr. Warren, the director of Multifamily, and you all will know Linn well since a major purpose of the Board is to serve as credit committee to the deals that Linn brings to us. And during the presentations, Linn will introduce the staff, but I just want to go behind him.

Stan, will you stand up. Stan Dirks is our bond counsel with Orrick Herrington, has been our bond counsel since the inception of the agency. Tremendous source of wealth and information and a whole history of the organization, we are very fortunate to have the continuity of Stan to assist us with the complexities of our organization.

Also in the front row, Dom Maio, our director of IT. I'm not going to be able to do this. Jackie, can you stand up. Jackie is our HR director. Next to her, sitting, is Margaret Alvarez, our director of Asset Management in the Culver City office. Behind her is Dick LaVergne, the chief deputy. The front row over here, Ken Carlson, our director of Finance. I'm looking. Bruce Gilbertson, our controller. Di Richardson, our director of Legislation. I know that Nancy, the other person -- Nancy Abreu, our director of Insurance, and I think Ken Giebel is here, director of Marketing.

UNIDENTIFIED SPEAKER: He stepped out of the room.

MS. PARKER: And Wayne Bell, Homeownership. And there is a good number of our staff that are here. Particularly since it's in Sacramento, we wanted the staff to come meet the new Board, get a chance to interact, hear directly from you -- your vision and goals, so --.

Item 2: Approval of the minutes of the January 22, 2004 Board of Directors meeting

CHAIRPERSON COURSON: Thank you. We -- I've already managed to go out of order on our agenda, so I am gently reminded that we need to return and approve the minutes of the January 22 meeting, which are included in your notebooks. Is there a motion?

MR. CZUKER: Motion.

MR. SHINE: Second.

CHAIRPERSON COURSON: Any other discussion? Would you call roll.

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

(No audible response.)

MS. OJIMA: Mr. Carey.

MR. CAREY: Since I wasn't here, I'll abstain.

MS. OJIMA: Thank you.

Mr. Courson.

CHAIRPERSON COURSON: I will abstain.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis.

MS. NEVIS: Aye.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval.

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

CHAIRPERSON COURSON: Thank you.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

Terri Peterson (sic).

MS. PARKER: Thank you, Mr. Chair.

CHAIRPERSON COURSON: Or Parker, sorry.

Item 3: Chairman/Executive Director Comments

MS. PARKER: I just want to give you a little bit of an update. Some of my comments are things that would make you be aware that wouldn't normally be getting in your Board book. I think that sort of the -- I'll get the bad news over with first. I just want to let you all be aware we've been chatting about this. Many of us are in mourning. I'm on a campaign to wear black every day recognizing this, but this is Mr. Carlson's last Board meeting and probably Mr. Maio's last Board meeting. Ken is retiring after a substantial and active career in state government, particularly in the housing area to join the life of a nonworking individual with his beautiful wife, Claudia. Ken is leaving at the end of the month. Many of you have been -- I would presume all of you have received an invitation to a little farewell gathering which we're throwing for him.

But clearly with Ken leaving, we're going to be in the process -- we are in the process now of interviewing and filling his position. So we will be keeping you apprised of how well that is going. This is his last, his final official meeting, but we will be bringing Ken back for you all to make unsolicited testimony. You'll see him later this year.

Dom is also joining his lovely wife, Evelyn, in retirement, although Dom we've been able to at least convince to have him come back and help us on a pilot project on an interim basis. So you will probably be seeing Dom somewhat, perhaps more frequently than Ken, but it is a loss to the Agency from the standpoint of their contributions and just the incredible number of years of service both of these individuals have provided the Agency, of their background, their knowledge.

And so it's going to be another huge task for us to find someone to fill their positions, but we have been very lucky in being able to recruit new people like Tom, Nancy, Wayne, and Linn, and to retain the people that we've had in the organization, Ken Giebel, so that we're being optimistic about being able to continue to have good professional people serving this organization.

The next thing I wanted to talk about briefly is my own personal situation. I've been on a temporary basis loaned to work with the Governor's CPR initiative, California's Performance Review. This is an initiative, a very important initiative on the Governor's part, to go through state government and look at whether or not there are programs that we have that really are in today's environment working efficiently and effectively serving the people of California. And if not, we should be challenging ourselves if there is a better way to provide services, particularly in very, very difficult fiscal times.

I am going to be leading a team looking at health and welfare problems. It's been a past life of mine. I have a great love and affection for those programs and how difficult the challenge is to be able to help the citizens of our state. So it is not an endeavor that will last a long time, but it will be pretty concentrated. And the only reason why I'm able to do this, frankly, is because of the substantially professional team that we have in the organization. So while I may not be here as much in body, I certainly will be keeping track of things in spirit and will be involved in our Board meetings and all of the issues that are important, on the cutting edge to make a difference.

The last thing, I just want to say that Jeanne and I have just come back from a very -- and John -- have come back from a very successful four days in Washington, meeting the Governor's new Washington office team, Stacy Carlson, introducing ourselves. We were able to get our chair, John Courson, to participate with us. And I must say that those discussions of standing start, John Courson has already filled the bill. We worked -- we worked the Hill. John went and used his substantial contacts in the Mortgage Bankers Association and his long career to work the members of the California delegation that had not signed on a bill that's very impactive to us, HR284, which will allow us to recycle lost bond proceeds. It's a big impact to California. We lost

$600 million alone last year in what we could have recycled into first-time homebuyers. So I must say that I feel very encouraged about that team, the assistance of all of you as Board members and what we can accomplish going forward.

Mr. Chairman, that concludes my report.

Item 1: Roll Call

CHAIRPERSON COURSON: I now understand that I'm not on training wheels, I'm back on a tricycle. We also need to call the roll.

MS. OJIMA: Ms. Peterson for Mr. Angelides.

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk.

(No audible response.)

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Present.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis for Mr. Franklin.

MS. NEVIS: Here.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Here.

MS. OJIMA: Ms. Sandoval for Ms. McPeak.

MS. SANDOVAL: Present.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Present.

MS. OJIMA: Mr. Shine.

MR. SHINE: Present.

MS. OJIMA: Ms. Arduin.

(No audible response.)

MS. OJIMA: Ms. Boel.

MS. BOEL: Here.

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRPERSON COURSON: Thank you.

Getting us back in the proper order, I'll now introduce Linn Warren, and Linn will take us through our projects for today.

Item 4: Discussion, recommendation and possible action relative to final loan commitment for the following projects

MR. WARREN: Thank you, Mr. Chairman. Good morning.

I'd like to introduce Laura Whittall-Scherfee. Laura is our chief of underwriting in the Multifamily division, and she'll be helping me with the presentation of the projects this morning. And also with us for this first project is Tina Ilvonen. Tina is a consultant with the Agency and has been with us for a number of years now and handles numerous projects. And Tina was previously a vice president and underwriter for SENCO (phonetic), a consortium here in California.

Before we go into the projects, I want to just take a couple of minutes to talk about what has been a favorite subject of the Board for the last couple meetings, and that's the cost of development. As the Board members have no doubt noted, there are a number of projects up for consideration that they -- that have fairly high costs. One, as a matter of fact, is back asking for an increase due to some increased costs.

Staff and the Agency approach costs really in two ways. The first is as a lender and primarily as a construction lender, are the costs good, are they adequate, are they sufficient for us to complete the project without major increases, and keeping the loan in balance during the construction period. That's one of our main concerns. And to that extent, we apply diligent efforts to try to assure that.

Recently we've actually increased our efforts in this area by requiring outside cost consultants, and part of our staffing plan for the coming year will include in-house cost estimators. That's on the one side.

The other side of the cost issue is very much a public policy issue. With the imposition of prevailing wages essentially across the board for affordable housing projects and the uncertainty of the ability to obtain some of these wage determinations, the industry is unclear as to what some of the costs will be on a go-forward basis.

So as these costs oscillate up and down as the developments go forward, we all in the industry need to find our way and see how to meet some of these rising costs. There's always the pressures that are out there which are a shortage of qualified trade, costs of lumber and other materials, and so forth.

So we want to approach these issues really on these two levels. Is it a good credit that we are bringing to the Board and, outside of that, what can we do about costs? And I think that's a much broader discussion that quite frankly the affordable housing providers both from the allocation standpoint and from a lending standpoint have struggled with since really the inception of affordable housing. There are many stories about HUD's efforts over the years to limit costs with their limitations, and it will be an ongoing issue.

So we ask that to -- to keep that in mind. But during our discussions today, our developers are here as usual and they are prepared to comment to the Board on their experiences with costs. And clearly I would encourage you to ask that to allow the Board to understand some of the challenges that our sponsors are facing today.

So with that, I'd like to present our first project, which is Coliseum Gardens.

Resolution 04-07 (Coliseum Gardens, Oakland/Alameda)

MR. WARREN: Coliseum Gardens is a 115-unit HOPE VI project -- and I'll be dealing with the HOPE VI Program in just a moment -- located in Oakland. The financing request today is for a construction loan first mortgage of $22.9 million, of which $19 million is a tax-exempt financing followed by $3.9 million of taxable financing.

After construction is complete, we are seeking permission, approval, for a first mortgage of $3,420,000, 5.5 percent interest rate for 30 years, and a FAF loan, which I will also endeavor to explain, for $575,000, again, residual receipts for 30 years.

HOPE VI, as I think some of you may be aware, is a program set forth by HUD -- it's about ten years old now -- to revitalize old public housing projects. They do this through two means; a large subordinate loan, which your materials indicate almost always in conjunction with locality financing. And most recently or historically they've been involved with financing through 9 percent credits. One of the controversial aspects of HOPE VI projects has been some states, including here in California, have utilized an inordinate amount of 9 percent credit capacity.

This particular project is a -- I hope I already have Jeanne Peterson's vote for this project because this is a bond finance project. The Agency was approached --

MS. PETERSON: There's more to it.

MR. WARREN: Thank you, Ms. Peterson.

The Agency was approached several months ago by the parties and asked if we could do a bond financing and execution for a HOPE VI project. And I think we've achieved that goal. It really does help relieve pressures on this particular type of project. As you can see, these are not cheap projects to build. You are leveling existing public housing, your relocation costs. And on this particular site, as Tina will indicate, it's a fair amount of redevelopment.

So we think that the bond execution for these types of HOPE VI projects and in the future for other types of public housing involvements with public-private partnerships with the PHAs, this type of model will be very effective.

The down side, of course, is it requires a large amount of subordinate financing, not only from HUD, but also from, in this case, the Oakland Redevelopment Agency.

So with that, I'm going to turn it over to Tina who can take you through the slides on the project.

MS. ILVONEN: Okay. Is this microphone on?

This first slide shows the site, which is a portion of the existing public housing site. This site is part of a master plan development area which actually includes about 27 acres, which includes this whole area here. The site is in East Oakland, within walking distance of the Coliseum BART station and the Oakland Alameda County Coliseum.

The current uses of the site include vacant distressed public housing to be demolished. Including -- surrounding uses include a city park to the north, Capital Recycling, the former Standard Iron and Metal Company, and another city park to the west, single-family homes, and Silvia Roofing to the south, and The Acts Full Gospel Church and grounds to the east. That's this whole area here. That's a very large church area.

Okay. This is a closer-up view of the site. As I said, this is part of a multi-phase program to be redeveloped. And again, the outline, the 27-acre outline is about here.

The proposed project is part of the Coliseum Transit Village that will ultimately involve the construction of 350 affordable housing units, including 97 public housing units, 33 affordable for-sale townhomes, an extended and renovated 5.7 acre city park -- these two parks right here are going to be moved into the middle of the project and consolidated -- a restored creek and market-rate housing over retail at the Coliseum BART station.

Phase I includes the replacement of 35 of the existing 178 public housing units currently on the site and the construction of an additional 80 units of rental housing. All former residents of the existing Coliseum Gardens public housing development have already been relocated by the Oakland Housing Authority.

The Phase I site is actually going to be divided into two areas. Hawley Street, which is right here, will be extended. And this area will be Area A, which is rectangular. And this area here will be Area B. And we have two different architects working on the different areas. There will be new streets that will be built in here. Lion's Way East will be right here. And the money for the streets and infrastructure is already committed also.

Okay. While I have this next slide up, I want to talk about the environmental. Coast Manufacturing and Supply Company, a manufacturer of safety fuses used in blasting operations, was located on this portion of the property in the early 1900s. The public housing complex was built on the property in the late 1940s.

Certain issues and areas of concern were identified in the Phase I and were further evaluated in the Phase II. These areas included potential impacts to groundwater from possible perchlorate and volatile organic compounds usage of the former Coast Manufacturing site and potential impacts to the groundwater beneath the property from an upgradient site with a reported leaking underground storage tank. And that site is north of 66th Avenue.

In order to evaluate soil and groundwater issues, a field investigation was conducted. Twenty-five borings were drilled throughout the 27-acre site, nine of which were on the subject property. TPH as gasoline and diesel was found in low concentrations in four of the six samples, below levels that would initiate significant regulatory agency concern. Trichloroethene was reported in .four of the samples at levels above the EPA tap water Preliminary Remediation Goals and above the federal and state maximum contaminant levels; however, the levels are below their regional environmental screening level, and the environmental consultant, Environ, determined that the regional level was more appropriate. And the impacted groundwater is not a drinking water supply; therefore, Environ concludes that there does not appear to be a significant health risk to future residents as a result of TCE in the groundwater.

In addition -- in addition, nine groundwater samples were collected at the Coast Manufacturing Supply Company site for perchlorate analysis. Perchlorate was not detected, and pH was in normal ranges for groundwater. An Asbestos Containing Material Assessment was completed in October 2003 by The Ellington Group. Asbestos was found and will be required to be removed prior to disposal. A lead-based paint report was also completed in October by Ellington Group. Although lead was found in the buildings, the levels are below the levels that would require disposal prior to demolition.

California Housing Finance Agency has requested review of the environmental reports by its URS, its environmental consultant, and is requesting recommendations concerning any additional testing or remediation that should be completed.

And this slide is a slide of the existing housing.

This slide is also a slide of the existing housing. While we've got this slide up, I am going to talk about the locality involvement. The Oakland Housing Authority will own fee title to the land and improvements. A ground lease will be executed between the Housing Authority and the partnership such that the partnership will own a leasehold interest in the improvements. The ground lease is expected to be 67 years, to be co-terminus with the HOPE VI loan, and there will be a prepaid lease amount of approximately $360,000 without any annual payments due from operations.

The HUD regulatory operating agreement will specify that operating assistance will be available to subsidize the operation of the public housing units subject to the terms of the annual contribution contract between HUD and the Housing Authority. The income for the public housing units will be set at $418 per unit per month as a combination of tenant rents and subsidy payments from the Housing Authority. The average income of the public housing tenants is 17 percent in Oakland.

This is a slide of the adjacent city park which will be -- which will be relocated, yes. This is The Acts Full Gospel Church adjacent to the property. This slide is -- it's kind of elongated actually, just the way the jpg -- the jpg came out, so just think of it as longer, but this shows the phasing of the 27 acres. This is the Phase I right here with the two separate areas I had talked about. This is Phase II. And this part right here will be a mirror image of the Phase I, at least this part. This is Phase III, and this is the for-sale townhomes.

So the subject will be 115 units of a large family project on approximately 2.92 acres. It says 3.85 acres. That included the streets as well, so it's 2.92 acres with a total of six buildings: these four right here, the one podium building, and this building which will contain the management and social service area.

This is a close-up of the site plan of the podium buildings. These two buildings will contain 55 units. And this building will contain ten townhomes on top of the social services space building.

The podium is designed by Kodama Disenso. And this section, which is the slab on grade buildings, which buildings are really hard to see in this. There are four buildings and two pedestrian courts -- or two auto courts, one pedestrian court and then the tot lot. This section contains 50 units with controlled parking at the auto courts.

This is an elevation of the podium buildings. The buildings will be wood-framed Type V construction.

Building exteriors will be stucco. The roof material will be asphalt shingle. The slab on grade buildings will have gas forced-air heating and individual hot water heaters. The podium buildings will be equipped with a central boiler and have electric heat.

This is an elevation of the slab on grade buildings in Area A. Coliseum Gardens has been designed to market standards for large families. Unit amenities will include modern kitchens and ample storage. The kitchens will have dishwashers, garbage disposals. The units have also been designed to provide individual decks, patios, and balconies for outdoor use by families.

In addition to the tot lot, nonresidential amenities include 1,350 square feet of management leasing space, 3,000 square feet of child care space, 2,500 square feet of social services office space, and a small 450 square-foot multipurpose room. The project has a budget of $225 per unit per year to pay for a social services coordinator who will be responsible for coordinating the wide variety of social services providers in the community.

This last slide shows the unit mix and the range of the AMIs for the rents. The ACC units, as I said before, were 17 percent AMI. There are 30 percent AMI units, 40, 50, and then these are the market rents.

There are also some units that will be targeted to 60 percent rents, but the rents on the pro forma are at 50 percent. The sponsor is hoping to keep the rents at the 50 percent level. The project rents range from 24 to 84 percent of market rents. The market study estimated the project would need to capture 1 to 1.3 percent of the current demand from the existing households, depending on the unit type.

MR. WARREN: Thank you, Tina.

To complete the discussion of the subordinate financing, as you know from your materials, there is a very sizable loan from our good friends at HCD MHP programs, contributing almost $7.5 million in subordinate financing, along with their social services funding of $500,000, which is -- obviously helps considerably for the financing of the project.

The development team consists of EBALDC, which is the East Bay Association of Local Development Corporation. It's a nonprofit that is known to the Agency. We've done actually several projects with them, most notably the Swan's Market Mixed Income Mixed Use project in Oakland. And the other is -- the developer is Related Companies from Southern California. We've had numerous projects with Related Companies. They will serve as builder and as property manager.

So with that, I would like to recommend approval, and I'd be happy to answer any questions.

CHAIRPERSON COURSON: Are there questions from the Board?

John.

MR. MORRIS: I just wanted to ask on the ground lease that hasn't been finalized yet, 100 percent of the ground lease payments is going to be paid up-front? There won't be any additional ground lease payments?

MS. ILVONEN: That's the -- that's the expectation. I just received a draft, and that space where it discusses that was blank. But the preliminary discussions have been that there will be $360,000 paid up-front without payments due annually, so that would be --

MR. MORRIS: There won't be any additional payments during the 67 years of the term?

MS. ILVONEN: Correct.

MR. MORRIS: Okay. And then you're also protected in the event that -- that ground lease comes back and it has been -- it's different than you're anticipating, there's language in the resolution that gives you -- that any material change would give you a chance to review that and come back to the Board?

MR. WARREN: That's correct. Staff, in conjunction with General Counsel's office, has to accept the lease as being basically a commercially reasonable lease. We have done -- we have done a similar type lease with another HOPE VI project, also in Oakland, so we know their lease form. We've been through many of the issues before, so our expectations have been made clear to Oakland, but if -- they have to comply with that and that's a -- that is a condition of the commitment.

MR. MORRIS: Okay. There won't be any financial impact.

MR. WARREN: No financial impact. And obviously one of the overall guidelines we have on these lease type transactions is we really discourage annual lease payments which can impact operation of debt service. We just try to avoid that whenever we can.

CHAIRPERSON COURSON: Other questions from the Board?

Dora?

MS. GALLO: I have three questions. Kind of like what John said, if there's an anticipated ground lease payment of $360,000, that's not reflected in the sources and uses.

MS. ILVONEN: Yes, it is. It is in the sources. It's in the last section of, it says, other. It's actually on the page 2 that was missing from the Board package initially, and hopefully everybody picked that up. It's in the other section.

MS. GALLO: I see. Okay, thank you.

MS. ILVONEN: The third line.

CHAIRPERSON COURSON: 158A, which I think the Board members were e-mailed or faxed yesterday.

MS. GALLO: The other question has to do with the environmentals. Was there a closure letter from the Water Board or OHEDA (phonetic) or anything that indicates that no remediation is required?

MS. ILVONEN: We do not have a closure letter. We just received the Phase II, and we have sent that to our environmental consultant to review, and we're waiting for recommendations for our -- from our environmental consultant.

MR. WARREN: Ms. Gallo, a condition of loan close will be that before our construction moneys are expended on the project is those closure letters and others are required.

I don't believe, Tina, that any large-scale mediation is planned for the site.

MS. ILVONEN: No. Not -- not for Phase I.

MR. WARREN: And for the commencement of construction, it's our understanding that other moneys will go in ahead of ours, so we do have the ability to withhold our funding until those documents are obtained.

MS. GALLO: And the last question had to do with child care. There's 3,000 square feet of child care space being planned. There's no mention who the services provider is going to be. And I noted that the child care is not free of charge to the residents. So where would the operations be reflected within this particular pro forma? Is it not --

MS. ILVONEN: It's -- it's not looked at in the pro forma. We're not -- we're not showing any income or any expenses on this pro forma, for one, because they haven't determined who the child care provider will be. I know they are starting discussions with Head Start, but that's not final.

MS. GALLO: So we're factoring the cost of construction but not the cost of operations.

CHAIRPERSON COURSON: Thank you.

Jeanne.

MS. PETERSON: Yes. I wanted to thank the sponsor and the public housing authority and CalHFA. As Mr. Warren said, the HOPE VI deals that come to the tax credit committee for 9 percent credit eat up a tremendous amount of credit and also ACP, so it's really nice to be able to see a tax-exempt bond, 4 percent credit deal as a

HOPE VI deal. And I would only hope that all the other rental phases of this deal were able to do the same, though I'm not sure what's currently planned.

But in any event, I do have one question and that is just an observation that over the last year or year and a half or so, it seems anecdotally anyways as though virtually every deal that comes to us where there would be an earthquake insurance requirement requests the waiver of the earthquake insurance, not surprisingly. And I'm just wondering if staff has thought at all about perhaps revising that requirement or restating things in such a way that if it is in a place where it would normally be required, that it just become a pro forma thing that you look at, at what the seismic studies say and everything and deal with it accordingly. Because it's now become totally routinized evolution.

MR. WARREN: I think to a degree that's true, Ms. Peterson. I think that the process that we are putting borrowers through is still stringent. It is what we call a Level IV, which essentially is structural analysis. Clearly when we offered up the waiver program for the earthquake insurance -- and let me just for the new Board members, let me give a little bit of background.

The Agency, up until about a year ago, had required earthquake insurance to include coverage so the Agency was able to secure it for all these multifamily projects. In looking at that, that -- and with the dramatic rise in all insurance costs, not just earthquake, the amount of the loans that the Agency had made was fairly small in comparison with what it could be, which means that other programs like MHP and others would have to fill the funding gap.

We felt that with -- after Northridge and the modifications in the Uniform Building Code '97 and in other areas, buildings now, particularly the type of three-story garden that we're seeing here which is primarily what we finance, are fairly safe from a damage standpoint and more importantly from a health and safety standpoint. As one developer said, they could take one building, tip it upside-down, stand it on its head, and kick it a few times, and it would still be fine.

We felt that was an appropriate risk to take for the Agency, but if provided, we could put them through a structural analysis which ensured the integrity so it wouldn't be completely routinized, I think, the process. So the end of the story is borrowers still have to go through it. They still have to make building design changes, which happens on a regular basis. We've had a couple of projects which did not come through us because they were too far down the path.

So we would like to think the damage ratios that we're requiring, which is essentially 8 percent damage in the event of a significant seismic event, not only gives the -- mitigates the damage, but clearly gives us a very high-level safe harbor for tenant safety.

So the short answer is we think it's a good risk. It certainly puts more of our money out there, but we want to make certain that it doesn't become just a push-the-button, automatic sort of thing.

MS. PETERSON: And finally I'd just like to say to anyone who may be sponsoring another phase of this development that hopefully they will not be attempting to get points for a park that's going to be relocated that currently exists.

CHAIRPERSON COURSON: Thank you.

Ed.

MR. CZUKER: Thank you.

First, I wanted to also commend the sponsors for putting together this structure. Obviously, there's a tremendous amount of participation from other agencies which makes the permanent funding side of this deal very safe for CalHFA, since at the time of permanent loan funding, CalHFA's exposure will drop to 10 and 11.7 or less than 12 percent of the total capital structure. It helps to mitigate any risk financially that CalHFA might have at the permanent loan and beyond with high-debt coverage ratio day one and a relatively safe deal and a great public benefit here.

My concern and question to staff fall on the construction loan side. The -- for the benefit of the new members, the construction loans administered by CHFA or CalHFA is --

CHAIRPERSON COURSON: I'm glad I didn't say that, Ed.

MR. CZUKER: -- have -- is a relatively new program and is an administration construction supervision process that is a relatively new process for CalHFA, and there's only been a handful of deals that have been promoted as construction loans through CalHFA. And here we have a very large construction risk and construction exposure at $22.9 million, which is a relatively large loan, which dovetails into the second question. One is the supervision, construction, maintenance, and control, and the second which relates to high costs again.

You're looking at hard costs in excess of roughly $200,000 a unit and total project costs at close to $300,000 per unit for a low-income, affordable housing project. So the cost side is on the high side. Once we get the permanent loan funding, that's really being subsidized by other public assistance programs, not CalHFA. But prior to the permanent loan funding, it is a 100 percent CalHFA risk. And so that makes the construction supervision side that much more scrutinized and requires greater detail, and certainly I'd like staff to address that.

MR. WARREN: Certainly. With respect to the dollar risk, there will be other locality funds that are coming in before us, so that will be mitigated somewhat, and there will be some component of tax credit that will to be coming in during construction. But with that said, though, the most sizable piece of construction debt comes from us.

The construction loan program for the Agency has evolved and gotten stronger over the last year. We continue to bring in new staff and establish our procedures. This particular project will, of course, have a single inspector assigned to it, along with a couple of other projects, but it will be primarily his duty to make sure that the work is done accordingly. The draw process that we established we think is very efficient. And the two individuals in our department now who will be running the construction loan, Ruth Vakili, who you will see in a few moments, one of her projects, and another individual, Ken Tamizato, who is a veteran at this construction loan, has also joined us on a consultant basis. So as we staff up, we try to address these things.

But you're absolutely right. It is a risk, an additional risk for the Agency, but we think that the financing benefits that we bring warrant the risk. And it is a process issue, and hopefully we will do the process well. So I think that's -- that's our primary -- our primary goal is to meet those risks.

MR. CZUKER: And the second part of the question which related to high costs --

MR. WARREN: Right. I think --

MR. CZUKER: Go ahead.

MR. WARREN: I'm sorry.

Again, as I said in the opening remarks, we're really two minds on this one. From a policy standpoint, high costs are a concern. From an industry standpoint, as a construction lender, we want to make sure that the capital budget is adequate to meet the contingencies. And from that standpoint, we're comfortable with that. I would not want to see a capital budget reduced in order for the interests of extending, you now, local participation.

So the short answer is -- is we look at these things from a cost standpoint. We want to make sure that

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costs are reasonable, albeit high.

MR. CZUKER: So as a follow-up, real quickly, the -- are you requiring performance bonds from the major subcontractor trades or the general contractor, or what assurances are you attempting to achieve during the construction period?

MS. WHITTALL-SCHERFEE: Right now what we're requiring is a 100 percent payment of performance bond from the general contractor. We're also requiring a corporate guarantee in the amount of a 100 percent of the construction contract or a letter of credit in the amount of 10 percent of the construction contract. And most people are -- most of our sponsors are choosing to go with a corporate guarantee.

We're also taking a look using industry standard -- industry standard requirements like AM Best (phonetic) and Dun & Bradstreet, and we're doing a lot of that type of research as well to make sure that the insurance meets our requirements, that the contractors are capable of bonding to the levels that they are supposed to and that they aren't overextended.

MR. CZUKER: On the general side, that's totally adequate. I'm just curious on the major trades, when you get into larger scope projects or larger cost projects, is it worthwhile to perhaps look at the major subcontractor trades for bonding as well?

MR. WARREN: We can look at that. We can. I think one comfort that we have on this particular project are the developers, which I think helps, but we can look at that.

MR. CZUKER: And I want to concur with you and commend staff, clearly the sponsors are experienced and have done projects of this size and scope before and clearly have the expertise to handle this style of project, so they're not stepping outside of their range of expertise. And again, I want to compliment the deal structure giving the CalHFA financing a very safe position, especially once the construction risk is mitigated, the permanent loan side is a strong financing and a good public benefit, so I want to commend staff as well as the sponsors for putting forth this project. Thank you.

CHAIRPERSON COURSON: Cathy.

MS. SANDOVAL: Yeah, just two quick questions. I had wanted to echo Ms. Leong Gallo's concerns about the environmental. I looked for the closure letter and couldn't find it, but it sounds like you have a process to get that wrapped up. But I just wanted to echo the concerns about that.

The other thing is I wanted to also commend this project, and I notice that we have a number of projects

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that have a large number of bedrooms. This one has both four- and five-bedroom units, which, as you know, is a rarity in the market. And I think that this is one area that both HCD and CalHFA can play a leadership in encouraging the construction of apartment units, multifamily housing with large bedrooms. So I just wanted to commend that and commend that to the agencies as a purpose that we should be thinking about.

CHAIRPERSON COURSON: Thank you.

Is there a motion?

MS. PETERSON: So moved.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Motion to approve. Is there a second?

MR. CZUKER: Second.

CHAIRPERSON COURSON: Call roll.

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis.

MS. NEVIS: Aye.
MS. OJIMA: Ms. Gallo.
MS. GALLO: Aye.
MS. OJIMA: Ms. Sandoval.
MS. SANDOVAL: Aye.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Aye.
MS. OJIMA: Mr. Shine.
MR. SHINE: Aye.
MS. OJIMA: Resolution 04-07 has been approved.
CHAIRPERSON COURSON: Thank you.
Linn, do you want to move to the next project?
MR. WARREN: I'm going to ask Laura to take this. Joining us is Jim Liska. Jim is a loan officer with the Agency. Jim actually has rejoined the Agency after going back out to the private sector for a couple of years. Jim has a very broad background dealing with many years of HUD, in the private sector lending both homeownership and in the multifamily area. Jim is also an appraiser and is kind of the sage veteran that we go to on a lot of these issues, so -- but Jim will be here presenting the project.

Resolution 04-08 (Springs Village, Agua Caliente/Sonoma)

MS. WHITTALL-SCHERFEE: This is a final commitment request for Springs Village. Springs Village is an 80-unit new construction family apartment project. It's being constructed and owned by Springs Village, a limited partnership, with a general partner of Burbank Housing Development Corp.

The sponsor is requesting a loan to lender on this project for a term of 24 months at 3 percent interest in the amount of $11,915,000. Washington Mutual will be providing the construction financing. The permanent loan will be in the amount of $1,985,000 at 5 and a half percent for 30 years.

In addition, there's quite a bit of locality and other financing. The locality is providing financing through the redevelopment agency with a 30-year loan of $500,000. They're also providing a $350,000 CDBG loan and $135,400 home loan. Housing and Community Development has committed a $4,655,357 loan under their MHP program, and they have also committed $1,500,000 under the Joe Serna, Jr., Farm Worker grant and loan program. Twenty-five units under this program will be eligible for farmworker families.

Rural Community Assistance Corp. is providing a $2,300,000 loan to Burbank Housing for the project. It is a fully amortized loan, so you do see it in your cash flow. It's amortized for over 27 years, but due in 30, because all loans need to be co-terminus. And it has a one year -- a one percent interest rate. In addition, there's a $513,000 AHP loan and a $5,000 AHP lender grant.

And now Jim is going to take you through the project.

MR. LISKA: Thank you. Thank you, Laura.

Mr. Chairman, Members of the Board, before I get started, we can go back to -- on this project, Springs Village, and the next project, we go back to the discussion that was just held between Ms. Peterson and Linn Warren on seeking the seismic waiver.

Here's an outlying aerial of the project.

Here's a closer-up one. This project, the site was purchased back in 2001. The gross acreage was 6.49 acres. And approximately 1.49 acres were sold off to the -- to the swim club, which you see at the bottom of the screen here, over here. And it opened in October of 2003. The surrounding site is basically single family, here, existing mobile home park, and to the rear of the site is the Sonoma Creek. And we have a one-acre parcel here that's part of the site which is a passive part of the site which is required for the habitat riparian that we have as part of this site.

Pictures of the site facing south from the site, you can see existing mobile home structures in the background. Facing west from the site is the creek. Facing north from the site is the single-family residence.

Here's an elevation picture. We have 31 buildings; 30 buildings are townhouses. There are two units each, and they contain two, three, and four bedrooms. We have one building that's a two-story flat, and it contains studios, one and two bedrooms. All the units have full kitchens, including dishwashers, and there are washer and dryer hook-ups.

Here's the elevation of the project. You can see it's very nicely laid out, well landscaped. Again, we have the -- a nice one-acre passive parcel here with natural habitat, seating area, benches, walkway, trailway.

There's been a negative declaration as far as environmental concerns.

As far as rents, basically there's good - this -- Sonoma Valley hasn't been as affected as many other areas of the Bay Area as far as seeing a decrease in rents. We have a pretty good range for affordability, 5 percent -- 50 percent with market. This project will be getting 25 units of Section 8 from the County of Sonoma. It's not part of our cash flow. It's over and above. These units will be available if the Section 8 tenants meet the criteria for income restriction in the project.

With that, I'll give it back to Laura.

MS. WHITTALL-SCHERFEE: The sponsor on this project is Burbank Housing Development Corp. They are a developer, a sponsor that is well known to us. They were established in 1980. And during the course of their existence, they have developed 1,629 units in 39 projects. Burbank Housing Management Corp. will be managing the project. They were created about ten years ago, and their primary purpose is to manage the projects developed by Burbank Housing Development Corp.

And at this point, I'd like to entertain any questions and request approval.

CHAIRPERSON COURSON: Questions from the Board? Ed.

MR. CZUKER: Thank you. The loan to lender on the construction side, is CalHFA getting a letter of credit or what form -- or some form of guarantee from Washington Mutual? Is that -- what form is that guarantee taking, and does that protect CalHFA from the construction period risk?

Once again, you know, my compliments to the heavily subsidized project once it hits the permanent loan funding stage, but my question relates to the construction period risk and how does the CalHFA secure its loan to lender in this particular transaction?

MR. WARREN: Loan to Lender Program has four participants to date, B of A, Wells, Union Bank, and now Washington Mutual. They have to be rated, single A rating basically on their credit capacity. Washington Mutual made that threshold. Under the program if they achieve that rating, then we take essentially a guarantee from the lender. If the lender is less than the -- has a rate less than that, it's a letter of credit. So we prequalify each of these lenders, and if they meet that, then we think that's an appropriate risk.

MR. LISKA: The rating is A minus, Standard and Poor. I talked with a Washington Mutual individual yesterday, and she faxed over a letter indicating that they have received the A minus rating, so they are acceptable to our Agency.

MR. CZUKER: And from a mechanism -- program mechanism standpoint, to the extent there's construction overruns, is that the lender's responsibility or do they have the potential of coming back to CalHFA with cost overruns?

MR. WARREN: Construction period risk is solely based on the construction lender and not ours. It is our funds, but they have to manage them and basically deal with that particular issue. They certainly could come back to us. In a default situation, they have the ability and need to deal with that default situation.

MR. CZUKER: And on a project, permanent loan side, again here we have multiple subsidies and a low loan to value, loan to cost and a then heavily subsidized project from outside sources. So again, my compliments to staff being able to facilitate good public policy benefit for affordable housing projects. Thank you.

CHAIRPERSON COURSON: Other questions?

Jack.

MR. SHINE: More in the way of a comment. It's very nice to see a project recognizing the costs of construction for a change. And I want to thank you for that.

I also want to comment that with respect to the earthquake waiver being requested in this particular project, I'm delighted to see being kept our loan down to the value of the land so that we don't have to worry about it.

CHAIRPERSON COURSON: Other questions from the Board?

Is there a motion?

MR. CZUKER: So moved.

MR. SHINE: Second.

CHAIRPERSON COURSON: And a second. Call roll.

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Aye.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis.

MS. NEVIS: Aye.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval.

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Thank you. Resolution 04-08 has been approved.

CHAIRPERSON COURSON: Thank you.

Mr. Shine?

MR. SHINE: I'd like to make just one generic request from staff. In looking through all of these projects, sometimes in many of them the costs for the design and the architectural and all of that, you run the gamut from three or four thousand to 15 or $16,000, in the first case, and I want to first of all thank you for delineating more of the line items that make up our costs and request that you do the same thing on design. Because just for the architect, $15,000 a unit may be a tad much, as on our first project that we approved today. But in general, as you go through your list, if you just break that down a little bit, it would be very helpful. Maybe there's a huge amount of structures in here, I don't know. It just looks strange to me.

MR. WARREN: Okay. That's fine.

CHAIRPERSON COURSON: For planning purposes, I'd like to get through one more project, and then we'll take a short break.

MR. WARREN: Sure. Okay. We will proceed.

Resolution 04-09 (St. Vincent's Gardens, Santa Barbara/ Santa Barbara)

MR. WARREN: The next project for the Board's consideration is St. Vincent's Gardens in Santa Barbara. This is a request for a construction loan in the amount of $17,535,000, of which $17,000,000 is tax exempt and the $535,000 is a small taxable piece. Subsequent to construction, there is a request for a permanent loan in the amount $3,225,000, 5.5 percent interest rate, and a

Section 8 loan of $2.29 million for ten years.

Let me take a moment and explain that. About a year and a half to two years ago, HUD introduced a program called Project Based Vouchers. And what that is is a local housing authority can designate for family projects -- for special needs projects, it's a larger percentage, but for family projects, 25 percent of he units can be targeted for vouchers, which are not unlike the project-based Section 8 voucher, only in this particular case it's not a long-term contract. It is subject to annual appropriations from HUD.

We feel that that's a reasonable income stream to lend against, so we will do what's called a Section 8 increment loan and the increment is really the Section 8 payment level which is usually payment standards for market over and above the 50 and 60 percent rents for that particular project. Generally, project-based vouchers or PBVs run for ten years, and accordingly we have set a piece of debt to that increment for that period of time.

As I said, there's a certain amount of risk in that HUD may not appropriate these dollars; but since this is a targeted effort on behalf of the local housing authority, the Agency feels it's an appropriate risk. There's a fair amount of due diligence that goes into these particular increment loans. We have to go through the housing plan with the PHA. We have to take it back to Washington, so there's a bunch of stuff we have to do before we come to agreement, but we've done several of these things. But we think it's an appropriate piece of debt leveraging for the size of the projects.

The subordinate financing, as you can see here, is substantial. In this particular case, we have the City and County of Santa Barbara loans in excess of $8 million and $3 million, respectively. With the increase of costs, and we'll talk about the costs obviously in just a moment, there is also a request that is pending with both the City and County for an additional $2.7 million, and the borrower is contributing a piece of their developer fee, as well as a sizable tax credit equity.

This is a leasehold mortgage, which Jim will go into in just a minute, but it has extensive costs. Much of the costs in the development budget to date are not directly related to the project. They have to do with costs of the campus which the St. Vincent's project is located on. Jim will talk about that in just a moment.

Because this is a fairly expensive project, the developer here, Mercy Housing, is an outfit that we've done a lot of business with and have a lot of respect for. And if the Board in this particular case would like to address some particular questions regarding costs to Mercy, the representatives are here to answer those questions.

So with that, Jim, why don't you run through the slides.

MR. LISKA: Okay. Thank you, Linn.

There's a far-away shot of the aerial.

This one is a little bit closer. To me this is a stunning site. I put it in the context. It's part of a campus configuration. And as I go through it, we'll elaborate a little more.

To the front of the site is Highway 101, just to give you some bearings. It's on a major intersection. To your right here is Highway 154. The back area right here is St. Vincent's Institution. To the left here is a future HUD 202 senior citizen project. It has its reservation. The reservation is good through November. Again, I can talk about a campus setting. And I lost my arrow.

MS. WHITTALL-SCHERFEE: It's right here.

MR. LISKA: Sorry.

Our project here is a family project, 75 units, and it will be the first in before the senior citizen project. To your left and up is a mobile home park and multifamily.

Quickly, here's the existing St. Vincent's entrance.

Here's a north view from the family site towards the cottages in the rear.

This creek, there's a view of the creek right now. The creek will have a setback. It will be enclosed by fencing on both sides. And this is what contributes to the costs of the on-site as well as off-site.

Here's looking -- a picture looking west towards the administration building.

Here are some elevations. We will have elevations -- the units are two, three, and four bedrooms. They're contained in two, three, four, five six plexes.

Here's a layout of the site configuration. And again, this is our site right here. As you can see, we'll be having a new pedestrian bridge. Over here will be a picnic barbecue area that's proposed. We have an existing ballpark area over here and a play area. We will also be using common facilities. There's an existing pool located over in this area.

Services that will be offered by the St. Vincent's Institution will be child care and other social services, as well as Mercy Housing is providing their own

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social services.

Just to address some of the on-site and off-site costs, we have a total of on-site and off-site, we have $79,967. Only $2.8 million of that is attributable for tax credit eligibility. The rest is not included for tax credits.

As you can see, in Santa Barbara we have a pretty good gap as far as between the market and our subsidized units at 50, 60 percent. We do have 25 units that will be, as I think Linn mentioned, Section 8 based from the City of Santa Barbara. And again the spread is something like approximately 30 to 50 percent.

With that, I'll turn it back to Linn.

MR. WARREN: Thank you. As Jim reminded me on the HUD 202 projects, the off-site improvements cannot be included in the budget from HUD so --

MR. LISKA: They're paid by the owner.

MR. WARREN: That's right.

So you are seeing the campus improvements essentially embedded within this development budget, but as Jim indicated, not all of those are good towards tax credit basis.

The sponsor is Mercy Housing. We have done a number of projects over the years with Mercy. Mercy is one of the premier nonprofit affordable housing developers, not just in California, but around the country. And we have spent a fair amount of time with Mercy on the costs on this project.

At the end of your materials, there's a comment about the estimating we've gone through. Currently we're reviewing costs with Mercy for this, but given the uncertainty of prevailing wage and materials and costs in the Santa Barbara area, the costs for this particular project are based on Davis Bacon commercial wage rates, which are as high as we basically get for these types of projects; hence, the very large number.

I think Mercy has found a way to have these paid for essentially by the County of Santa Barbara. They're -- the additional moneys that are being requested from Santa Barbara are subject to a review of these costs by the locality themselves with an eye toward employing as many local trades as possible in the Santa Barbara area versus having to come from the Los Angeles area.

But with that said, this obviously represents a sizable investment on behalf of the City and County of Santa Barbara, and they're demonstrating that by contributing the funds necessary to complete the project. So with that, we'd be happy -- I'd like to recommend approval and be happy to answer any questions.

CHAIRPERSON COURSON: Questions?

Jack.

MR. SHINE: A couple of things I'd like to clarify. I notice that the gross square footage of the project is 118,000 feet, and yet when you multiply out the apartments by the square footages that they have, that's 70 some-odd-thousand feet, about 60 percent of that. Where's the other 40 percent?

MR. LISKA: The unit square footage I gave you, there's a variance. It goes from 800 to maybe 960 on a two bedroom, and I didn't include that. There's a community room. There's maintenance and et cetera. So you're probably looking at the net square footage; and when you look at the miscellaneous other square footage, it adds up to that gross figure.

MR. SHINE: 40,000 feet?

MR. LISKA: It could be, yes.

MR. SHINE: I'm sure you looked at it and all the feet are there. It just seems to me in terms of bang for the buck, when you have to build 118,000 feet at $125 a foot hard, and then you only get to use 70- or 80,000 feet of it, the efficiency -- and I know that our -- first of all. Stop.

I want to put on the record that I have a relationship with the architect, Lauterbach and with a member of the Benchmark team in that they sit with me on the board of Habitat for Humanity. We have no financial connection, but I just want that to be clear.

In the meantime, 40,000 feet that you're not getting anything for or half of it's in your common areas and your rec rooms and so on -- I'm sure you've looked at it, it just seemed to me a big red flag so I just wanted to --

MR. WARREN: If you'd like, Mr. Shine, I can have the project sponsor comment on that. They know better than me what --

MR. SHINE: I'd like to know where the 40,000 feet went. And a secondary question --

CHAIRPERSON COURSON: Linn, would you introduce him?

MR. WARREN: Yes.

MR. PHILLIPS: Hi, there. Ben Phillips with the Southern California office of Mercy Housing California. I'm the project manager for this development.

And I think Jim covered most of it. Essentially the unit square footages that appear in your staff report are the smallest units that we have at the facility. The two-bedroom units actually run from 800 to 970 square feet. The three-bedroom units actually run from 1,000 to almost, 12 -- I'm sorry, 1,000 to almost 1,200 square feet. We've got some 1,190-square-foot units as well.

And the four-bedroom units run from 1,200 to 1,225. So we'd have to -- I'd have to take a look at the net square footage that you have in here and compare it to mine.

I think we also do have a 15th building, which I don't have the square footage of myself. The 14 -- the units are comprised of 14 buildings. The 15th building is the community building, which is -- which is all community space. And it's -- I think it's roughly 10,000 square feet or so.

MR. SHINE: Well, I'm sure you -- you're a very sophisticated company. I'm sure you didn't lose 40,000 feet. It just didn't look right to me.

MR. PHILLIPS: Yeah.

MR. SHINE: While you're there, let me ask another question and that is where is the parking for the cars?

MR. PHILLIPS: The parking is on the perimeter of the campus.

Do you have the campus map?

MR. SHINE: I saw one interior street and no private drives and four elevations that had no garages, so where's the parking?

MR. PHILLIPS: So on the family project, we'll construct all of these -- this -- these interior streets. And the mouse -- the ones that are shaded gray here, as you can see are running through and around the family project. There's also an interior street that runs along the back side of the property off to a secondary exit from the campus. So we'll be replacing all of those streets.

And the parking for the family unit will be surface parking along the streets. You can see here very lightly the perpendicular parking wrapping around the family buildings.

MR. SHINE: There is no attached or covered parking?

MR. PHILLIPS: No.

MR. SHINE: It's all on the street parking. At what ratio, please?

MR. PHILLIPS: There are about, I think, one and a half units of parking per -- per family unit. We did our parking based on a campuswide parking study that includes all of the existing uses, as well as the proposed uses for the campus as opposed to just targeting out for individual uses.

CHAIRPERSON COURSON: Other questions?

John?

Oh, I'm sorry.

MS. PETERSON: I have a relatively quick question, and that is how do you have 25 of 75 units getting project-based Section 8 when, at least not having had a whole lot of sleep, it seems like that's a third of --

MR. PHILLIPS: Right.

MS. PETERSON: -- the units, and that's more than the PHA can dedicate to be project based.

MR. PHILLIPS: They can dedicate 25 percent per building on buildings that have over four units, so we have buildings that are three and four plexes, and those buildings are all project-based Section 8.

MS. PETERSON: Aha.

MR. PHILLIPS: That's --

CHAIRPERSON COURSON: Okay, John.

MR. MORRIS: Just a comment briefly on the site costs of $20 a square foot for on/off-site, seems rather high. You mentioned it in the presentation, but maybe you could go into more detail on how you get to the $20.

MR. PHILLIPS: Yeah. There's a lot of on- and off-site costs on this project, and we're very concerned about them as well. It's a -- it's a gateway site into the community of the city of Santa Barbara located at those two key intersections. And it's roughly a 20-acre site, and the family project is paying for all of the site work for pretty much the entire site, as well as all the off-sites along Calle Real.

The site has, as you can see, the blue line creek that runs through the site. It is pretty, you know -- it diagonally cuts through the entire site. And that's a, you know, federally protected riparian corridor. The site is also a natural sump, which has required a revision to the -- to the FEMA maps for the area.

And all of those conditions really contributed to a rather extensive environmental approval process and public design review process with the City and County of Santa Barbara that took us upwards of five years just to get to the basic entitlement stage of this project. And they have added a lot of costs to the deal.

MR. WARREN: Yeah, and Ben points out a very important point. Developing in Santa Barbara is extremely difficult, particularly in this corridor. The architectural standards that Santa Barbara imposes are just very, very stringent, and that is the look that Santa Barbara wants, even -- even what is referred to as Upper State, which is where this is, Upper State Street area. They're very tough and have been, and that's one of the traits of the community, that they are, to put it mildly, militant on the design that they impose. And as Ben and Mercy have done for five years, have been trying to work this deal, they have been there every step of the way, and that just adds up to this cost.

CHAIRPERSON COURSON: Other questions from the Board?

MR. MORRIS: What is the commencement date of this?

MR. PHILLIPS: We expect to start construction this summer, in July.

MR. MORRIS: And that's the commencement date?

MR. PHILLIPS: Yes.

MR. WARREN: Hence, the reason for coming today to the Board meeting to try to get going on this.

CHAIRPERSON COURSON: Other questions from the Board?

MR. CAREY: Just a quick question on the Section 8, this 10-year commitment, is that firm? Are there risks in this current program?

MR. WARREN: You mean as far as the HUD appropriations, for instance, Mr. Carey?

MR. CAREY: Yeah.

MR. WARREN: I think that's always there. And I think that we have to look at it on two levels. Number one, is this commitment from the local PHA consistent with their housing plan as approved by HUD? And sometimes they aren't, so that's a diligence issue we have to take care of, so that's one of the conditions of funding is to have that agreement done.

As far as the larger issue as appropriations from HUD, that's, I think, anybody's guess at any given point in time, and that's just a risk we're willing to take.

CHAIRPERSON COURSON: Dora.

MS. GALLO: I don't really have a question, I have a comment to make, and not so much directed at the staff here but more so at the developers. I mean, staff can watch this as it comes forward. I'm a little concerned about the bedroom sizes, I mean the unit sizes. You mentioned that this is the lowest range here, but you have four bedrooms ranging 1,200 to 1,225. That's very small. Your other projects on the agenda, your four bedrooms are 1,400 square feet.

When we're talking about quality of life for the families, we should try to consider that as a factor. We shouldn't squeeze in as many four bedrooms as possible and the bedrooms are not usable, so I just want to put that on the table for future consideration.

MR. WARREN: That's a good point. As Mercy Housing and every developer in this room can comment, one of the issues, one of the gauntlets that they have to run is unit design. And they are thrilled and pleased to comply with the architectural requirements in this area. So it's a big issue for us, you're right, to look at that. One of the main components of architectural review for the Agency is livability of the units, not just size, but the configuration. So that's one of our hot buttons.

CHAIRPERSON COURSON: Other questions?

Ed.

MR. CZUKER: This is a beautiful project and a beautiful site and a beautiful location, and my compliments for the difficulty in working in a high-cost area in a very difficult regulatory environment. And with that, I would like to support the motion to call for approval on this item.

CHAIRPERSON COURSON: Thank you. There's a motion.

Is there a second?

MS. NEVIS: I'll second.

CHAIRPERSON COURSON: Okay, Judy.

And call roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Aye.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis.

MS. NEVIS: Aye.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Aye.

MS. OJIMA: Thank you. Ms. Sandoval.

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 04-09 has been approved.

CHAIRPERSON COURSON: Thank you.

The Chair is going to suggest that we take about a ten-minute break, and then we'll come back.

(Recess taken.)

CHAIRPERSON COURSON: Okay. We are back in session.

Mr. Warren?

MR. WARREN: Yes.

CHAIRPERSON COURSON: Please proceed.

Resolution 04-10 (Via Del Mar, Watsonville/Santa Cruz)

MR. WARREN: Joining us now is Ruth Vakili. Ruth is a loan officer with the Agency in Sacramento. Prior to joining CalHFA, Ruth was the development project manager for the Santa Clara Housing Authority. One of the reasons that we asked Ruth to join us is because of her extensive experience and development financing. Ruth was obviously not only a loan officer, but actually ran the development projects for Santa Clara and built a number of projects for them over the last ten years.

So with that, I'll have Laura and Ruth proceed with the next project.

MS. WHITTALL-SCHERFEE: This is a final commitment request for construction financing and a permanent first mortgage. Via Del Mar is a 40-unit family apartment project with a child care center that will be located in Watsonville in Santa Cruz County. They are requesting financing in the amount of $6,725,000 over 18 months for construction financing. They're also requesting a permanent loan in the amount of $860,000 at 5 and a half percent for 25 years.

There are substantial levels, there are quite a few levels of both locality and other financing. The City of Watsonville has committed a loan of $1,215,000 for 55 years at 0 percent. They've also committed a grant of $457,404 that's supposed to go towards paying for part of the cost of the child care construction.

This project is on a ground lease. The City of Watsonville has leased the property from the Santa Cruz Metropolitan Transit District. They, the Santa Cruz Metropolitan Transit District, is paying a dollar a year for 99 years, and that began in June of 2002. The City of Watsonville selected Mid-Pen to construct the project, and they have executed an option to sublease the project for 80 years at an annual lease payment also of a dollar a year.

In addition to that financing, Housing and Community Development has made a series of loans, MHP financing in the amount of $2,716,528. There's another MHP financing source which is nonresidential space for supportive services in the amount of $376,211. And there's also a Joe Serna Farm Worker loan in the amount of $600,000 at 3 percent. All of those are 55-year loans. There's also HOME financing in the amount of a million dollars at 3 percent. And there's an AHP loan in the amount of $239,000 for 30 years.

And with that, Ruth is going to take you through the project.

MS. VAKILI: After our first technical difficulty, I do have our site. This project is located in Watsonville.

MS. PARKER: Ruth, excuse me, can you bring the mike a little bit closer so we can hear your very soft voice.

MS. VAKILI: That's not what my borrowers say.

The project is located in Watsonville, just a block and a half from downtown. Here you're looking at the site from West Beach Street. It is currently paved. Right across the street also from the transit district, as this is a transit oriented project. It is -- the project, when it starts construction, will encompass the existing site which is currently consisting of roadways, a median, and part of an existing parking lot that will be demolished. The project is conveniently located across the street from the transit district, a block from downtown, less than a half of a mile from all of the major services, schools, libraries, and medical facilities.

Here you can see the layout of the project. It is a podium, residential on top of podium. At street grade you have the parking garage and a 2,300 square-foot child care facility, all of this on a .65-acre parcel, zoned commercial core area.

We can see the elevation of -- a typical elevation of the building. This is looking from the West Beach section. The project will have 62 assigned parking spaces. There will be 15 apartment flats, 25 two-story townhomes, and again the child care center, which, may I correct myself, is actually 2,700 square feet. It will have 2,000 square feet of outside play area and will serve 32 children. First priority will go to residents of the project, and half of the childcare spaces will be offered to low-income families at a subsidized rate.

Here's the entry view of the project itself.

The market area for Watsonville is experiencing a very large lack of affordable housing, as are most markets in California. This project will serve people who are in the income levels of between 30 and 60 percent.

Here you can see that the majority of the units are rented at between 39 to 87 percent of market, which it is believed that these units will be very well received by the market, and we're anticipating that all units will be fully leased within three months of completion. That's a very conservative estimate based on what the market study has shown to be the case for the Watsonville area. Generally whenever a project is presented to the market, it's leased up within 30 days, and there are substantial waiting lists; therefore, we think that this project will be very well received.

Relative to the environmental issues, an environmental study dated September 2000 found that there were no adverse environmental conditions. We will, however, request an updated environmental assessment prior to closing our construction loan.

MS. WHITTALL-SCHERFEE: The borrower on this project is MP Transit Center Associates. It's a limited partnership that currently owns the project. The general partner is Mid-Peninsular The Farm, Incorporated, which is a wholly-owned, nonprofit affiliate of Mid-Peninsula Housing Corp. Mid-Peninsula Housing Corp. is very well known to the Agency. They have developed over 80 affordable housing and senior -- both senior and family housing. And we have financed 12 developments with a total of 1,199 units beginning in 1982. The project will be managed by Mid-Peninsula Housing Management Corporation. They manage nearly 70 affordable housing developments with over 5,000 units.

And with that, we'd like to ask you for your approval, and we would be happy to answer any questions.

CHAIRPERSON COURSON: Questions from the Board?

A motion from the Board?

MR. SHINE: Move approval.

MS. NEVIS: Second.

CHAIRPERSON COURSON: Mr. Shine moves and Ms. Nevis seconds.

Is there any comment from the public on this project?

Seeing none, we'll call roll.

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Nevis.

MS. NEVIS: Aye.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval.

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Morris. Mr. Morris?

MR. MORRIS: Aye.

MS. OJIMA: Thank you.

Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Aye.

MS. OJIMA: Resolution 04-10 has been approved.

CHAIRPERSON COURSON: Thank you.

And the last project for our consideration today.

Item 5: Discussion, recommendation and possible action
relative to final loan commitment modification
for the following project

Resolution 04-11 (Villa Amador, Brentwood/Contra Costa)

MR. WARREN: Thank you, Mr. Chairman.

Joining us now is Edwin Gipson. Ed is a mortgage officer in the Sacramento office. Prior to coming to CalHFA, Ed was a supervising underwriter for Cal Mortgage, which is a health facilities provider, also with the State of California. Ed has a very strong background in elderly housing and assisted living, as he developed those particular programs areas. You'll see Ed up here presenting those projects on a regular basis. In the meantime, Ed has -- we're going to talk about Villa Amador.

Villa Amador was brought to the Board for approval and was approved in September of last year with what we thought at that point in time was an adequate development budget for this particular project. After that, as the management staff of Mercy Housing, who is the sponsor and developer for this particular project, began to finalize their costs, they realized there had been some underestimation of particular costs, and at the same time the City of Brentwood in Contra Costa County, where the project is located, began to add additional requirements which also escalated the cost.

As these numbers were finalized and filled out, Mercy, to their credit, went out and found the additional financing resources to meet this higher development cost. The request today is for an increase of a Loan to Lender Program from $13 million to $16,650,000. The primary mortgage for the Agency remains the same at $5,280,000, and now we have a Section 8 increment loan, similar to the one we just discussed recently. That is a new loan in the amount of $1.8 million based upon the additional project-based vouchers that Mercy has obtained from the local housing authority.

So with that, I'll ask Ed to kind of take you through some of the cost issues and talk a little bit about the project.

MR. GIPSON: This is Villa Amador. It's an 8-acre site located almost centerized in the picture next to the burned area of land, which will actually be an adjacent park next to the project. This is a family project. It runs -- can I use this mouse or --

MS. WHITTALL-SCHERFEE: Yes.

MR. GIPSON: This is Sand Creek Road. And this is Highland. And to the far side of the project there will be a new road going in, right there, which will be Shady Willow Lane. In the far distance is Highway

Bypass 4.

A closer shot of the site. To the rear of the project is new residential construction. They're much further along than this now. Across the street to the south of the project is existing residential. Future build-out space here for a commercial project. And a little bit further in the distance to the left are a school and another park area. And here are commercial services, including a grocery store.

This is a far distance shot. The school is in the background, the park area.

This is a rendering of the future project. You can see some of the various details in the picture start to illuminate on what the cost issues are going to be.

And there's a site map of the project. This is running Sand Creek Road, with Shady Willow Lane to the side here.

There will be 14 two-story buildings. There's 205 parking spaces, a tot lot. The project will have a day care center. The day care center will be operated by Head Start. The project is zoned 20 units to the acre. If you've noticed, the density is approximately 12 units to the acre. Due to the existing building requirements with the City of Brentwood and everything, things such as 85-foot setbacks, very wide roads, limited to two-story buildings, have limited the density of this project; therefore, also limiting the number of units and the cost per unit increased.

The project will be serving tenants at 35 percent of SMI and 50 percent of AMI. There's one-, two-, three-, four-bedroom units.

There are no environmental issues associated with the lot. And the loan to values, now that the appraisal is in -- we had at the first Board meeting back in September for approval, we had estimates of what the values would be. The appraisals are now in, and loan to value would be approximately 47 percent with the two new loans on the project.

The first loan for the permanent mortgage is $5,280, which remains the same, but now there is a Section 8 increment loan. Linn spoke earlier how increment loan works. This one will be with Contra Costa Housing Authority. It's for 10 years. There will be 24 units.

And with that, I'll give it back to Linn.

MR. WARREN: Thank you, Ed.

As you can see from the sources and uses, which is a little bit different than we normally do, we endeavored to lay out where the increases occurred and how those increases would be paid for compared to the approval back in September. As with the St. Vincent's project, the Mercy staff is here to answer any questions regarding this.

But from a credit-risk standpoint, with the exception of the Section 8 loan that has been added, there is no appreciable credit risk to the Agency over and above the previous approval. In a sense, this is a lender loan. We are not the direct construction lender for this project.

So with that, we would like to recommend approval and be happy to answer any questions.

CHAIRPERSON COURSON: Questions from the Board? Ed.

MR. CZUKER: Well, just a clarification on the permanent loan first mortgage. You've said that there's really no change from the original, but in the package I'm reading there shows that the interest rate changed and the term changed, and that it went from a 30-year amortization to a 40-year amortization, and the interest rate was reduced from 5 and a half to 5.35.

MR. GIPSON: You are correct. I apologize. I was mentioning the loan amount. In order to -- when reviewing the numbers and putting the package back together, the term was changed to 40 years for the amortization. With regards to the interest rate, bonds were sold for this project in December, and the Agency's rate that we received on the bond sale was below the underwriting amount, and so the new interest rate is set according to those costs of loans.

MR. CZUKER: So --

MR. GIPSON: So the project has benefitted from the fact that we actually had a better than expected bond sale with regards to the interest rate.

MR. CZUKER: So the Agency's benefitted, but now we're passing along that benefit to the borrower.

MR. GIPSON: That is correct.

MR. WARREN: This happens periodically, Mr. Czuker. We are limited as to the amount of spread that we can charge, and if we go to sale for bonds and there is a benefit from the markets, then we do pass that benefit along to the project. It doesn't always happen, but occasionally it happens.

CHAIRPERSON COURSON: Questions?

Catherine.

MS. SANDOVAL: Yes. One question or clarification I wanted is "Did the City institute new requirements after our approval or was it simply a question of cost underestimation? And if it was cost underestimation, what comfort do we have about the rest of the costs and certainty that the cost estimates are correct?"

MR. GIPSON: The City did not institute any new costs associated, so it's really more of a case of cost estimazation -- if there's such a word -- underestimated costs. When they went to incorporate everything from the siding to the tiles to the walls surrounding projects being stucco, all these costs kept adding up. And with the original estimates that they had provided, you know, over time, you keep upgrading them with a percentage increase. Well, as they got further and further along into the details of the plans, which early on are preliminary which are almost finalized now, they undertook more of a detailed cost estimate to someone who just built a project down into the area and used those estimates to come up with this new cost.

As for additional comfort, we have also engaged in an independent cost estimate, so we will be going back through those plans.

MR. WARREN: That study is not complete, but as Edwin indicated, that is underway and our commitment is going to be subject to the final review of those costs by our consultant.

CHAIRPERSON COURSON: Jeanne.

MS. PETERSON: Just a comment on that, and I could be really wrong, but it feels almost like maybe it came in too early.

MR. WARREN: Yes.

MS. PETERSON: And -- you said yes?

MR. WARREN: I did. That is a yes answer.

MS. PETERSON: And then my question, and that is our reports indicate that increases in the HOME funds from the County and a residual receipt loan from the City have been requested. They did not indicate that they have been committed. Query: Have they been committed; and furthermore, if per chance there was for some reason one or the other of them were not to be approved, then obviously we'd have a gap between sources and uses -- and I'm just wondering what would happen in that instance.

MR. WARREN: I don't know the status.

MR. GIPSON: They have not been committed. They entered into the discussions with them for the additional increases, particularly with the City of Brentwood. They've had those discussions, but they are not committed yet. But we will have those commitments before we go forward.

MR. WARREN: But we are optimistic. If not, then we will have to visit the gap and see what solution we can come up with. At this juncture, we're optimistic, and obviously our commitment is subject to the loan --

MS. PARKER: That would require us to come back to you.

MR. WARREN: If necessary, but obviously our approval, we're asking that we have the latitude to move some dollars up and down on a small basis, but I think we're good.

MS. PETERSON: Presumably since many of these things are the requirement of the City and the County, they should be --

MR. WARREN: You would hope so.

MS. PETERSON: -- willing to.

MR. WARREN: But, you know, actually, Ms. Peterson, your comment about premature, there are times when we have development schedules and given how CDLAC programs and stuff like that, yes, occasionally we have to push these through. But, you know, we're comfortable with Mercy, and I think that the lesson here is that you have an organization that realized it had an issue, and it solved the issue without asking a whole lot more from us.

MS. PETERSON: They'll also be requesting an increase in the tax-exempt bond?

MR. WARREN: I would assume that, yes.

MR. CZUKER: I was just looking and want some additional comments relative to -- I mean, if you look at the original budget, you have roughly $23 million total budget. Now the new budget is roughly $31 million in budget. That's almost an $8 million swing, and that's not being off by a little bit. That's being off by a substantial portion of the budget, 35 percent, 34 percent increase in the original concepts since September. That seems like a huge change in and of itself.

And it's to build further on the prior comments, the -- how far along in the commitment stages do you feel the sponsors are relative to, one, obtaining perhaps a better execution on their tax credit equity? Do you have commitments already for tax credit equity in this deal? And if so, perhaps the -- if they're trying to achieve almost a $3 million increase in tax credit equity for the project to bridge a portion of that $8 million, some of that would be increased bond capacity, but some of that might also be a perhaps better execution on the tax credit price paid.

And I was wondering if you could comment on the three biggest components of the difference, which is the tax credit equity/tax credit price, the City of Brentwood which was just discussed briefly, as far as how far along they are in actually committing, and sometimes the fact that the City is requesting all sorts of design concerns that raise the costs doesn't always correspond to their willingness to contribute more resources or funds. And they may not even have the resources or funds to allocate, or even if they did, they may already feel like they've already overcommitted to this one project and would prefer to see the resources spread to other projects within the same city.

So where are they in the process, meaning the City of Brentwood, for the approval of the additional $2 million? And lastly the Contra Costa HOME funds, so those are the three biggest delta changes in the approximately $8 million price difference in total cost.

MR. GIPSON: I was just going to say I'll just allow perhaps Mercy to answer the full detail of those questions. Jeff Riley will come up, but I will touch on it. They've met with both of those organizations and have some tentative understanding about the financing parameters. So they've had the same fun I had when we first saw the cost increases coming back in, answering a lot of the exact same questions.

So in that regard, we won't do that. And you are correct in that the city financing, the additional $2 million and the requirements with the site work construction is the single largest increase in there. And repercussions of those costs are running through the project. Some of those things that are included in the site work and the way it's grouped up is the term links (phonetic) and other things that they're going to be held accountable for in developing this project. So the money they're putting in will not equal the money that they're putting -- charging. And the impact fees alone are probably in the $30,000 per unit range, which is very, very high. And I had the detailed estimates from the City, that's exactly what they've been charging.

MR. RILEY: My name is Jeff Riley. I'm a project manager with Mercy Housing California, and I'm the project manager for Villa Amador, which is the project in question.

As to the question regarding the commitments of the County and the City, the County at this point has a board meeting at the end of this month, where I expect full approval of our additional requests. The City throughout the project has maintained the position of gap financing, and they've pretty much committed to, okay, if there's additional money that's needed for this project to meet the standards that we're putting on you, such as the 85-foot setbacks, such as the perimeter fencing, such as gated communities, all those things, they would actually come in at the end and say, yeah, we'll take care of that for you.

Now, the commitment is more of a kind of a verbal type thing at this point in time. They are under review about our proposal and request to them. So I fully expect that it will be approved as requested.

MR. CZUKER: And the tax credit equity price, how far along are you in getting commitments? Is a portion of that gap of almost $3 million in tax credit equity coming solely from increased bond capacity, or is it also coming perhaps from a better execution in tax credit equity purchase?

MR. RILEY: I think both. Throughout this project, we've also maintained holding off on the 4 percent tax credit application until such time as we were in a position where we had a lot better handle on all of the costs associated with the project. We have yet to actually submit that application. We plan on doing that in July. So at that point in time, based on our current expectations on the price as well as our basis increase, we are able to actually bring in the additional $3 million.

MR. CZUKER: You have not identified yet who's the tax credit limited partner?

MR. RILEY: No, we haven't. I don't expect that there would be very much difficulty in that area.

CHAIRPERSON COURSON: John?

MR. MORRIS: I just want to follow up on some of the comments that relates to the additional costs, and obviously the site work is a big number. I see in the package that they discussed that the 344 percent increase in costs was due primarily to the increase in landscaping requirements on the right of way, the left-turn lane access to the project, and emergency vehicle access. These items, there wasn't a left-turn access on the property in September. There wasn't an emergency vehicle access. Was there a traffic study completed in September? This seems extraordinary that you have an increase of 344 percent, and especially with things that don't seem to be too difficult to anticipate, such as the left-turn access and the emergency vehicle access.

MR. RILEY: I agree with you. I think that there was some oversight in the beginning around the particular off-site estimates.

As we have progressed with our construction drawings and with our civil engineering drawings, we are actually able to better understand what the costs associated with these are and how much of an increase they actually took, I mean, how much of an increase they actually had from the beginning request that we had with you.

Unfortunately, in hindsight I would have done it differently. I probably wouldn't have come in earlier with a -- or bring a cost estimator into this project a lot earlier. We were using numbers that were generated by our general contractor that I have used previously on other projects to try to keep a handle on costs, and unfortunately they were not sufficient for the project.

CHAIRPERSON COURSON: Other questions?

MR. CZUKER: Based on all of the assumptions that are being made today on three new sources of financing and the fact that from purely a CalHFA perspective, the requirements that are being asked of CalHFA are not onerous relative to the risks that we're asking other people to take, especially increasing the city and county subsidiaries to the project, you know, I would like to recommend approval. And if there is a problem with any of those three sources of funding, obviously staff will have to return to talk about the shortfall.

CHAIRPERSON COURSON: I have one more comment. There is a motion. Is there a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: John.

And Dora.

MS. GALLO: I just have a question about -- I lost it there -- the reserves. There's a new line item I haven't seen in any of the other budgets, transitional operating rent-up reserve. Can you explain that?

MR. GIPSON: It's for the Section 8 loan, increment loan, so that at the end of the term when the Section 8 goes away or if it goes away, that there's money set aside to help transition those units over to the increased costs.

CHAIRPERSON COURSON: Other comments from the Board?

Any comments from the public?

If not, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Carey.

MR. CAREY: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Nevis.

MS. NEVIS: Aye.

MS. OJIMA: Ms. Gallo.

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval.

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Aye.

MS. OJIMA: And Resolution 04-11 has been approved.

CHAIRPERSON COURSON: Thank you.

MR. WARREN: Thank you.

CHAIRPERSON COURSON: Thank you very much to you and your staff for your presentation. Good work.

Item 6: Update of CalHFA Five Year (2004-05 to 2008-09) Business Planning

CHAIRPERSON COURSON: We are now moving to Item Number 6 on our agenda, which is an update of the five-year business plan, which I believe you all have information at your desk. And we will have an IT moment. Terri, I think, is going to put on this part of our program.

MS. PARKER: Right, Mr. Chairman. I'm going to invite each of the managers to come up and present their sections, but I wanted to give the Board a little sense of an overview.

We've brought to you at our last Board meeting an update of our current business plan, where we are, the implementation of the five-year business plan midyear, but especially from that standpoint of how that fits in the context of the five-year business plan, of our best information on where we are with some of the programs that we thought would be meaningful. Last year in March when we talked about this in May when the Board adopted the business plan, and obviously because the market, housing market, continues to be dynamic, we are always asking ourselves at CalHFA what is our relevance? How can we be impactive in the marketplace?

The staff have been in discussion. We have met and had several off-sites, had some initial discussions with our focus groups, our customers, who essentially come back to you and give you more information of what we believe should be the context of the business plan that we'll bring to you in May.

This is really an important time for us from the standpoint we get direction from the Board so that when we come back in May, you know, we are essentially accomplishing from your perspective goals, direction, objectives of what the Agency should be trying to put together and offering the public to promote affordable housing.

We have looked at a market that's dynamic. We've looked at a market that has very low interest rates. I've talked to my colleagues across the country. Business has been very difficult in this environment for housing finance agencies because in an environment where interest rates are low across the board, the benefit that a low, below mortgage interest rate loan can provide on the homeownership side isn't as great as if interest rates were substantially greater.

We are unique in California, though, even with that interest rate environment, to have continued to do substantial lending on the homeownership side and to continue to build our programs on the multifamily side. But we are always faced with the question about how can we do more, particularly in an environment where it's now only 23 percent of the public in California can afford the median sales price home.

So we've spent our time looking at a low interest rate environment. We keep thinking it's going to turn around, but obviously it continues to even -- a little last week -- go down. We're also seeing the dynamics of the conventional market and its challenge really coming into the market that housing and finance agencies have traditionally served. So you have GSEs. You have the conventional bankers all looking at this pool of people that are below median, the immigration, the diversity of our cultures, that we're all sort of playing in the same pond. So it's really our task in that environmental, how can we do more so that we help those people that without our wherewithal they would not be able to see homeownership or without our wherewithal, a project -- a rental project would not otherwise be developed.

We continue to challenge ourselves with the implementation of Proposition 46. That's our task. Those resources are even more important in the state environment where the overall state's fiscal condition is so dire that any resources we can bring to housing that are not part of the General Fund and in that sense at risk, given the overall fiscal environment of California, even more important in this environment. So we're looking at what ways that we can be an economic development tool, a job generator, help turn the economy around, help increase those resources for public benefit.

And, but last and not least of all, is continue to not only help people achieve the ability to afford a house, but to meet the creation of stock. And we move forward with the creation of a construction lending in our rental side, and we're going to talk a little bit about whether or not those models may be something that we can look to more in-depth use in our overall business.

So with that as an introduction, let me bring up the team of specialists to walk through what we have as objectives for our business plan for your consideration today leading into the development of the business plan to bring back in May. This is not an action item on your part, but it's clearly the opportunity that we need to hear from all of you about what you want to see from your staff.

So with that, Mr. Chairman, I'll introduce Wayne Bell to talk with you about homeownership.

MR. BELL: Thank you very much. To my right is Nancy Abreu, who is the director of Mortgage Insurance Services for the Agency.

As Terri indicated, much of what we're going to go through today is necessarily of a very general nature, given the fact that we're now working on the business plan which we're going to bring you at the next Board meeting, so you will see when you look at the business plan objectives, that they are very, very general.

The first item is to increase the level of first mortgage production. As you'll know -- as you know, based on last year's plan, the goal for this year is $1.175 billion in first mortgage production. The plan over five years was to increase that amount by $50 million to $1.225 billion, and we believe that we will be able to have a moderate increase over that amount.

And as Terri noted, given the interest rate environment now and the competition that we have and a variety of other factors, increasing production among HFAs is very difficult. At a recent NCSHA conference I attended, the issue of volume was discussed in almost every breakout session. And a number of HFAs were saying that their volume was eroding. We're planning not to have an erosion, but rather an increase, a moderate increase.

The second item is to target low- and moderate-income homebuyers. As you know, that is not only a mission of the Agency, but it is a -- a noble goal of the statutory framework that created the Agency as well.

Third item is to target high-cost underserved areas. You know very well that there are areas throughout the state that are high cost that are underserved where there's a huge disparity between the amounts of money that people make and the cost of housing. So we're continuing or planning to continue to use the high cap Down Payment Assistance Program which offers up to $25,000 per loan to help people achieve homeownership in those areas.

Then the next objective is one that you've seen before and it's one that we pay particular attention to in the homeownership division, and that is to distribute loans equitably throughout the state. We periodically and frequently look at a list of percentages where people live in the state, and we want to make certain that loans are distributed in those counties and those areas in accordance with the percentages of population.

The next item, and this one we've had a number of discussions about, and it is one where we have a very good debate, and that is to evaluate and consider new loan products to stimulate production. The new Chair, John Courson, the other day when we had a briefing with him, talked about ARMs, step-rate mortgages, and he even mentioned an interest-only mortgage. We've -- we've looked at a number of those. We're going to continue to look at those and the possible consequences.

One thing that we have looked at very carefully is a 100 percent loan product, a straight 100 percent loan product. As you might know, HUD is looking at that. FHA is going to insure those. And we think, but we don't know, that if we have a product like that, that a number of borrowers might find that to be of great interest because the paperwork is simpler. You only have one loan document. You don't have the complexity of our down payment system that you might otherwise.

Now, the downside of that obviously is lower income homebuyers can't afford the higher interest rates and the higher mortgage insurance, but nevertheless, we're thinking about adding that as one product on our menu. It wouldn't -- it wouldn't supplement for something else or it wouldn't supplant something else, rather it would be another item on our menu of offerings.

The next item is to provide a loan product to assist low-income disabled homebuyers. As you know, we have a home choice program that we offer. It's through Fannie Mae. We purchase mortgage-backed securities and we -- and we partner with other lenders to try to support people who are disabled. It covers people who are disabled as borrowers, as well as borrowers who live with someone who's disabled in that household.

Turning to the next page, the first item on the next page is essentially our Extra Credit Teachers Program. As I know all of you are aware through Terri Parker, as well as the Treasurer's Office, we have been promoting very, very vigorously this -- this program. It's been expanded recently to include, I think, classified staff. I forget the actual language, classified employees. And in high cost areas, the loan amount can go up to $15,000. Previously it was $7,500. And through a marketing effort that the Marketing Department has begun, we think we'll see a greater expansion of this program as well.

Then the next item is the result of what Terri asked us to do in December of last year. She put together a Homeownership working group which is made up of myself, Nancy Abreu, the directors of Fiscal Services and

Financing, and Dom Maio in IT. And what we're going to be looking at and we've already begun this process, is to look at the processes we have in homeownership, whether it's -- whether it's documentation, whether it's review of the loans that come in -- the extent and complexity of the documents and other things like that. And the objective that we have is to simplify the processes that we have and to make them more efficient and more effective. And we're doing that on an ongoing basis. We're trying to reduce the number of touch points when a loan file comes in, for instance, and we're looking at new IT products.

Then with regard to outreach and training efforts, as you -- as you might know, we do a number of outreach efforts throughout the state. We attend home fairs, lender trainings, workshops, and we -- and we are planning to not only continue the ones we have, but to expand them as well.

And then, last but not least, we want to maintain at the minimum and at best to seek to expand the locality participation. We have the AHPP Program where we partner with local governments, and the locals will provide some assistance, and then what we do is we provide for lower income persons a one-fourth reduction in the percentage rate they pay for the loan. So we want to expand that.

This year we have 205 participating localities, and that's up from about 185 the year before.

With that, I'd invite any questions that you might have.

Yes, Mr. Czuker.

CHAIRPERSON COURSON: Okay.

MR. CZUKER: From a distribution standpoint, obviously part of the objective is marketing and outreach. Is there a way to figure out how to either give warehouse facilities to lenders or to create project-specific facilities, for lack of a better term, so that you can encourage housing developers to come to you with tracts, and instead of having to do one-of loans and look at individual files, then it's streamlined and packaged through the construction lender?

I'm just giving -- brainstorming ideas with you, but from a marketing perspective, if you could be giving facilities to project based on a large basis or on a lender specific basis, then you'd have a construction lender or someone else helping to administer the packaging and qualifications so that they're coming to you in bulk and you're running one facility, whether it be to the lender or to a specific project.

MS. PARKER: Mr. Czuker, let me answer that question. As I had mentioned earlier, Wayne's just joined the organization the latter part of November. So I would like to give you a little bit of history. And Nancy, I think, can address this also.

I think we talked a year ago about really trying to be more proactive, going out and working with the developer community to see how as we looked at our production among resale and new construction continuing to erode. Part of that is just, frankly, the price of new construction outstripping what we have within our confines of sales price limit, but also to see if there are ways to work with developers so that if developers knew that these loans were available, they may essentially target their development to within sales price range. And with the down payment assistance and 100 percent lending that we could come up with, they could essentially have a vehicle that would work well for that targeted group.

We had a number of meetings with the developers, including KB Homes and others, and one of the things that we found out, for instance, was the 60-day loan requirement of getting documents in didn't work any longer in the new construction environment where builders are no longer building from the standpoint of investment. They're doing it more on a per-buyer deal. And we realized with that, you know, having a 60-day turnaround just wouldn't work. So we essentially heard this from the construction developer community and created a, for new construction loans, 180-day delivery cycle.

For them, that was a major difference. They said now you've got something that we think will be workable for us. It just goes back to seeing there are qualified candidates given the overall competition that there are for loans or for any kind of housing built.

So we have begun to do that. I think you'll hear it later on in our discussion, perhaps, even some more ideas that we have about trying to work more directly with developers earlier on. But that has been something that we think is an important criteria, and I think Nancy can talk a little bit about that from the mortgage insurance side.

MR. CZUKER: The corresponding opposite side of that equation might be the construction lenders that provide the construction financing for the single-family master planned communities and perhaps establishing relationships to -- to either partner with them or provided them with a warehouse line or provide them with the ability to cross market to their clients who are in the housing production business so that it's not necessarily borrower or developer specific, but perhaps more lender -- construction lender marketing specific.

MS. PARKER: Mr. Czuker, I ask you to bear a little patience with us because as we finish our presentation, I think we're going to touch on that, and I don't want to steal the thunder of my staff who have been working so hard on this, to essentially spill the beans ahead of them, so.

CHAIRPERSON COURSON: I would say that I think -- Ed, I think your points are valid and I know we're going to touch on that later.

Now, to dynamic, we talked last week when I was meeting with the staff, and it's just such a dynamic marketplace in terms of products out there, and frankly the private market has been away from that, blinded by the glare of refinancing. And now that we're coming back into a purchase market, we are seeing some dramatic products coming on the marketplace to serve the private market. And I think our challenge from -- the chairman of the Federal Reserve had some comments about the longevity and appropriateness of 30-year fixed rate mortgages. And I think our challenge is to serve those in the state that need to be serving, is can we through our fiduciary role develop products to serve that marketplace that's being served in others.

And there are really some exciting things that are going on. I think Wayne and his team and Nancy's, some of the things we're doing, is that's our challenge as a Board to make sure we remain relevant as the marketplace for purchase activity changes.

MS. SANDOVAL: Mr. Warren previously mentioned that the Agency offers pooled earthquake insurance. And we've been hosting economic recovery conversations around the state. And one of the issues that we've continued to hear about is the high cost of construction insurance, particularly for housing. Has there been any consideration to looking at a pool of construction-insurance type of programs, similar to what you're doing with earthquake insurance that might help to encourage some different products?

MR. WARREN: On that question, Ms. Sandoval, when we started our Construction Loan Program, one of the first things we looked at was to pool builders risk insurance for our projects. And what we found was that most builders and general contractors that are involved in this have established relationships with their own insurance carriers. We have a very good carrier and driver. If we interjected that particular piece of insurance in the process, the economies of scale just weren't there. So we may look at that in the future, but for right now, that's not something that we thought was really appropriate because of those well-established relationships. But it's something we will continue to look at.

CHAIRPERSON COURSON: Terri.

MS. PARKER: Yeah, Mr. Chairman, I guess with that I'd like to have us continue the discussion on Homeownership and have -- introduce Nancy Abreu from the standpoint of how we are continuing to look at Homeownership both from a lending and an insuring aspect.

MS. ABREU: Thank you very much.

As you recall, in the last meeting in January, we talked about the accomplishments to date within the mortgage insurance group. And I think Terri used the term at that time that basically the rebuild of the mortgage insurance fund was behind us, which is true. And as you know, we spent a lot of time in the last year and a half, two years, looking at our products, our process, our staff, technology, and also what was going on in the marketplace.

And as the Chairman alluded to a few minutes ago, I think the precursor to the turmoil or the dynamics we're seeing in the homeownership area today was first seen on the mortgage insurance front, where you started to see the formations going back in '94 and '95 of the captive reinsurance companies, which are basically by all intents and purposes a partnership or limited liability corporation created by the privately owned companies and the lender, which allowed the lenders to actually share in the premiums the mortgage insurance companies have been having.

That coupled with the proliferation lately of an 80/20 product, where it's an 80 percent first, a 20 percent second, not requiring mortgage insurance and also some new affinity programs where the private mortgage insurers have formed relationships with large employers, has continued to drive down our production volumes. We're going on into this fiscal year at about 50 percent of the year prior.

So that is the backdrop of bad news, if you will. I think we are very pleased too with what we're going to be working on during the 2004/2005 year. I'm not sure which order to take them on because they're both very critical, and to me you can't have one without the other.

The first is in the area of technology. We have solved, if you will, for lack of a better term, the back-end technology with our strategic partner, with GE Mortgage Insurance, who basically handles the payment processing and all the claims and delinquency management once the loan is made. And we're working aggressively now to define our requirements on the front end, with the ultimate goal of being paperless on an exchange of information between CalHFA, as the mortgage insurer, and our lenders that we do business with.

We find it's very critical that the seven private mortgage insurers by all intents and purposes are push and click with the lenders. And if we want to increase our volume at all, we're going to try to need to strive for the paperless environment.

Secondary to it is growing production. I don't think any of us are happy with the volume being down. That being said, we have some unique opportunities that our private partners through the private mortgage insurers do not have. That is, in fact, that we can insure seconds and also that we can insure multifamily loans.

So some of the work we're going to be doing and have already begun is looking at how we can provide value on our homeownership loans by insuring seconds, whether or not Agency-generated seconds or third-party seconds by actually doing some credit enhancements on those.

As Wayne said, we're working with Homeownership on some ideas of a potential 80/20 that the Agency could offer or also a 100 percent loan finance program. We continue to outreach this, is all about your partners, what products are they thinking about, and how you can add value, and we're working with both GSEs as we speak with a couple of initiatives they are working on and with some both regional lenders and national lenders to see if we can at least become an active player on the mortgage insurance front.

The other two items I think Wayne has talked about, the Homeownership working group that has been created, and we're working through the process mapping and program identification. And for fear of taking my colleague Mr. Warren's thunder, I'm not going to touch on a partnership really with any agency between Multifamily expertise on construction, Homeownership on buying the loan, and us insuring it and helping to create some stock which, Mr. Czuker, will answer some of your questions.

CHAIRPERSON COURSON: Questions or comments for Nancy?

Thanks, Nancy.

MS. PARKER: With Nancy's teaser out there, I think it's very appropriate for having the three of them up here. I don't think we've ever really had such -- the Agency prides itself on its collaboration, but I think you'll see from what we're presenting to you that we have attained a new level of collaboration among our program areas.

So with that, Mr. Warren, Multifamily.

MR. WARREN: Thank you.

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As some members of the Board may know, Multifamily has grown on average about 10 to 20 percent a year. And we're -- we now occupy about 20 percent of the market for tax-exempt bond financing. So we've really achieved a strong level of growth. And one of the areas we have to look at is where does that put us for the coming fiscal year in the tax-exempt bond finance program, so I think we're going to continue to refine that particular product. We have a strong presence in the market in that area. We want to maintain that particular market presence and obviously improve our loan products.

As we discussed today or as the Board approved today, with the number of Construction Loan Programs, the highest processing priority in Multifamily today is the Construction Loan Program, and to that end we are bringing in some more staff in the coming year to accomplish that. So we have a very strong -- we feel a very strong responsibility to make sure that program works well and protects the interests of the Agency.

An area that has somewhat lagged over the last couple of years has been preservation. Preservation, as Nancy noted, federally assisted projects is very similar, and we think that there's going to be a rise in this in the future. What the Agency has done over the last several years is become expert at financing a broad range of HUD-assisted projects. These include Section 8, the HUD 202 senior projects, the HUD 236 projects and such. So our market approach is for those sponsors and developers who wish to purchase these projects. We have a full range of financial products that we can apply, plus the expertise of dealing with HUD and localities to finance these projects.

The other two areas are the Prop 46 Acquisition Program, which we'll be trying to ramp up volume this year, and our own portfolio loans in which developers may wish to sell and we would facilitate the transfer and the underwriting of those new loans.

Another new area that we want to spend some more time on is mixed income, primarily in the area of redevelopment. As you saw today with the HOPE VI projects, we think there is increased opportunity there, providing HOPE VI funding continues in some fashion. But more importantly, as the public housing agencies around California begin to seek alternative financing models to age their stock in the event that HOPE VI does go away or is severely limited, then we think there's an opportunity here to do individual project financings or perhaps pooled financings and capital advance funds, so that is something that we're working on.

As far as mixed income units or 80/20s as we refer to them, in other words, 20 percent affordable and 80 percent market, depending upon the impact of prevailing wage, we very much want to promote a series of loan products for redevelopment areas, in-fill areas in which we think a combination of affordable and market is necessary to achieve a large amount of economic stability in these areas. So we are going to pursue those. This is a different risk profile for the Agency. We've seen a few of these over the years, but it is a different underwriting exercise, and hopefully the Board will be supportive as we bring these projects to you.

The other two areas are a focus for multifamily special needs and supportive housing, a program that is very near and dear to our hearts, and we want to expand this, and we have for this year. As a matter of fact, the current volume of special needs is now at $30 million in projected commitments, up from $8 million last year. We've now found that the shorter term use of debt, bridge loans, construction loans, Section 8 increment loans, is a very effective use of our resources and contributes significantly to the products themselves.

The other area that we have is a greater facilitating role. As you all can imagine, the need to bring these sources together, particularly on the service side, is critical. And the Agency feels it's important for us to take a stronger role in this to bring these parties together to facilitate these projects in essentially a very tight budget environment.

The last area is special lending, which is really locality lending. The HELP Program, which is in its fifth year and has now achieved well over a hundred million dollars of commitment to localities will continue. But we do know that it is oversubscribed, and we think that a tax increment lending program targeted at the 20 percent housing set-aside for redevelopment areas is an appropriate role for us to play, and we'll be pricing that and rolling that out in the next couple of months.

We also want to pursue small alternative programs. We mentioned here habitat loans, small in-fill programs. We're in discussions with Century Housing, for example, to try to develop linkages and partnerships in order to get as many funds in these projects as we possibly can and accept a certain amount of risk that we think is appropriate.

And then the last bullet item is to identify the locality lending initiatives. In these budget times, we found that as we meet with localities, there are individual boutique programs that we can develop based upon their resources and their needs. They may not be replicated, but we do want to have the flexibility to loan so that they can go forward.

Pending initiatives for the year, one interesting preservation issue that's come up out of our focus groups earlier this year was the need to come up with loan products for the financing of nonprofit portfolios. Mercy Housing, for example, who is here today, as is Mid-Peninsula, has projects that are now 25, almost 30 years old in some cases, and they're beginning to age. We think there is a unique linkage between our 501(c)(3) type financing and these nonprofits to recapitalize and revitalize these projects. And we may look at variable rate debt or other alternative products to keep the affordability and to reduce the debt loads for the life of the asset. So this may be a collaborative effort, not only with CalHFA, but also with numerous nonprofits throughout the state.

As I mentioned, the special needs and supportive housing, we will be enhancing our coordinating role and really trying to do more of an outreach. The MHP Program, it's a very good supportive housing program, and our staffs are getting together to try to better link our pricing and our program guidelines with leverage the MHP dollars in this area.

Nancy was kind enough not to comment on the next initiative. It is collaborative. Basically, we all got together a couple months ago and realized that one of the -- it was the advent of a new loan program in Wayne's area and certain initiatives that Nancy has undertaken and our own Construction Lending Program, there was a real synthesis here to help develop and link the development of homeownership projects with our take on commitments. So to that end, we're looking at essentially condominium-type projects, townhomes in urban in-fill areas. Wayne and I still have to decide what that means. We will come up with a definition soon. But basically to bring the benefit of our financing on both the development side and the homeownership side. The culmination of the benefit then translates directly into lower sales prices and deeper affordability on the homeownership side in these urban areas.

We have one large project we're looking at, but I think our goal is to focus more on the smaller number of projects. A good example, which we wish to discuss with the developers today, is the Coliseum Gardens. That's for-sale townhomes directly adjacent to the project that we're going to build. We think that's a very nice synergy, and we're pursuing that. And our goal, obviously, is to make them all 100 percent affordable.

At this juncture, the program calls for no AMI to exceed 120 percent of median income.

The last issue, following up on Nancy's and Wayne's theme on automation and updating our system, last year at this time we were well on our way to purchasing and developing a loan origination system for Multifamily. Due to resource constraints and a little bit of an unease over the product that we were looking at, we put that project on hold. One of our requests for this year's budget is to resume that initiative. The vendor and the software in this area are far more robust than they were a year ago, and we think that we should apply the new technology to the Multifamily side as well as the homeownership side, so this will be one of our main issues for the coming year.

So that is it for Multifamily and I'm happy to answer questions.

CHAIRPERSON COURSON: Ed.

MR. CZUKER: Thank you all for that enlightening presentation.

On the multifamily side, Linn, I don't want to let you out of the hot seat. I wanted to ask you to explore the validity of perhaps three additional variations that could expand the business plan. One might be rehabbing market rate tired projects into, and that may be 30 years old or older and meet the 10-year rule test and, therefore, could be obviously a target for converting market rate housing into affordable housing, whether it's 100 percent affordable housing or whether it's 80/20 mixed income affordable housing. I would think that given the tired housing stock in most of Southern California, for example, where there hasn't been a lot of new construction or very limited new construction per capita, there would be a tremendous opportunity for looking to how to reposition existing housing stock and add affordability components and utilize the CalHFA's resources in going after repositioning some of those existing market rate apartment projects.

The second, it wasn't really touched on today, was perhaps some of the expanding need that's growing in the senior citizen community and whether it be independent living or assisted living or other forms of senior citizen, we certainly have an aging baby booming population with greater demand for senior housing of all different levels, and there may be a role for CalHFA to play in trying to facilitate financing and affordability and special needs and services as it relates to senior housing products and how to target and market to gain a market share.

And lastly, you just touched on some creative ideas relative to homeownership and how condos could be a hybrid for Multifamily and, therefore, utilize the synergy between construction financing and subsidies and financing from the Agency to facilitate condominium or townhome or other forms of homeownership and affordability. Taking that thought to one additional level might be to target existing, again, perhaps older apartment housing stock which is now available for condo conversion. And so there is a whole sector of a target audience out there where condo conversion is possible in existing Multifamily, and as part of facilitating the condo conversion. For example, in the city of Los Angeles, you would be able to bring some of the resources with mezzanine affordability or construction financing because of the great cost in doing that condo conversion and thereby pick up affordability restrictions by acting as a facilitator.

And whether that's, again, a mixed income or a 100 percent affordable, I think those are perhaps three unique or interesting submarkets that may be worthwhile in exploring to see if we all can play a role in providing resources.

MS. PARKER: Well, Mr. Czuker, I asked the Board this question because I think it is somewhat -- and, Linn, you can comment more directly, but I think it is a philosophical discussion that we need to kind of ask ourselves. And, you know, it's interesting particularly in this broader discussion within California and the need for economic development and the looking at the lack of stock that's being created and the fact that we have not had the housing development that we had in the 80s and how much we decline yearly in California, whether it be on the rental or homeownership side.

So I would ask for some direction to the staff. Given, you know, somewhat limited resources, we, I think, have been taking an approach with what we've got in our plan here to see if we can be viable in the creation of more stock, actually building units that wouldn't happen other than that. I mean, obviously we want to create affordability, but we're really concerned about seeing whether -- because it also is a job generator, a job creator.

And so while these things are excellent ideas, I just would like to have a sense if we have to do priorities, should the staff be correct in assuming that the idea of trying to be an economic engine of actually creating more stock being the highest priority we should try to, you know, push our resources for?

MR. CZUKER: I would -- I would agree with that in terms of the multiplier effect that employment creates in building new housing stock. Of the three ideas I mentioned, the senior housing is a new housing stock creator, so that in and of itself isn't contradictory to what you're saying. But I would also say that while we're pursuing new housing stock as the primary engine for economic stimulus, repositioning and rehabing and providing rehab loans do create jobs too, maybe lesser volume, lesser dollars, but it certainly adds to the affordable housing inventory and stock, at the same time is creating, perhaps less so, but rehab dollars and rehab construction costs.

So if perhaps it's a resource allocation, yes, I would argue that putting priority to new housing construction is a first priority, but perhaps, you know, if the opportunity is there, we should not lose sight of adding to the affordable housing stock and creating the jobs through rehab, whether it's the condo conversion aspect or just rehabing multifamily market into affordable housing. Both, I think, have some merit if it doesn't take away substantially from the primary focus of obviously wanting that multiplier job creation benefit of new housing.

MR. WARREN: And if I could comment. I think of the two areas, the senior project, developing these types of projects and with an eye toward how do you get to an affordable assisting living model in the California environment, we struggle with that underwriting the risk issue on a daily basis; and our staff is always trying to come up with a model or a plan in which we can provide affordable assisted living even if those units have some partially assisted living maybe coupled with independent. It's a higher risk profile, and we have to find a way to effectively hedge that risk, even in the service piece.

The other interesting thing about the reuse of existing market rate, that goes toward serving a level of income above 60 percent of AMI, which might be used, in some cases are also responsible to the Agency, so our initiative with Century Housing would target that income level above 60 on trying to reuse some of these projects in which they can't survive solely as affordable. So as Terri indicated, it's a resource issue with us and we have to figure out, you know, basically what comes first or how do we serve as many things as we can.

CHAIRPERSON COURSON: Jeanne?

MS. PETERSON: Just following up on a couple of things. I think we all are supportive of assisted living facilities, but we know that we really need to have that Medicare waiver before we can really make them work.

MR. WARREN: That's correct.

MS. PETERSON: Maybe that's something that we all need to work on together. Those of us who are housers learning the language of the HELP providers and vice versa and others. And I would just like to say that I was very happy to see that preservation is something that you're going to focus some energies on, because, as we know, it's again becoming more and more important. The early tax credit deals are now able to opt out without a restriction, and so being able to turn some attention back again. I think that staff has done a fabulous job in the creation several years ago of the various preservation alternatives and incentives and especially looking at it with a view toward using 501(c)(3) bonds, which we know diminishing caps is another worthwhile thing.

I have two, I hope and I think, really quick questions. And that -- and they relate to the Multifamily. One is can you talk a couple of sentences about tax increment lending targeted to the housing set-aside, like what does that mean? And -- and the loan origination, I guess, it's an IT thing so maybe I won't understand it anyway, but the fully integrated -- the last one, the fully integrated systems to manage the multifamily loan process.

MR. WARREN: Okay. Two sentences.

MS. PETERSON: They can be long, parentheticals.

MR. WARREN: It would be like an Irish novel.

MS. PETERSON: Not a Joycean.

MR. WARREN: Not a Joycean.

The tax increment we found, first of all, with the issues that exist with local budgets, we're finding that the affordable 20 percent set-aside of tax increment seems relatively safe. We believe that to be the case.

Locales we've talked to would like to pledge that stream upwards of ten years, some portion of that 20 percent increment over and above the base frozen level of taxes for the development of housing, presumably affordable housing. We would finance that stream the same way that any tax increment or tax allocation bond would do it, and that's due diligence with the redevelopment district, appropriate coverage ratios for the allocated stream, discussions and documentation as far as parity debt support and all of that kind of stuff. The idea would be as a complementary program to the HELP Program on demand they come to us, pledge a stream for a period of time, pledge a portion of the stream, not necessarily all of it, but they have a specific project but they don't want to go through the HELP process and perhaps lose, they could pledge this as an alternative and then build from there. And the pricing for that would be appropriately higher, but not the 3 percent, some other number. But the Agency basically would do its due diligence and lend against that stream. And we'll see where it goes.

MS. PETERSON: I think that was one sentence. That was pretty good.

MR. WARREN: Okay.

MS. PETERSON: And there's no fear, given what's happened necessarily, but what's been talked about in the last year --

MR. WARREN: Yeah, this year.

MS. PETERSON: -- with respect to those bonds?

MR. WARREN: Yeah, absolutely. And one reason that this thing got -- and we brought this up last year. We put it on hold because we weren't sure what was going to happen with mortgages. We are getting a better level of comfort, again the other 70, 80 percent -- it's only 80 percent, the other side is more at risk in terms of being looked at. We think the 20 percent may be safe and that's -- that's still part of the due diligence discussion, how secure is that piece, given the financing requirements from the state and locality. And we're not quite there yet, but we need to look at that.

Second, as far as technology fully integrated. You know, multifamily loan applications are measured in feet sometimes. Our goal is with the software that's out there to integrate all of our third-party reports, integrate all of our underwriting so, for example, an Excel spreadsheet can be brought into a model and brought back down. We can do iterations. We can communicate with all of our vendors and all of our borrowers electronically from an application standpoint. Management can review the underwriting status, all of this done electronically. Today it is largely paper.

And the industry is -- multicommercial underwriting systems are easily, if not a generation behind, ten years behind homeownership underwriting systems, mainly because of the complexity of it. What MBA has done -- and this is again a nod to John and his organization, is that they have put together technology subcommittees which are coding and mapping what is called XML, which is a coding for data bids, which can be universally used throughout all systems.

So if I say affordability is 20 percent, that means the same thing to me as it means to a lender in New York. So with that common language, if you will, then commercial multifamily underwriting systems can now take off. But developing the common language has been an effort that's been years in the making. And it's a very tough thing, but we're almost there. But it's time to buy the system. It's time to get there. And we think it's appropriate.

CHAIRPERSON COURSON: Yes.

MR. CZUKER: I'll defer if Dora would like to --

CHAIRPERSON COURSON: Dora, do you have a question?

MS. GALLO: I actually want to follow up on something Jeanne said. The lending charges on housing set-aside, aren't localities already doing that?

MR. WARREN: Yes.

MS. GALLO: Okay. So what would CalHFA bring to that?

MR. WARREN: Better pricing. More leverage dollars.

MR. CZUKER: We'd help the local city leverage their dollars so they could then have a big pool to reinvest.

MR. WARREN: Just to answer your question, a stand-alone tax-exempt bond issue which levered as increment, regardless, is a fairly expensive proposition. Our goal is to make it off-the-shelf using Agency funds and achieve the execution with good pricing.

CHAIRPERSON COURSON: Ed.

MR. CZUKER: I mean, as we all are looking to a business model and a business plan going forward, obviously I think we all need to be concerned about prevailing wage and the union labor requirements and how that may impact future volume of business for everybody. And if that -- if and when the Governor can get around to focusing on looking at this issue, obviously it would be a big help for the affordable housing industry. But I'm wondering how all of our volume expectations may be impacted by the full influence now of prevailing wage and the fact that -- and within this low interest rate environment, it's more and more difficult to pencil out an affordable housing project versus conventional financing and sidestepping the whole regulatory process so that it can -- by making that elective choice.

MS. PARKER: Linn -- I'm going to let Linn answer that from the rental side.

At the moment for the homeownership side, prevailing wage is not an issue. It really only comes into play at the moment on the rental side. So from the volume standpoint, we just have frankly the challenge of the use of our products within income limits and sales price limits, given the cost of housing in California overall and competition with the very low spread difference between conventional and tax-exempt lending.

MR. WARREN: Since most urban or coastal developments that are supported by locality gap financing carry the prevailing wage, as long as that financing is available from localities, then I think the volume from the Agency standpoint remains a cost; and obviously we're one of the great beneficiaries of the MHP Program, which has helped us a great deal.

You know, my sense is, Mr. Czuker, I think we will be fine from a production level for the types of projects that we finance in the coming year. The area that may amount to nothing would be mixed income. If we do a construction loan, for example, our measure is prevailing wage. If we try to do the construction loans with a prevailing wage lender, I doubt if we could make it work. I really do. If we are a permanent lender, then perhaps we can, but I think the prevailing wage impacts mixed income.

So the short answer is our business plan for Multifamily is very similar to this year's. We think we can achieve that goal, provided that the locality and the MHP Program continue. I think our loan products are fine. But it's somebody else's money that has to make these deals proceed.

MR. CZUKER: And just as a follow-up and if those projects are harder to pencil today without third-party subsidies such as the localities to make up the higher cost of prevailing wage, that is perhaps another reason to look at making up some of that volume in rehab projects or in condo conversion-type projects where the bulk asset of the core infrastructure is already there, and you may be just stripping it down to the core and repositioning and rebuilding cosmetic rehab to reposition that asset from a market rate to an affordable housing stock. And that would be a reason where the prevailing wage impact would be less, and, therefore, make the affordable restrictions more palatable.

MR. WARREN: We've always gone to the unmet need lots and we build programs that are very important.

CHAIRPERSON COURSON: Terri, thank you and -- for your --

MS. PARKER: Mr. Chairman, just to -- in closing I'd like to take the opportunity to just acknowledge the staff from the standpoint of the hard work that they've done. Obviously Nancy and Linn's shop and I think Wayne wanted to, particularly given that he's the new kid on the block, recognize his staff.

MR. BELL: I'd like to introduce -- I won't introduce, I'll just acknowledge the five members who are here today. We have Jerry Smart, who's the chief of our first production, First Loan Production. We have Ken Williams, who's the chief of Special Programs. We have Kimberly Ogg. We have Tom Harrison. We have Stan

Sowers. And they're all hard working, dedicated, and very committed to low and moderate -- homeownership of people with low and moderate income, and I want to acknowledge them. Thank you very much.

CHAIRPERSON COURSON: Thank you. Thank you all.

Item 7: Discussion of other Board Matters/Reports

CHAIRPERSON COURSON: The next item on our agenda is Board report -- Board matters and reports. And I think you have a tab in your -- we have a tab in our Board book of reports.

Ken, are you going to speak to the reports that are in the book?

MS. PARKER: Mr. Chairman, I hope to essentially try to do two things. You all have been invited to stay. We -- I think we sent you a notice that Vada Hill will be here to do his presentation on some fabulous research that Vada has done on sort of the demographics of the affordable housing or housing sector broadly.

I am concerned that this starts at 1:30, if you want to stay, you need to have some sustenance. The other thing I do want to do before we break, they have to break the room down, so we really need to be out of here at 1:00. And I'd like to at least have five minutes so that Mr. Giebel can show you the one source of entertainment we have for today and that's our marketing film. So just from the standpoint of timing, if I could offer that as --

CHAIRPERSON COURSON: Ken, by definition, your presentation is not entertainment, then. Sure. We'll work within that time frame.

I think we have the reports, and I think there's obviously some things we need to cover.

MR. CARLSON: Okay.

CHAIRPERSON COURSON: I just will be sensitive to the fact -- how long is the video?

MS. PARKER: It's five minutes.

MR. MAIO: It seven altogether.

CHAIRPERSON COURSON: Okay. We have time.

MR. CARLSON: Okay. First, thank you very much, Mr. Chairman. I'll try to be brief. First, this was -- I wanted to put this slide up first, which I did distribute to everyone. This is a -- it's basically a slide showing the financial strategies that the Agency is using today and I will recommend that it continue to use.

This has enabled us. In general, what we're doing is fixing our cost of funds periodically in the market like we always have, but we're doing it through the interest rate swap market today instead of selling long-term fixed rate bonds. And this has greatly reduced our cost of funds, and there are many other benefits too that are clear in the written material that I've given to you.

In Homeownership, what we've done, what really is a -- what really shows how difficult it is for the Homeownership Program to be run -- funded with mortgage revenue bonds, two of the largest local agency issuers of mortgage revenue bonds have come to us now and asked us to run their programs for them and structure their debt using our variable rate capability, and that's, of course, the Southern California Home Financing Authority, but also now the City of L.A. And you'll see new financings for both of them coming up this spring.

I recommend we continue with the taxable lending and continue to some extent recycling repayments into older swap deals where we're not able to extinguish the swaps as fast as the payments that come in.

On Multifamily, we'll continue -- I think we should continue to pool loans into just a few large issues each year. That's always worked well for us. We'll use the Agency's general obligation, which is rated in the low double A categories. This has enabled the Agency to provide the credit itself for -- for multifamily programming and obviated the need for outside lenders and outside credit providers. And due to economic refundings, changing old fixed-rate bonds into variable rate form and then swapping them out, but taking the savings from doing that and passing it -- trying to pass it on to the tenants in those units.

We move quickly into the next slide here. Yeah. What are you going to do when Dom is gone?

Okay. There's -- there are 17 slides here to illustrate the reports in the back of your binder. I'm not going to go through them all in the interest of time.

First I did pass out a fourth report. There's a report on the basis swaps that we did at the end of January, a report on multifamily draw-down bonds that we've recently done, a report on -- and then my -- what I've done for every report would be for the last several years is provided a -- what I tried to make a -- very complete update on where we are with the variable rate bond swap strategy. So that's -- there's a fourth report which I distributed this morning, where actually part of the strategy fix your cost of funds. Periodically, we actually fix the cost of funds for $50 million worth of multifamily bonds that will be issued in June. We were able to do that this morning, taking advantage of today's very low interest rates.

So the recent transactions we've had, we've had the basis swaps which totaled actually $678 million. We closed the deal, the first deal, with the Southern

California Home Financing Authority, again the draw-down bonds, and now the swap this morning. I don't know, I think I won't go on about the Southern California deal, but here's basically what the partnership consists of. But basically there's $135 million transaction including $100 million of their bonds. What they did is come to us and say we can't sell variable rate debt. We can't make our programs work at all, came to us and said, will you sell -- help us sell variable rate debt. And we've done that and we swapped it to fixed rate.

Then we're borrowing their proceeds to use in our program. And so the loans have come in, but they're within their jurisdiction, which is the County of L.A., except for the City, plus all of Orange County. When those loans come in, they go into the pot of money for their program. But again, they're our loans. This is a very efficient way to run the programs.

It's pretty seamless back here. My staff already is involved heavily in determining where loans should ultimately go. So this is nothing new for them. So this works very easily and we'll start things with the City too, and that will make the program even more seamless for lenders in Southern California because they won't have to care whether or not this is a loan within the city boundaries or not.

There's a report there about the basis swaps. What we've done with these basis swaps is reduced the mismatch that we discovered would be there when the short-term rates were extremely low. We hope that as a result of what we've done, the Agency will receive a two -- as much as a $2 million annual benefit from what we've done. Obviously we may have -- that $2 million we may end up paying out someday if interest rates are high, but -- but that's not today's problem. And, you know, there's -- we have a 100 percent chance that interest rates will be very low. What is the chance that interest rates will be very high? We don't know.

There's a diagram here that shows how this works. I don't think it needs to be -- we need to dwell on it right now. We're very glad to be able to do this, and what's nice about it is that now we have several different ways of trying to deal with the whole art of trying to match the rate that is paid to us based on indexes from our swap counterparties to the variable rate that we're actually paying on our bonds. So this gives us another way of doing it, so we're better diversified now. This is an art, not a science.

And the draw-down bonds, many of you already understand this program. This is just a flexible way of holding the -- the volume cap that's given to us from the debt limit committees so that we can combine it with another financing and will in effect take this -- the volume cap that we got at the end of December for $21 million and combine it with the $67 million that we hope to get in April and do a large issue in June.

This is just a slide that shows briefly here about the swaps that we did this morning, another $50 million covering 14 projects. Most of those are older projects as you can see on the reverse side of the written report.

The variable rate bond swap report, just showing here that now 74 percent of all CalHFA bonds are variable. And what -- of that, 74 percent, I think, well, about 51 percent of all CalHFA bonds are what we call synthetic fixed rate bonds swapped to a fixed rate with swap counterparties who have very high credit ratings. And we have good diversification there with nine different counterparties, and we're continuing to diversify in this area. And the report goes on to talk about the other risks of this -- of this financing technique and talk about what kind of variable rate bonds we have.

In general, here's the position on variable rate bonds. We have over $500 million directly tied to variable rate assets constituting at least an imperfect hedge. We have $3.8 billion bonds that are swapped to the fixed rate. There's over $1 billion where we don't have a perfect hedge, but we're taking some advantage of the variable rate market today. And then the total amount is $5.4 billion.

And why don't I leave it at that and ask if there are any questions.

CHAIRPERSON COURSON: Are there any questions?

Ed.

MR. CZUKER: Ken is going to be sorely missed. And he's done a tremendous job on behalf of the Agency for all those years and for all these years. And we really have been very fortunate to have him with us. I've appreciated personally working with you and hearing your reports, and thank you for all the hard work. And this is a prime example of how to take a complicated subject and simplify it and at the same time allow the Agency to make money in this creative interest rate environment. So thank you, Ken, for what you do.

CHAIRPERSON COURSON: I would also say, being obviously brand new, but in our business familiar with this and reading the report, Ken, that you wrote, I thought it explained it and talked about the transaction in terms that laypeople and others could understand.

It's a very -- you really untied a lot of knots in the rope. I applaud you for the way the report was structured and written.

MS. PARKER: Mr. Chairman, I do want to say that we, particularly with how many of you are new, intend to over the next couple of meetings bring in some of our substantial resources, our swap advisor, our -- perhaps to have our rate agencies and our risk assessors give some feel for you for what the other side of what our business plan will be and that's to go through our expenditures, our revenues, our sources to essentially look at them in totality. So we will continue to be offering you some additional education processes to make you more comfortable with the fiduciary responsibilities you all have.

CHAIRPERSON COURSON: And I think that's pretty -- Terri and I have talked about it, and we as fiduciaries, it is very important for us to educate ourselves and I would encourage her to have those presentations for us.

You also have as a handout the legislative report. And so you're -- please look at that. Di Richardson is here. You can ask her questions after we adjourn or certainly call her. She'll be accessible.

And on with the show.

Item 8: CalHFA Marketing Video and Public Service Announcement Presentations

MR. MAIO: Thank you, Mr. Chairman.

MS. PARKER: Mr. Giebel.

MR. GIEBEL: Hi, I'm Ken Giebel. And you have a handout, and I'm not going to go through it to save some time, but I'm going to take you through a couple of the projects. And just on the first page, I think is the most important, is the -- what we're calling the image enhancement projects. And just from a standpoint of -- from a need standpoint, we have no existing television, radio, broadcast materials. And from time to time, we would get requested when a direct -- one of the directors would either be asked to speak on TV or radio, is do you have a PSA spot we could follow that with, a public service announcement? And we now have those. And we get requests from partners and media targets for broadcast-ready materials, and you're going to see both of those things that we've made available.

I know there are a lot of new people, and I was new about a year and a half ago. One of the things you'll discover on the Homeownership side is there's not a lot of consumer or real estate broker or mortgage broker awareness for our programs on the Homeownership side. And we have to walk kind of a tight line. One, we have very limited marketing funds and particularly advertising funds, so what we've done is try to do more with about the same amount of money. And, two, we -- we have to be careful how much we turn up the flame, so we stay within our -- what our goals are for the year.

So with that, we have two tactics. The first one you're going to see, that Dom will run for you, is an image video, and that is targeted to staff to use for outreach and marketing tools. We've also sent about 60 copies of this out on both VHS and DVD. And if you ever need a copy, because we found ourselves giving PowerPoint presentations when we made branch conversions, and as you know, pictures and -- speak and actors and staff speak a lot louder than a PowerPoint presentation.

So with that, I'm going to show you that, and then we'll get into the public service announcements. It lasts five minutes and 53 seconds. And the budget and all that are listed. This cost $17,000 to produce, but we have -- I'll show you what you've done with the footage.

(Video plays.)

CHAIRPERSON COURSON: Well done. Could we move right into the PSA?

MR. GIEBEL: Sure. Let me show you some PSAs. We've made six of them, two general market 30-second TV, 30-second radio, same thing on the Hispanic side, which we're getting a lot of placement on. And then we've just finished a spot with Jeri Ryan of Star Trek. I think you'll notice her, and also of Boston Public on the -- for the Extra Credit Teacher Program, she volunteered her time. There are no residuals. These are being placed in a strategy and a staged level so we avoid sweeps on TV, which are in February and May. This project will go through -- placement will go through next September. There's an ROI. We expect to get about $5 million in free advertising on our investment of $30,000. That's what these cost. Okay.

(Video plays.)

MS. PARKER: We had lots of volunteers to go down and work on that.

MR. GIEBEL: And one of the -- we started working on this six months ago when Boston Public was -- it's still on the air. They have four more episodes, but they're not being renewed, but we took advantage of the free talent so -- and as I said, they're being run between now and the end of this year. Thank you.

CHAIRPERSON COURSON: Thank you. I think obviously that's something as we move forward that we on the Board and others can look at a strategy to raise the public's awareness, particularly in the industry, private industry, as to the partnership that we offer them.

John.

MR. MORRIS: I know we have to get out of here in one minute, but are these promotional materials, are they on the website, the video? Are they on the web?

MR. GIEBEL: No, the video is not on the website. It can be, but we haven't -- we're -- we're trying to get it placed with the stations right now. They can go download it from --

MR. MORRIS: I mean, in addition to. In addition to the stations that, you know, anybody could download it.

MR. GIEBEL: Yeah.

MR. MORRIS: So if you posted it on -- if you had it on the website, you know, anybody that hit your site --

MS. PARKER: We'll follow up on that.

CHAIRPERSON COURSON: I think that's a very good idea.

MR. MORRIS: I mean, you can download full-length feature films now for about -- it takes about an hour and a half. This would take about two minutes.

MR. GIEBEL: Sure.

Item 9: Public Testimony

CHAIRPERSON COURSON: The last item on our agenda is calling for any public testimony. Is there any public testimony?

And seeing none, we are will stand adjourned.

(The meeting concluded at 1:02 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 18th day of March, 2004.

Yvonne K. Fenner

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Plaza de las Flores
Sunnyvale, Santa Clara County, CA
CalHFA # 02-052- N

SUMMARY:

This is a Final Commitment request for Permanent, tax-exempt first mortgage financing in the amount of Nine Million and Twenty-Five Thousand Dollars ($9,025,000.00). Security for the loan will be an existing 101-unit senior housing development and 11,815 square feet of commercial space on 2.23 acres located at 233 Carroll Street in the City of Sunnyvale in the County of Santa Clara. The property will be owned by Christian Church Homes of Northern California, a not-for-profit corporation.

Plaza de las Flores was built in 1982 as a HUD 221 (d) (4) insured, senior project. The project has a twenty year project-based Section 8 HAP contract, which expires in November of 2023. The HAP contract is subject to annual renewals.

The borrower purchased the property in August of 2003 with a $13,650,000 Preservation Acquisition Loan from the Agency consisting of $9,410,000 in taxable Agency Loan Proceeds and $4,095,000 in Proposition 46 Preservation Opportunity Fund loan administered by CalHFA for HCD.

LOAN TERMS:

First Permanent Loan

CalHFA First Mortgage	$9,025,000
Interest Rate	5.50 %
Term	30 year fixed, fully amortizing Financing 501 (c) (3) Bonds

LOCALITY INVOLVEMENT:

The City of Sunnyvale has agreed to make three loans totaling $1,450,000

- A $100,021 loan made from CDBG funds. The loan will have a 3.0% interest rate, a thirty year term and will be repaid from residual receipts.
- A $476,688 loan made from City Housing Mitigation funds. The loan will have a 3.5% interest rate, a thirty year term and will be repaid from residual receipts.
- An $873,291 loan made from HOME funds. The City payment will be a fixed annual payment based on a 3% simple interest rate and a thirty year term. It will be amortized over twenty-six years. The payment will be made in every year that the project achieves a 1.08 DSC after the payment of the operating costs, reserves, Senior Debt (CalHFA and HCD) and the Sunnyvale Debt payment on the $872,291 HOME loan. The payment will be deferred in any year that the DSC did not equal 1.08. Non-payment because the project did not achieve a 1.08 DSC will not be an event of

154 foreclosure. The HOME loan, and any accrued interest (including missed payments) will not be due and payable until the Agency debt is fully amortized, or otherwise paid in full. The City HOME loan payment will be deferred in the event that the Section 8 HAP contract is terminated by HUD.

The Borrower has received a loan commitment in the amount of $3,531,755 from HCD for MHP funds. The loan will have an interest rate of 3% and a term of 55 years payable from residual receipts. The loan will have a fixed annual payment of 0.42% with the remainder paid from residual receipts. The Agency's final commitment will be conditioned upon an agreement with HCD that allows the 25% AMI rents to adjust up to 50% AMI in the event that the Section 8 payments are terminated.

The Borrower has received a letter of interest on April 27th, 2004 from the Santa Clara Housing Trust Fund ("the Santa Clara Housing Trust") for a deferred loan of $500,000, with a zero percent interest rate and a 55 year term. The Santa Clara Housing Trust Loan Committee will meet in June, 2004 to review the Borrower's loan application. In the event that the project does not receive the Santa Clara Trust Fund Loan, the Borrower has agreed to apply to the Federal Home Loan Bank AHP Program in the October 2004 and April 2005 application rounds for a $500,000 loan to replace the Santa Clara Housing Trust Loan. The AHP loan will have a term to be determined and an interest rate of 0%.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT/ RISK SHARE:

The project has a HAP contract for all 101 units. The HAP contract was renewed for 20 years in November of 2003 and expires on November 2023, subject to annual appropriations. The HAP contract limits distributions to the owners. The United States Department of Housing and Urban Development ("HUD") approved the financing plan, the assignment of the HAP contract, and the pledge of rents by the Borrower to the Agency at the acquisition loan closing. HUD retains approval rights for the $901,877 in residual receipts that the Agency is holding for the project, but has agreed in concept to these funds being used for the rehabilitation of the project. HUD's approval will be required by the Agency prior to the start of the proposed rehabilitation work for the development.

The borrower will be required to seek and accept renewals of the project-based Section 8 contract for the term of the CalHFA regulatory agreement (30 years). The Agency Loan will be insured through the HUD Risk Share Program.

OTHER FINANCING:

A total of $1,445,938 was transferred with the property at acquisition, and is currently being held by the Agency. The sources of these funds are:

- Replacement reserves of $370,852;
- A HUD-controlled residual receipts account of $901,877; and
- $173,209 in acquisition loan proceeds that are available for pre-development costs.

Additionally, the project expects to receive $777,496 in funds from the following sources;

- A property tax rebate of approximately $208,000,
- Project cash flow anticipated to be $569,496. The projection is based on the 24 month term of the acquisition loan. Approximately $23,000 per month is currently being remitted to the Agency.

Back Up Proposition 46 Loan Commitment:

In the event that the borrower receives neither the Santa Clara Housing Trust loan of $500,000 nor a $500,000 loan from the Federal Home Loan Bank AHP Program, then, pursuant to the Proposition 46 guidelilnes, a loan in the amount of $500,000 could be provided for 30 years at an interest rate of 3.0%. Payments would be from residual receipts.

PROJECT DESCRIPTION:

Plaza de las Flores is a 22-year-old, 101-unit HUD 221(d)(4) affordable senior complex with 100% project-based HUD Section 8 rental subsidies. There are 100 one-bedroom residential units, one two-bedroom manager's unit, and 11,815 square feet of commercial space broken into six separate business suites, which are fully leased to long-term tenants. The building was developed by Forest City Equity Services, Inc., and was purchased by Christian Church Homes in August 2003. The borrower has managed the property since it was opened in 1983 through a wholly-owned subsidiary.

PROJECT LOCATION:

Plaza de las Flores is located in the downtown area of the City of Sunnyvale at the corner of Washington Avenue and Carroll Street. It is bordered by Sunnyvale Avenue, East Washington Avenue, and Carroll Street, in an area that has some single and multifamily residential units as well as many offices and shops. The south end of the project is bordered by a commercial parking lot along Carroll Street.

The residential units, parking area and commercial offices are all separately accessed from Carroll Street. The residential entrance is recessed from the street to provide vehicle access to the front entrance. Carroll Street is a two-lane street with moderate traffic.

SITE:

The site is a single rectangular parcel containing 97,139 square feet, or 2.23 acres. It is located in Sunnyvale's Community General Business Area which allows for high density residential uses with a special development permit. The current zoning is DSP (downtown specific plan) sub-district 7, which allows for 100 residential units per 3.55 acres, and requires 1.75 parking spaces per residential unit. Because this development is affordable, it received a density bonus and parking reduction permit when it was permitted; the site is at 159% of current density requirements and 19% of current parking requirements. It is a legal non-conforming use with respect to both density and parking.

IMPROVEMENTS:

Plaza de las Flores was built in 1982. It is a single, three-story, stucco, wood-frame building with a flat, built-up roof and tile parapet. It is served by two elevators. The building is donut-shaped with a large interior courtyard area.

The ground floor includes the office, a community room with a kitchen, a spacious lobby, and a laundry area. The laundry room has four washers, four gas dryers, and a laundry sink. There is a vending machine just outside of the laundry room area. The main entrance has a security door, and the mail boxes are located off the entrance.

The development is attractively landscaped throughout. There is a large central courtyard with paved walkways, a fountain, seating, gardens, mature trees, shrubs, and flowers. The exterior of the property is landscaped with mature trees and shrubs along the street frontage. Adequate exterior lighting is provided on the building, and on light poles.

There are 34 residential parking spaces located on site in a subterranean lot. They are accessed from a separate entrance on Carroll Street via a remote controlled access gate. Street parking is adequate.

At the southern end of the site is a one story commercial building connected to the main residential building. It is subdivided into six separate business suites. The commercial spaces are improved with carpeting or vinyl tile, fluorescent lighting, and dropped acoustical tile ceilings. Each commercial suite has a restroom. There are no commercial parking spaces on site, however, ample commercial parking is available in an adjacent city-owned parking lot.

The residential units are well maintained. All units are carpeted. Walls are painted textured sheetrock. Most of the units have sprayed on acoustical ceiling material. Heating and air conditioning is provided by forced air units. The kitchens have electrical appliances, particle board cabinetry in good condition, and Formica countertops. Bathrooms are typical with a tub/shower and a sink/vanity cabinet. The tub surrounds are vinyl. All units have sliding glass doors which lead from the living room to a private deck or balcony. The units have emergency call cords in the bathrooms and bedrooms. The units are all individually metered and the tenants pay for their own utilities. Storage units for the units are located on each floor.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
90	1	1	539
10	1	1	648
1	2	2	838

There are no off site improvements planned for this development. No relocation is required.

MARKET

Market Overview

The market information was prepared as a part of the appraisal the Agency received at the acquisition loan commitment in 2003. The Agency did not require a new appraisal for the permanent loan commitment.

The property is located in the City of Sunnyvale, a well established community located near the northwest boundary of Santa Clara County. Population growth is low at .5% per year. The community is fully developed and there is a shortage of available land. Sunnyvale has a population of 132,800. The median income was $104,400 in 2000. Both the median age and the median income are higher than the rapid growth areas in southern and eastern Santa Clara County. Sunnyvale is 12 miles square, and has diverse land uses. The largest employers include Lockheed Martin, Advanced Micro Devices, Amdahl, and National Semiconductor. Unemployment in December 2002 was 6.4%, an increase from 3.8% in 2001 due to the downturn in the high technology sector.

The property is located in the downtown shopping district of Sunnyvale on the south side of Highway 101. The area is predominantly built-out commercial, office and residential with commercial development along the main thoroughfares. Sunnyvale Shopping Mall, which has Macy's as an anchor tenant, is located across the street from the property. New multifamily residential development has occurred to the north of the property on Evelyn Avenue, and there is an attractive new office building on Mathilda Avenue. Overall the neighborhood developments are in good condition.

Housing Demand

The primary market area of this property is the City of Sunnyvale, and the secondary market area is the County of Santa Clara. Sunnyvale has traditionally enjoyed solid housing demand due to its centralized location, employment opportunities, varied demographic characteristics, and general appeal of the area. Both population and households are expected to increase by 0.5% per year.

Rents in Sunnyvale and Santa Clara County declined from January 2001 through December 2002 from an average of $1,935 to $1,372. The vacancy rate increased to 6.6% in December 2002 from 6.2% in September 2002. Rents continued to decline from 2003 to 2004, but the rate of decrease has slowed significantly.

Housing Supply

Sunnyvale has 54,392 housing units in the city, of which 45.9% are multifamily residences. Two relatively large apartment projects were recently constructed in the downtown area of Sunnyvale: a 124-unit apartment building at Evelyn and Sunnyvale Avenues, and a 300-unit apartment development at the corner of El Camino Real and Mathilda, as well as four smaller developments totaling 90 units.

There are no senior market-rate apartment projects in the primary market area. The appraiser, Carneghi-Bautovich, concluded that the market for age restricted properties is similar to non-age restricted properties in Sunnyvale. They surveyed six comparable properties in Sunnyvale and found the rents for one bedroom units to be between $900 and $1,205, with the low end of the rental rates generally for smaller sized units, and units with less parking. Managers are currently reporting vacancy rates between zero and 9.00% and are offering rebates between $250 and one month's rent for tenants willing to sign 6 month to 12 month leases. The appraiser set the market rent at $1,025 in 2003. CalHFA has been advised that the market rents for similar properties have decreased approximately $50 over the last year.

There are very few age restricted, independent apartment projects in Santa Clara County. New senior facilities in Santa Clara County are generally continuing care facilities with larger luxury apartments and full services, or non-profit subsidized projects.

Demand for Plaza de las Flores units is considered strong given the lack of available housing for seniors with lower incomes, and the Section 8 subsidies. The property currently has no vacancies, and a long waiting list. The historical vacancy rate is less than 1%.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate	$ Difference	% Market	HUD Rent	% of Market
One Bedroom		**$975**			**$1060 and $1110**	
25%	$481		$494	49%		107% and 112%
60%	$878		$97	90%		107% and 112%

All of the current residents are very low income. Under the current HAP program requirements they currently pay only 30% of their income for rent.

Commercial Parcel

The property has six commercial spaces. They are fully leased to stable long term tenants. In the last ten years only one space has turned over, and the property has been 100% occupied. Five of the six spaces have long term leases and one space is on a month to month tenancy. Leases are on a modified gross basis with the tenant paying their own utilities and janitorial costs. The commercial space in not a separate legal parcel and is part of the security for the Agency loan.

Tenant	Unit #	Square Feet	Tenancy Began	Current Lease Expiration	Monthly square foot rent	Monthly Rent	Annual Rent	Rent Increase in Lease
Karimi Chiropractor	1&2	2,402	1987, lease extended 11/1995	11/2015	$1.25	$3,005	$36,060	Yes
Certified Personnel	3 & 4	3,200	07/1998	N/A Month to Month	$1.07	$3,424	$41,088	No
Fitzpatrick State Farm Insurance Agency	5	887	12/1992	05/2012	$1.46	$1295	$15,540	Yes
The Upper Cut Beauty Salon	6	1,614	05/1987, lease extended 08/1997	06/2007	$0.77	$1250	$15,000	No
Christian Science Reading Room	7	800	O2/1993	06/2008	$1.25	$1000	$12,000	Yes
Worldwide Wireless	8 & 9	2,910	1994, they doubled space in 05/2002	03/2007	$1.05	$3055	$36,666	No

The appraiser determined that the market rent for the subject property is $1.45 per square foot. Comparable lease rates in the area range between $1.45 and $2.70 per square foot on an adjusted modified gross basis. Rental rates above $2.00 per square foot were achieved at properties in larger shopping centers with anchor tenants. The lower rents of between $1.80 and $2.00 were achieved at similar buildings in the same neighborhood. The lowest rent of $1.45 was achieved at the subject property. (Worldwide Wireless, above, was leased at the subject property in May of 2002 at $1.45/sf. The rent for this space was reduced in 2004 to $1.05/sf).

Discussions with commercial brokers in Sunnyvale indicate the current achievable rent for the projects commercial space is $1.50/sf.

OCCUPANCY RESTRICTIONS:

CalHFA / Prop 46 100% of the units (100) will be restricted to 50% AMI, for 30 years, so long as the Section 8 subsidies are available.

In the event that HUD terminates the Section 8 assistance, the Agency's rent and occupancy restrictions will change to 47% of the units at 50% AMI and 53% units at 60% of AMI. This modification will allow the borrower to maintain the economic viability of the project, while minimizing the potential displacement of the tenants.

Rents shall be set at the Section 8 requirements so long as Section 8 assistance is available to the Development. The Development shall maintain rents affordable for households of very low, low or moderate income in approximately the percentages that existed on the date of acquisition of the Development by the Borrower or the approximate percentages specified in existing federal, state or locally imposed use restrictions, whichever is higher, except to the extent that it is not economically feasible, for 30 years.

HUD 100% of the units (100) will be restricted to households with incomes of 50% AMI, or lower, for the term of the HAP Agreement, and the available extensions. The restrictions will be removed when and if HUD terminates the Section 8 payments.

City of Sunnyvale 8% of the units (8) will be restricted to 60% AMI;
3% of the units (3) will be restricted to 50% AMI for a term of 55 years.

HCD MHP 47 % of the units (47) are restricted to 25% of AMI;
53% of the units (53) are restricted to 60% of AMI

When and if HUD terminates the Section 8 assistance, the rental restrictions for the 47% of the units that are currently restricted at 25% of AMI can be adjusted to 50% of AMI.

Santa Clara Housing Trust Fund 100% of the units (100) will be restricted to 50% of AMI while the project is receiving rent subsidies.

AHP 47% of the units (47) will be to be restricted at 50% of AMI;
53% of the units (53) will be restricted to 60% of AMI

ENVIRONMENTAL:

A Phase I Environmental Assessment report was completed on January 23, 2003 by ACC Environmental Consultants of Sunnyvale, California as a part of the acquisition phase of this project. Based upon aerial photographs, the property was a gasoline service station from 1943 until 1979. No documentation was available to determine if the underground storage tanks associated with that use had been properly removed when the station was demolished. Therefore, a Phase II report was recommended. A Phase II Subsurface Soil Boring Investigation was completed on March 31, 2003 which confirmed that the underground storage tanks had been removed, and that there are no petroleum hydrocarbon impacts in the soils surrounding the former tanks. It was concluded that no further investigation or remedial action is required.

The Phase I report also identified the presence of suspect asbestos-containing materials on the property, but noted that they appeared to be in good condition. The Agency received an asbestos report dated April 15, 2003 prepared by ACC Environmental Consultants. They identified no friable asbestos containing material. Non-friable asbestos containing material was found in the floor tile and adhesive throughout the building. The report did not recommend removal, except where the tile is disturbed or damaged by the renovation activities. The report identified the cost of the removal of all of the asbestos-containing material at $28,025. The Agency will condition our approval of the rehabilitation work on receipt of an operations and maintenance plan for the asbestos containing material that will be maintained in place.

A seismic evaluation was completed in March 2003. It found that the development as constructed meets minimum standards.

The Agency received an accessibility report dated August 15, 2003 from HKIT Architects. The report covered both the commercial and residential sections of the property. All items identified in that report as action items will be included in the rehabilitation scope of work.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

The physical needs inspection (PNA) was conducted on January 10, 2003 by Waarvik Innovations, as a part of the acquisition loan phase of this project. The PNA found the project in excellent condition which it attributed to proactive maintenance and exemplary management. Due to the age of the building some systems are nearing the end of their useful life and require repair or replacement.

A scope of work was prepared for the Borrower by Pound Company based on the PNA report provided to CCH and perceived market conditions in the fall of 2003. Cost estimates were prepared by XL Construction in consultation with sub-contractors in April of 2004 and incorporate both federal and state prevailing wage requirements. The estimated cost of the work is $1,387,868. The project currently has a 30% construction contingency. Excess contingency funds will be used to do additional unit work. The scope of work includes the following:

- Install a new roof.
- Replace all HVAC equipment.
- Replace damaged solar collector panels
- Waterproof and paint all decks and deck rails.
- Install new kitchen cabinets, appliances, lighting, plumbing, and flooring in approximately 17 units.
- Replace three hot water heating units.
- Provide all accessibility upgrades per the accessibility study.
- Repair all dry rot identified in the termite and dry rot report issued in April 2003.
- Replace the tile flooring in the community room, and address the underling moisture problem.
- Redecorate the lobby interior.
- Install hardwire smoke detectors and GFI's as needed.

Rehabilitation Schedule and Processing of Rehabilitation Payments

The rehabilitation work is scheduled to take three months and be completed during the term of the Acquisition Loan with funds that are currently held by the Agency, and City of Sunnyvale loan proceeds. The Agency will process the construction draw requests. The Agency will require that the borrower enter into a "Rehabilitation Loan Agreement" with the Agency prior to the Agency consenting to the work. The Agency will require contractor payment and performance bonds for 100% of the work, as well as adequate builders risk insurance coverage during the rehabilitation period. The Borrowers developer's fee will be held as a performance guarantee. The work will be subject to both federal and state prevailing wage requirements. The Agency will require that the borrower make adequate provisions for required monitoring.

ARTICLE XXXIV:

A satisfactory opinion letter will be required prior to acquisition loan closing.

DEVELOPMENT TEAM:

Borrower

Christian Church Homes of Northern California ("CCH"), a not–for–profit Corporation

CCH was founded by ecumenical and community groups in 1961. To date they have developed 20 elderly facilities for 1,712 elderly households. Of these units, 1,218 have project-based Section 8 contracts. Included in these projects is South Lake Towers, a 130-unit expiring use senior development in Oakland that was purchased by the borrower with three loans from CalHFA in 2002.

CCH is currently developing four new HUD 202 projects totaling 194 units and is negotiating with Forest City the CalHFA-assisted preservation of two additional expiring-use Section 8 properties located in California.

Management Agent

Christian Church Homes of Northern California ("CCH"), a not–for–profit Corporation

CCH currently manages 44 properties in Northern California, including 21owned or co-owned properties and 23 owned by other entities. Forty-three of the facilities they manage are reserved for seniors 62 years of age and older.

CCH has a Director of Social Services and a team of over 30 on-site service coordinators whose job is to link seniors with a wide array of supportive and social services.

Architect & Construction Management

David Dachs of the Pound Company

The Pound Company is based in Oakland and provides both construction management and project planning services. They have worked with CCH on other projects.

General Contractor

XL Construction

XL Construction of San Jose California will be the General Contractor. They have a bonding capacity for individual projects in excess of $25,000,000.00. XL Construction has considerable experience on construction projects in the Silicon Valley and greater Bay Area, with a special focus on healthcare facilities. They are currently in preconstruction on another senior care facility, and in construction on three healthcare projects.

Project Profile:

Project :	Plaza De Las Flores		
Location:	233 Carroll Street	*Appraiser*	Chris Carneigi
	Sunnyvale 94086	*Cap Rate:*	6.25%
County:	Santa Clara	*Market:*	$14,000,000
Borrower:	Christian Church Homes	*Income:*	$13,770,000
Program:	Preservation / Elderly	*Final Value:*	$14,000,000
CalHFA # :	02052-N		
Risk Share:	Yes	***LTC/LTV:***	
		Loan/Cost	53.9%
		Loan/Value	64.5%

Project Description:

Date: 26-Apr-04

Units	101
Handicap Units	10
Bldg Type	Stucco/Frame
Buildings	1
Stories	3 &1
Gross Sq Ft	65,200
Land Sq Ft	97,139
Units/Acre	431
Total Parking	34
Covered Parking	34

Financing Summary:

Permanent Loan	Amount	Per Unit	Rate	Term
CalHFA - 1st Mortgage	$9,025,000	$89,356	5.50%	30
Prop 46 Loan	$0	$0	3.00%	30
HCD MHP	$3,531,775	$34,968	3.00%	55
Sunnyvale HOME Loan	$873,291	$8,646	3.00%	30
Sunnyvale CDBG Loan	$100,021	$990	3.00%	30
Sunnyvale City Loan Fund	$476,688	$4,720	3.50%	30
Santa Clara Housing Trust Fund	$500,000	$4,950	0.00%	55
Seller RFR Reserve	$370,852	$3,672		
HUD/Seller Residual Receipts Reserve	$901,877	$8,929		
Return of Tax Impound	$208,000	$2,059		
PAL(cash flow) interest reserve	$569,496	$5,639		
Deferred Developer Fee	$0	$0		
CalHFA rehab reserve	$173,209	$1,715		

Unit Mix:

Type	Manager		25% AMI *		60% AMI *		Market		Total
	number	rent	number	rent	number	rent	number	rent	
1 bedroom	0	0	47	481	43	1044	0	0	90
1 bedroom	0	0	0	0	10	1094	0	0	10
2 Bedroom	1	0	0	0	0	0	0	0	1
subtotal	1		47		53		0		101

* Permanent loans are based upon net HAP contract rents of $1,044 and $1,094

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Permanent Loan Fee	0.50% Permanent Loan	$45,125	Cash
Prop 46 Loan	0.50% Prop 46 Loan	$0	Cash
Escrows			
Operating Expense Reserve	10.00% of Gross Income	$0	Waived
Inspection fee	$1,500 x months of construction	$4,500	Cash
Construction Defect Reserve	2.50% of Hard Costs	$34,697	LOC
Reserves			
RFR Deposit	$2,000 unit	$602,000	$200,000 cash, $400,000 operations
RFR annual	$550 unit	$55,550	Operations

SOURCES AND USES WORKSHEET	Plaza De Las Flores	02052-N

SOURCES:

	Acquisition	Permanent
CalHFA - 1st Mortgage		9,025,000
CalHFA Acquisition Loan	9,410,000	
Prop 46 Loan	4,095,000	-
HCD MHP		3,531,775
Sunnyvale HOME Loan		873,291
Sunnyvale CDBG Loan		100,021
Sunnyvale City Loan Fund		476,688
AHP		-
Santa Clara Housing Trust Fund		500,000
Seller RFR Reserve	369,137	370,852
HUD/Seller Residual Receipts Reserve	897,640	901,877
Return of Tax Impound		208,000
Deferred Developer Fee		-
PAL(cash flow) interest reserve		569,496
CalHFA rehab reserve		173,209
Total Sources	14,771,777	16,730,209
(Gap)/Surplus	1	(0)

USES:

	Acquisition	Permanent Combined	84.66% Residential	15.34% Commercial
ACQUISITION				
Land	$6,310,000	$6,310,000	$5,341,972	$968,028
Residential Purchase	$6,690,000	$6,690,000	$5,663,676	$1,026,324
HCD POP interest		245,640	$207,956	$37,684
Total Acquisition Cost	$13,000,000	$13,245,640	$11,213,604	$2,032,036
REHABILITATION				
Site Work		$0	$0	$0
Structures		$1,186,037	$1,004,085	$181,952
General Requirements		$93,303	$78,989	$14,314
Contractor Overhead		$32,324	$27,365	$4,959
Contractor Profit		$0	$0	$0
Common Area Furnishings		$76,204	$64,513	$11,691
Total Rehab. Costs	$0	$1,387,868	$1,174,953	$212,915
NEW CONSTRUCTION				
Site Work		$0	$0	$0
Structures		$0	$0	$0
General Requirements		$0	$0	$0
Contractor Overhead		$0	$0	$0
Contractor Profit		$0	$0	$0
Furnishings		$0	$0	$0
Other		$0	$0	$0
Total New Const. Costs	$0	$0	$0	$0
ARCHITECTURAL FEES				
A&E		$40,000	$33,864	$6,136
Supervision		$20,000	$16,932	$3,068
Total Architectural Costs	$0	$60,000	$50,795	$9,205
SURVEY & ENGINEERING	$7,800	$7,800	$6,603	$1,197
Financing Costs				
Earthquake Impound	$19,850	$19,850	$16,805	$3,045
Tax Service	$190	$2,190	$1,854	$336
Hazard Impound	$8,033	$8,033	$6,801	$1,232
Tax Impound	$56,850	$56,850	$48,129	$8,721

Title and Recording	$3,191	$3,191	$2,701	$490
Prevailing Wage Monitoring		$10,000	$8,466	$1,534
Builders Risk Insurance		$15,000	$12,699	$2,301
Bond Premium		$15,000	$12,699	$2,301
Total Const. Interest & Fees	$88,114	$130,114	$110,153	$19,961
PERMANENT FINANCING				
Permanent Fee		$45,125	$38,202	$6,923
Commitment Fee - Acquisition Loan	$94,100	$94,100	$79,664	$14,436
Prop 46 Perm Loan Fee		$0	$0	$0
Application Fee	$500	$500	$423	$77
Title and Recording		$15,000	$12,699	$2,301
Santa Clara Housing Trust Fund		$10,500	$8,889	$1,611
Tax service		$2,204	$1,866	$338
HAT Bridge Loan		$0	$0	$0
Inspection Fees		$4,500	$3,810	$690
Total Perm. Financing Costs	$94,600	$171,929	$145,553	$26,376
LEGAL FEES				
Borrower Legal Fee	$10,000	$10,000	$8,466	$1,534
Construction Documents		$14,000	$11,852	$2,148
Permanent Loan Closing		$12,000	$10,159	$1,841
Total Attorney Costs	$10,000	$36,000	$30,477	$5,523
RESERVES				
TOR/Operating Reserve		$290,597	$0	$0
Bond Origination Guarantee		$0	$0	$0
RFR Deposit	369,137	$202,000	$171,011	$30,989
HUD Residual Reserve	897,640	$0	$0	$0
Total Reserve Costs	$1,266,777	$492,597	$171,011	$30,989
CONTRACT COSTS				
Appraisal	$17,750	$17,750	$15,027	$2,723
Market Study	$5,000	$5,000	$4,233	$767
Environmental Reports	$15,953	$20,000	$16,932	$3,068
Accessibility Study	$7,500	$7,500	$6,349	$1,151
Seismic	$4,250	$4,250	$3,598	$652
PNA	$5,000	$5,000	$4,233	$767
Total Contract Costs	$55,453	$59,500	$50,372	$9,128
CONTINGENCY				
Hard Cost Contingency		$416,360	$352,486	$63,875
Soft Cost Contingency	$166,532	$70,401	$59,601	$10,800
Total Contingency Costs	$166,532	$486,761	$412,087	$74,675
OTHER				
TCAC App/Alloc/Monitor Fees		$0	$0	$0
Nepa Review (HUD Risk Share)		$3,500	$2,963	$537
Permit Processing Fees		$24,000	$20,318	$3,682
Capital Fees		$0	$0	$0
Relocation Expenses		$0	$0	$0
Audit		$10,000	$8,466	$1,534
Total Other Costs	$0	$37,500	$31,747	$5,753
PROJECT COSTS	$14,689,276	$16,115,709	$13,397,355	$2,427,757
DEVELOPER COSTS				
Developer Overhead/Profit	$75,000	$589,500	$499,064	$90,436
Project Administration		$0	$0	$0
Consultant/Processing Agent	$7,500	$25,000	$21,165	$3,835
Total Developer Costs	$82,500	$614,500	$520,229	$94,271
TOTAL PROJECT COST	$14,771,776	$16,730,209	$13,917,584	$2,522,029

Annual Operating Budget — Plaza De Las Flores — 02052-N

INCOME:	Total	Dollars per Unit
Tax Credit Rents	979,002	9,693
Section 8 Increment	330,067	3,268
Laundry	5,098	50
Commercial Income	156,354	1,548
Garage Income	0	0
Gross Potential Income (GPI)	**1,470,521**	**14,560**
Less:		
Vacancy Loss (commercial and rental)	86,331	855
Total Net Revenue	**1,384,190**	**13,705**

EXPENSES:		
Payroll	187,462	1,856
Administrative	121,984	1,208
Utilities	54,654	541
Operating and Maintenance	162,317	1,607
Insurance and Business Taxes	54,455	539
Taxes and Assessments	15,955	158
Reserve for Replacement Deposits	55,550	550
Subtotal Operating Expenses	**652,377**	**6,459**
Financial Expenses		0
CalHFA Mortgage Payments	614,915	6,088
Mortgage Payments MHP	14,833	147
Total Financial	**629,749**	**6,235**
Total Project Expenses	**1,282,126**	**12,694**

Cash Flow | **Plaza De Las Flores** | **CalHFA # 02052-N** | **Permanent Loan**

RENTAL INCOME	Acquisition 1	Acquisition 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	317,250	323,595	330,067	336,668	343,402	350,270	357,275	364,421	371,709	379,143
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	940,986	959,806	979,002	998,582	1,018,554	1,038,925	1,059,703	1,080,897	1,102,515	1,124,565
TOTAL RENTAL INCOME	**1,258,236**	**1,283,401**	**1,309,069**	**1,335,250**	**1,361,955**	**1,389,194**	**1,416,978**	**1,445,318**	**1,474,224**	**1,503,708**
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	4,900	4,998	5,098	5,200	5,304	5,410	5,518	5,629	5,741	5,856
Commercial Income Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Commercial	155,334	155,334	156354	158,806	159,819	163,015	166,276	169,601	172,993	176,453
TOTAL OTHER INCOME	**160,234**	**160,332**	**161,452**	**164,006**	**165,123**	**168,425**	**171,794**	**175,230**	**178,734**	**182,309**
GROSS INCOME	**1,418,470**	**1,443,733**	**1,470,521**	**1,499,256**	**1,527,078**	**1,557,620**	**1,588,772**	**1,620,547**	**1,652,958**	**1,686,018**
Vacancy Rate: Section 8 Incremen	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Other Income	*10.00%*	*10.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*
Less: Vacancy Loss	53,427	54,185	86,331	87,855	88,963	90,743	92,558	94,409	96,297	98,223
EFFECTIVE GROSS INCOME	**1,365,043**	**1,389,547**	**1,384,189**	**1,411,401**	**1,438,115**	**1,466,877**	**1,496,214**	**1,526,139**	**1,556,661**	**1,587,795**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	540,923	560,541	580,872	601,203	622,245	644,023	666,564	689,894	714,040	739,031
Replacement Reserve	0	0	55,550	55,550	55,550	58,328	58,328	58,328	58,328	58,328
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	150,215	153,219	15,955	16,274	16,600	16,932	17,270	17,616	17,968	18,327
TOTAL EXPENSES	**691,137**	**713,761**	**652,377**	**673,027**	**694,394**	**719,282**	**742,162**	**765,837**	**790,335**	**815,686**
NET OPERATING INCOME	**673,905**	**675,787**	**731,812**	**738,374**	**743,720**	**747,595**	**754,053**	**760,302**	**766,326**	**772,108**
DEBT SERVICE										
CalHFA - 1st Mortgage			614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915
MHP debt service			14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833
CalHFA Acquisition Loan	375,116	375,116								
Cash flow after CalHFA loans	**298,789**	**300,671**	**102,064**	**108,625**	**113,971**	**117,846**	**124,304**	**130,553**	**136,577**	**142,360**
Cash to PAL Loan Reserve	298,789	300,671								
DCR after Scheduled Debt	**1.80**	**1.80**	**1.16**	**1.17**	**1.18**	**1.19**	**1.20**	**1.21**	**1.22**	**1.23**
RFR Payment from Cash Flow			**100,000**	**100,000**	**100,000**	**100,000**				

Cash Flow — Plaza De Las Flores — CalHFA # 02052-N — Permanent Loan

RENTAL INCOME	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	386,726	394,460	402,350	410,397	418,605	426,977	435,516	444,227	453,111	462,173
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	1,147,057	1,169,998	1,193,398	1,217,266	1,241,611	1,266,443	1,291,772	1,317,608	1,343,960	1,370,839
TOTAL RENTAL INCOME	**1,533,783**	**1,564,458**	**1,595,747**	**1,627,662**	**1,660,216**	**1,693,420**	**1,727,288**	**1,761,834**	**1,797,071**	**1,833,012**
OTHER INCOME										
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	5,973	6,093	6,214	6,339	6,465	6,595	6,727	6,861	6,998	7,138
Commercial Income Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Commercial	179,982	183,582	187,253	190,998	194,818	198,715	202,689	206,743	210,878	215,095
TOTAL OTHER INCOME	**185,955**	**189,674**	**193,468**	**197,337**	**201,284**	**205,310**	**209,416**	**213,604**	**217,876**	**222,234**
GROSS INCOME	**1,719,738**	**1,754,133**	**1,789,215**	**1,825,000**	**1,861,500**	**1,898,730**	**1,936,704**	**1,975,438**	**2,014,947**	**2,055,246**
Vacancy Rate: Section 8 Incremen	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Other Income	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*
Less: Vacancy Loss	100,187	102,191	104,235	106,320	108,446	110,615	112,827	115,084	117,385	119,733
EFFECTIVE GROSS INCOME	**1,619,551**	**1,651,942**	**1,684,980**	**1,718,680**	**1,753,054**	**1,788,115**	**1,823,877**	**1,860,355**	**1,897,562**	**1,935,513**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	764,897	791,669	819,377	848,056	877,737	908,458	940,254	973,163	1,007,224	1,042,477
Replacement Reserve	61,244	61,244	61,244	61,244	64,306	64,306	64,306	64,306	64,306	67,521
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	18,694	19,068	19,449	19,838	20,235	20,639	21,052	21,473	21,903	22,341
TOTAL EXPENSES	**844,835**	**871,980**	**900,070**	**929,137**	**962,278**	**993,404**	**1,025,613**	**1,058,943**	**1,093,433**	**1,132,339**
NET OPERATING INCOME	**774,715**	**779,961**	**784,910**	**789,543**	**790,775**	**794,711**	**798,264**	**801,412**	**804,129**	**803,174**
DEBT SERVICE										
CalHFA - 1st Mortgage	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915
MHP debt service	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833
CalHFA Acquisition Loan										
Cash flow after CalHFA loans	**144,966**	**150,212**	**155,161**	**159,794**	**161,026**	**164,962**	**168,515**	**171,663**	**174,380**	**173,425**
Cash to PAL Loan Reserve										
DCR after Scheduled Debt	**1.23**	**1.24**	**1.25**	**1.25**	**1.26**	**1.26**	**1.27**	**1.27**	**1.28**	**1.28**
RFR Payment from Cash Flow										

Cash Flow Plaza De Las Flores CalHFA # 02052-N Permanent Loan

RENTAL INCOME	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	471,417	480,845	490,462	500,271	510,277	520,482	530,892	541,510	552,340	563,387	574,654	586,148
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	1,398,256	1,426,221	1,454,745	1,483,840	1,513,517	1,543,787	1,574,663	1,606,156	1,638,279	1,671,045	1,704,466	1,738,555
TOTAL RENTAL INCOME	**1,869,673**	**1,907,066**	**1,945,207**	**1,984,111**	**2,023,794**	**2,064,270**	**2,105,555**	**2,147,666**	**2,190,619**	**2,234,432**	**2,279,120**	**2,324,703**
OTHER INCOME												
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	7,281	7,427	7,575	7,727	7,881	8,039	8,200	8,364	8,531	8,702	8,876	9,053
Commercial Income Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Commercial	219,397	223,785	228,261	232,826	237,483	242,232	247,077	252,018	257,059	262,200	267,444	272,793
TOTAL OTHER INCOME	**226,678**	**231,212**	**235,836**	**240,553**	**245,364**	**250,271**	**255,277**	**260,382**	**265,590**	**270,902**	**276,320**	**281,846**
GROSS INCOME	**2,096,351**	**2,138,278**	**2,181,043**	**2,224,664**	**2,269,158**	**2,314,541**	**2,360,832**	**2,408,048**	**2,456,209**	**2,505,333**	**2,555,440**	**2,606,549**
Vacancy Rate: Section 8 Incremen	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate: Other Income	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*	*30.00%*
Less: Vacancy Loss	122,128	124,570	127,062	129,603	132,195	134,839	137,536	140,286	143,092	145,954	148,873	151,851
EFFECTIVE GROSS INCOME	**1,974,223**	**2,013,708**	**2,053,982**	**2,095,061**	**2,136,963**	**2,179,702**	**2,223,296**	**2,267,762**	**2,313,117**	**2,359,379**	**2,406,567**	**2,454,698**
OPERATING EXPENSES												
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.00%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	1,078,963	1,116,727	1,155,813	1,196,266	1,238,135	1,275,279	1,319,914	1,366,111	1,413,925	1,463,413	1,514,632	1,567,644
Replacement Reserve	67,521	67,521	67,521	67,521	70,897	70,897	70,897	70,897	70,897	70,897	70,897	70,897
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	22,788	23,243	23,708	24,182	24,666	25,159	25,663	26,176	26,699	27,233	27,778	28,334
TOTAL EXPENSES	**1,169,273**	**1,207,492**	**1,247,042**	**1,287,970**	**1,333,699**	**1,371,336**	**1,416,474**	**1,463,185**	**1,511,522**	**1,561,543**	**1,613,307**	**1,666,875**
NET OPERATING INCOME	**804,951**	**806,216**	**806,939**	**807,091**	**803,264**	**808,366**	**806,822**	**804,577**	**801,595**	**797,836**	**793,260**	**787,823**
DEBT SERVICE												
CalHFA - 1st Mortgage	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915	614,915
MHP debt service	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833	14,833
CalHFA Acquisition Loan												
Cash flow after CalHFA loans	**175,202**	**176,467**	**177,190**	**177,343**	**173,515**	**178,617**	**177,073**	**174,828**	**171,846**	**168,087**	**163,511**	**158,074**
Cash to PAL Loan Reserve												
DCR after Scheduled Debt	**1.28**	**1.28**	**1.28**	**1.28**	**1.28**	**1.28**	**1.28**	**1.28**	**1.27**	**1.27**	**1.26**	**1.25**
RFR Payment from Cash Flow												


Plaza de las Flores
233 Carroll Street
Sunnyvale, Santa Clara County
Lincoln
Citrus Heights
Placerville
Woodland
Fair Oaks
Sacramento
Putah Creek
Lake Berryessa
Davis
Dixon
Santa Rosa
Elk Grove
Vacaville
Ione
Rohnert Park
Sonoma
Napa
Fairfield
Petaluma
Tomales Bay
Novato
Vallejo
Suisun Bay
Martinez
San Joaquin River
Stockton
San Rafael
Richmond
Walnut Creek
Brentwood
Berkeley
Danville
Manteca
San Francisco
Alameda
Oakdale
Ripon
San Leandro
Livermore
Stanislaus River
Modesto
Union City
Burlingame
Fremont
Turlock
Redwood City
Palo Alto
Milpitas
Patterson
Sunnyvale
Santa Clara
San Jose
Los Gatos
Boulder Creek
Morgan Hill
Los Banos
Santa Cruz
Watsonville
Hollister
Salinas
Scale 1 : 1,066,667
1" = 16.8 mi

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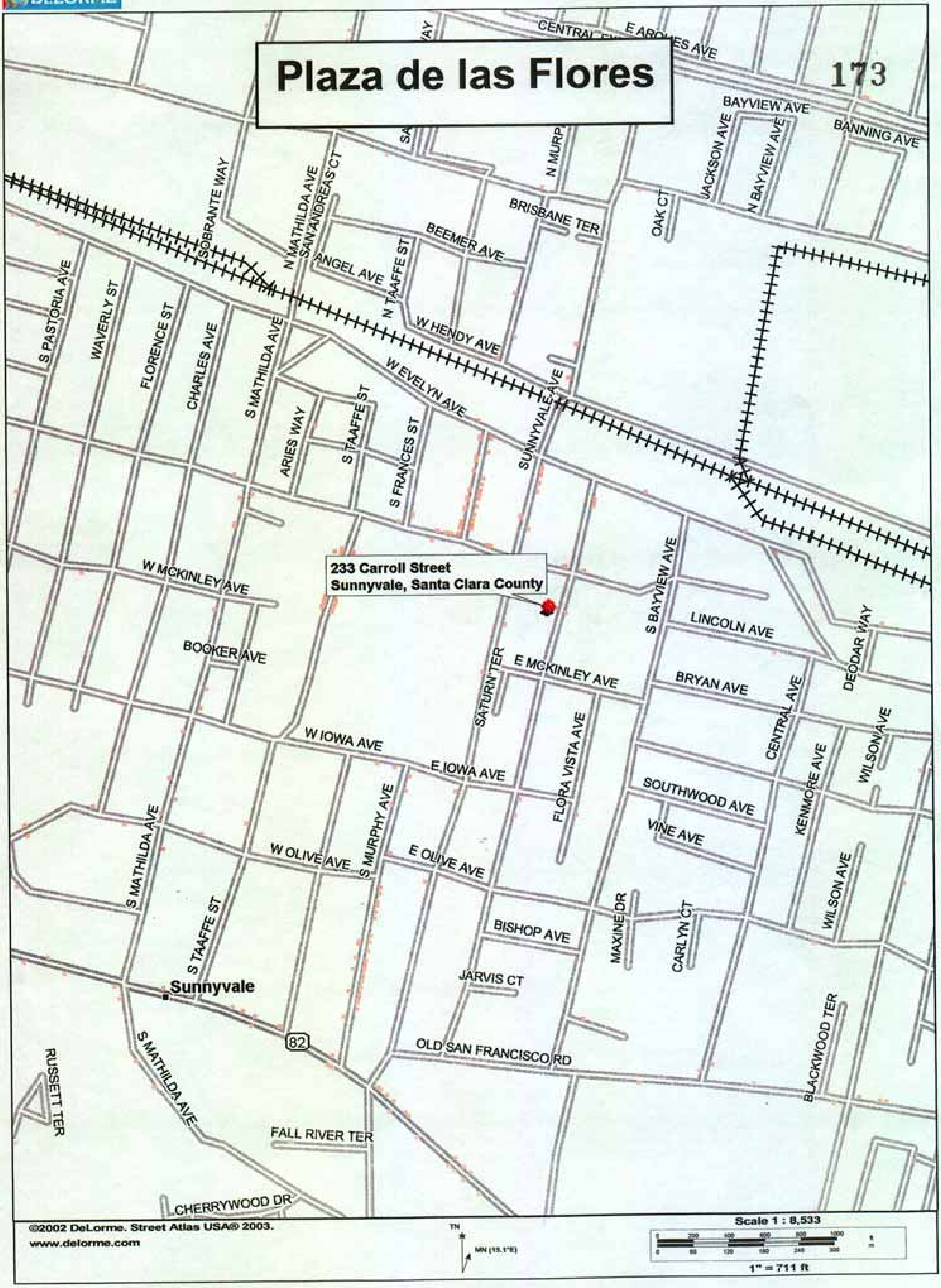
Plaza de las Flores
173
233 Carroll Street
Sunnyvale, Santa Clara County
CENTRAL
E ARQUES AVE
BAYVIEW AVE
BANNING AVE
JACKSON AVE
N BAYVIEW AVE
OAK CT
N MURPHY
SOBRANTE WAY
N MATHILDA AVE
SAN ANDREAS CT
BRISBANE TER
BEEMER AVE
ANGEL AVE
N TAAFFE ST
W HENDY AVE
S PASTORIA AVE
WAVERLY ST
FLORENCE ST
CHARLES AVE
S MATHILDA AVE
W EVELYN AVE
SUNNYVALE AVE
ARIES WAY
S TAAFFE ST
S FRANCES ST
S BAYVIEW AVE
W MCKINLEY AVE
LINCOLN AVE
DEODAR WAY
BOOKER AVE
SATURN TER
E MCKINLEY AVE
BRYAN AVE
CENTRAL AVE
WILSON AVE
W IOWA AVE
E IOWA AVE
FLORA VISTA AVE
SOUTHWOOD AVE
KENMORE AVE
VINE AVE
W OLIVE AVE
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E OLIVE AVE
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RESOLUTION 04-12

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Christian Church Homes of Northern California ("CCH"), a not-for-profit corporation (the "Borrower"), seeking a loan commitment under the Agency's 501(c)(3) Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a permanent mortgage loan on a 101-unit multifamily housing development located in the City of Sunnyvale to be known as Plaza de las Flores (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 26, 2004 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on April 28, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-052-N	Plaza de las Flores Sunnyvale/Santa Clara	101 Permanent First Mortgage:	$9,025,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 04-12 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

State of California

MEMORANDUM

To: Board of Directors

Date: May 3, 2004

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

Subject: CalHFA Five-Year Business Plan
Resolution 04-13

I am very pleased to offer for your consideration the 12th annual CalHFA Five-Year Business Plan (2004/05 to 2008/09) and its authorizing resolution.

This Plan comes at a time when the Agency is facing new challenges and opportunities, such as the ever-changing interest rate environment, the dynamics of a new Board of Directors, a new focus on public/private sector partnerships, the shrinking affordability facing the first time homebuyer and the complexities of creating and preserving affordable rental housing.

To meet these and other changes, the Agency is challenging itself through this plan to be innovative, to embrace the best practices of the industry, to maximize its resources and to continue to be competitive with its products and programs.

We have always demonstrated our ability to be responsive to our changing program and financial market environment. For example, CalHFA has been one of the very few state housing finance agencies in the country that has been able to continue to meet its high production goals and to offer new affordable housing opportunities even when reaching those most in need has become more difficult.

These successes and meeting the goals of the new Business Plan are only possible due to the hard work of the CalHFA staff. We look forward to these challenges and remain committed to meeting the Plan's goals and objectives.

This proposed update has been based upon discussions and direction consistent with the Board's philosophies as received throughout the past year. It will be utilized as a road map for staff and for the Board to measure our performance as we carry out the Agency's mission to "finance below market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership."

The updated plan proposes total activity of $10.3 billion of housing-related economic activity over the next five years. This activity includes over $7.3 billion of new home mortgages, $1.3 billion of mortgage insurance activity, and $1.7 billion in multifamily lending. The new construction that will be stimulated over this five-year period will aid the State's economic growth and help support the creation of over 63,000 new jobs.

As a part of our objectives we will continue to promote partnerships and other cooperative efforts to increase affordable housing throughout the State. Our recent agreements with the Southern California Home Financing Authority and the City of Los Angeles underscore the strength of collaboration and we intend to expand and grow these as well as new relationships through the duration of this plan.

In addition to the activities outlined in the plan, new housing opportunities can be expected to present themselves throughout the five-year plan period. As in previous years, the staff intends to respond dynamically to these market opportunities as they emerge and bring them to the Board at the appropriate time.

Your approval of Resolution 04-13, adopting the 12th CalHFA Business Plan, will enable the CalHFA staff to demonstrate their creativity and professionalism in utilizing the affordable housing resources available in California. We will continue to invite partnerships and collaboration and intend to do everything possible to communicate and implement CalHFA's commitment to affordable housing.

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
2004/2005 TO 2008/2009

Cal HFA™

Affordable Housing is our Business

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TABLE OF CONTENTS

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I. Executive Summary

2004/05 Business Plan Overview:

CalHFA's 2004/05 Business Plan proposes total activity of $10.3 billion during the five-year period. Homeownership and multifamily lending programs are estimated to be $9 billion, with an additional $1.3 billion in loan insurance activity.

Estimated levels of first mortgage lending for homeownership increase to $1.25 billion for 2004/05 and with increases annually during the remainder of the five-year plan, raising the new five-year target to $7.27 billion. This includes downpayment assistance and self-help builders' assistance. Through the use of recycling, taxable bonds, local agency partnership deals, variable rate bonds and interest rate swaps, the $1.25 billion goal should be attainable in the coming fiscal year. Beyond calendar year 2004, 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.)

Total mortgage insurance activity is proposed at $260 million for the 2004/05 fiscal year and $1.3 billion for the five-year period. This compares to 2003/04 projected activity of $606 million. This reduced activity is a result of the emphasis of the GSE's and major lenders on low-to-moderate income borrowers, 80/20 products, and the increase of captive reinsurance by the private mortgage insurers and lenders. These trends have made the last two years difficult for CalHFA mortgage insurance and may continue in the future.

The 2004/05 goal for multifamily lending is $351 million, with a total target of $1.7 billion for the five-year period. Projected activity in new construction is expected to remain strong through our tax-exempt lending programs. 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.

New construction activity financed under the plan for the Agency is estimated to be over $2.18 billion in new construction homes and $1 billion in new affordable multifamily rental units. This will support the creation of approximately 63,000 jobs.* Additionally, there will be a significant economic impact resulting from CalHFA's financing of resale homes and multifamily acquisition/rehabilitation projects, as well as from the Agency's mortgage insurance activities.

*Source for multiplier: Construction Industry Research Board

II. INTRODUCTION

Plan Purpose:

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CalHFA) with a proposed business plan for the next five fiscal years. The 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 CalHFA's restricted resources and stimulate the housing-related economy of California.

Background:

The Agency was created in 1975 as the State's affordable housing bank. The federal and state tax exemption available on State-issued debt enables housing finance capital to be provided at below-market interest rates. CalHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and it is also authorized through it's insurance program to provide mortgage insurance.

CalHFA's primary purpose and its mission, according to State law, is to meet the housing needs of persons and families of low to moderate income.

CalHFA's programs can be divided into three major areas: homeownership loan programs, mortgage insurance, and multifamily loan programs (for rental properties).

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 CalHFA does not, in many cases, exercise control. The following are some of the key assumptions on which the projections are based:

- receipt of sufficient State allocation of private activity bond issuance authority,
- no repeal of the Federal "ten year rule",
- continued investor demand for CalHFA 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,
- borrower interest in newly-created or redesigned single family loan products that may reduce the use of CHAP and HiCAP subordinate loans,

- continued low and stable rates of interest,
- state and local agency financial participation,
- ability to viably compete in the market place with mortgage insurance products,
- continued commitment of GSE's to first-time homebuyers and affordable housing, and
- continued reliance of private lenders on captive reinsurance ventures.

For the most part, the Agency's programs and its organization are flexible enough to allow CalHFA to respond to changing circumstances in revenue projections, programs, and economic conditions, and to accommodate any unanticipated adjustment of priorities.

2003/04 Business Plan - Progress to Date as of March 2004:

The table below shows an estimate of actual production for CalHFA lending and insurance programs in comparison with fiscal year 2003/04 goals.

	2003-2004 GOAL	ESTIMATED ACTUAL	PERCENTAGE OF GOAL
	(millions of dollars)		
Homeownership Programs	$1,175	$1,175	100%
Insurance Programs	$ 606	$ 250	41%
Multifamily Programs	$ 481	$ 277	58%

Homeownership lending volume is projected to meet this fiscal year's goal of $1.175 billion in first mortgage production. This projected first mortgage volume exceeds that of the previous fiscal year by $50 million, an increase of 4.4%.

Insurance activity is projected at $250 million in 2003/04. This is only 51% of the $491 million achieved in 2002/03, due to the reduced volume of CalSTRS loans, new 80/20 loan programs to circumvent mortgage insurance and more reliance on captive reinsurance entities by lenders.

Multifamily lending commitments are projected to total $277 million for 2003/04 which was less than last year's production of $305 million. Two programs in the 2003/04 goal, Student Housing ($100 million) and Prop 46 Preservation Acquisition ($90 million) did not meet expectations due to policy changes at the University of California and a lack of demand for acquisition funds.

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2004/05 Business Plan Overview:

CalHFA's 2004/05 Business Plan proposes a total of $9 billion for loan programs and $1.3 billion in insurance activity for a total of $10.3 billion for the 2004/05 to 2008/09 five-year period.

The planned level of homeownership first mortgage lending is proposed at $1.25 billion per year for 2004/05 and with increases annually for the remainder of the five-year plan period, resulting in a five-year target of $7.27 billion. Through the use of recycling, taxable bonds, local agency partnership deals, variable rate bonds and interest rate swaps, 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, including an unexpected carry forward allocation from 2003.

Total mortgage insurance activity in the Plan is proposed at $260 million for the 2004/05 fiscal year and $1.3 billion for the five-year period.

For multifamily lending the 2004/05 goal is $351 million for permanent and construction lending with a total target of $1.7 billion for the five-year period. Lending activity is expected to focus on new construction and preservation activities primarily through tax exempt financing.

Organization of Plan:

This introduction is followed by the sections described below:

- Table I - Planned and Actual Summary displays the goals and actual results for fiscal 2002/03 and the goals and current projections for fiscal 2003/04.
- Table II - Plan Summary shows goals by program for each of the years in the plan period 2004/05 to 2008/09.
- Divisional Summaries include lists of accomplishments and descriptions of how the plan will be carried out by the CalHFA divisions. These are followed by short descriptions of how each of the support divisions of CalHFA will assist the programs divisions in meeting the objectives of the plan.
- Financial Summary discusses in detail the Agency's equity position as of December 31, 2003, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions)

FY 2002/03

	Planned	Actual
HOMEOWNERSHIP PROGRAMS[a]		
Homeownership 1st Loans	$1,125.0	$1,132.0
Homeownership Downpmt Assist (CHAP)	22.6	26.0
Self-Help Builder Assistance (SHBAP)	2.5	0.5
High Cost Area 2nd Loans (HiCAP)	9.5	7.2
Silent Second Mortgages[b]	5.0	2.0
Prop 46 Downpayment Assistance		
Homebuyers Downpmt Assist (CHDAP)	19.5	1.0
Extra Credit Teacher 2nd Loans (ECTP)	3.5	1.6
School Facilities Fees Downpayment	6.3	0.4
Total Homeownership Programs	$1,193.9	$1,170.7
INSURANCE PROGRAMS		
CalHFA	$50.0	126.0
CalPERS	25.0	5.4
CalSTRS	275.0	$206.0
Lease Purchase	100.0	23.0
Community Affordable Housing	225.0	122.0
100 % Loan Freddie Mac	40.0	9.4
Total Insurance Programs	$715.0	$491.8
MULTIFAMILY PROGRAMS[c]		
Direct Lending	$200.0	$262.8
Multifamily HAT Programs:	5.0	21.8
Total Multifamily Programs	$205.0	$284.6
SPECIAL LENDING PROGRAMS		
HELP Program	$20.0	$20.0
Small Business Development	2.0	0.0
Total Special Lending Programs	$22.0	$20.0
TOTAL CalHFA PROGRAMS	$2,135.9	$1,967.1

FY 2003/04

	Planned	Actual to 3/31	Projected
HOMEOWNERSHIP PROGRAMS[a]			
Homeownership 1st Loans	$1,175.0	$1,045.2	$1,175.0
Homeownership Downpmt Assist (CHAP)	28.2	$27.0	$30.5
Self-Help Builder Assistance (SHBAP)	2.5		0.5
High Cost Area 2nd Loans (HiCAP)	11.4	20.7	29.0
Silent Second Morgages [b]	5.0	0.8	1.0
Prop 46 Downpayment Assistance			
Homebuyers Downpmt Assist (CHDAP)	19.4	19.3	22.6
Homeownership In Revital Areas (HIRAP)	1.3		0.2
Extra Credit Teacher Program (ECTP)	3.8	1.6	3.8
School Facility Fee (SFF)	6.9	3.3	6.7
Total Homeownership Programs	$1,253.6	$1,117.9	$1,269.3
INSURANCE PROGRAMS			
CalHFA	$125.0	$129.8	$141.0
Freddie Mac 100	16.0	0.7	0.7
CalPERS	8.0	2.1	2.5
CalSTRS	105.0	46.0	52.5
Lease Purchase	32.0	17.8	21.0
Community Affordable Housing	120.0	24.0	26.0
New (Prop 46) Products	200.0		
Total Insurance Programs	$606.0	$220.4	$250.0
MULTIFAMILY PROGRAMS[c]			
Permanent Loans	$200.0	$137.7	$150.07
Construction Loans	50.0	98.7	98.7
Student Housing Loans	100.0		
Preservation Acquisition	70.0		
Preservation Opportunity Program(Prop 46)	20.0		
Section 8 Portfolio Rehab Loans	3.0	2.5	2.5
Multifamily HAT Funds	5.0	4.7	4.7
HELP Program	20.0	10.0	20.0
Small Loan Program	3.0		
Locality Initiatives program	10.0		
Total Multifamily Programs	$481.0	$253.6	$276.6
TOTAL	$2,340.6	$1,535.4	$1,795.9

(a) Homeownership loans purchased
(b) In support of Agency Insurance Programs
(c) Multifamily loans committed.

TABLE II - PLAN SUMMARY
(In millions)

	2004/05	2005/06	2006/07	2007/08	2008/09	5 Yr Total
HOMEOWNERSHIP PROGRAMS [(a)]						
Homeownership First Mortgages	$1,250.0	$1,300.0	$1,350.0	$1,400.0	$1,450.0	$6,750.0
Homeownership Downpmt Assist (CHAP)	27.0	29.5	30.6	31.8	32.9	151.8
Self-Help Builder Assistance (SHBAP)	2.5	2.5	2.5	2.5	2.5	12.5
High Cost Area 2nd Loans (HiCAP)	32.5	34.1	35.8	37.6	39.5	179.5
Silent Second Mortgages [(b)]	3.0	3.0	3.0	3.0	3.0	15.0
Prop 46 Downpayment Assistance						
Homebuyers Downpmt Assist (CHDAP)	19.5	21.3	22.1	22.9	16.9	102.7
Homeownership In Revital Areas (HIRAP)	0.3					0.3
Extra Credit Teachers Program (ECTP)	6.6	6.6	6.6	0.2		20.0
School Facility Fee (SFF)	7.4	7.7	8.1	8.5	8.7	40.4
Total Homeownership Programs	$1,348.8	$1,404.7	$1,458.7	$1,506.5	$1,553.5	$7,272.2
INSURANCE PROGRAMS						
CalHFA	$180.0	$180.0	$180.0	$180.0	$180.0	$900.0
CalPERS	5.0	5.0	5.0	5.0	5.0	25.0
CalSTRS	35.0	35.0	35.0	35.0	35.0	175.0
Lease Purchase	10.0	10.0	10.0	0	0	30.0
Community Affordable Housing	30.0	30.0	30.0	40.0	40.0	170.0
Total Insurance Programs	$260.0	$260.0	$260.0	$260.0	$260.0	$1,300.0
MULTIFAMILY PROGRAMS [(c)]						
Permanent Loans	$160.0	$170.0	$180.0	$180.0	$180.0	$870.0
Construction Loans	100.0	110.0	120.0	120.0	120.0	570.0
Preservation Acquisition	15.0					15.0
Preservation Opportunity Program(Prop 46)	35.0					35.0
Section 8 Portfolio Rehab Loans	3.0	3.0	3.0	3.0	3.0	15.0
HAT Funds	5.0	5.0	5.0	5.0	5.0	25.0
HELP Program	20.0	20.0	20.0	20.0	20.0	100.0
Local Initiatives	10.0	10.0	10.0	10.0	10.0	50.0
Small Business Loan Program	3.0	3.0	3.0	3.0	3.0	15.0
Total Multifamily Programs	$351.0	$321.0	$341.0	$341.0	$341.0	$1,695.0
TOTAL CalHFA PROGRAMS	$1,959.8	$1,985.7	$2,059.7	$2,107.5	$2,154.5	$10,267.2

(a) Homeownership loans purchased
(b) In support of Agency Insurance Programs
(c) Multifamily final commitments

III. ACCOMPLISHMENTS

Homeownership Overall:

- Projected to reach 100% of the $1.175 billion goal in first mortgage loans.

- Projected to exceed the production goal for CHAP second mortgage loans by 8% with $30.5 million of production.

- Partnered with the Southern California Home Financing Authority (SCHFA) to allow an initial $100 million of their bond proceeds to finance CalHFA first mortgages in Los Angeles and Orange counties. As of March 31, 2004, $83.3 million of loan reservations had been received, and a second $100 million phase of this partnership was being planned.

- Currently developing processes and procedures for streamlining homeownership loan processing.

- Expanded Agency's High Cost Area Home Purchase Assistance Program (HiCAP), from six to eight counties. HiCAP is projected to exceed their goal by 153% with $29 million of production.

- Maintained the annual production goal for the mutual Self-Help Builder Assistance Program (SHBAP) Development Loans. The Agency expects to purchase permanent loans totaling $8.5 million in the current fiscal year.

- Expanded to over 207 the number of localities and nonprofits that are approved to partner with CalHFA in its Affordable Housing Partnership Program (AHPP).

- Continued to provide a significant amount of the Agency's loan assistance to low income borrowers. Through March 31, 2004, 73% of all CalHFA first-time homebuyer loans were made to borrowers with incomes of 80% or less of the area median income.

- Sustained high levels of minority first-time homebuyers, with over 70% of all loans being made to minority borrowers as of March 31, 2004.

Homeownership Proposition 46 Funds:

- Continued the rollout of the California Homebuyer's Downpayment Assistance Program (CHDAP). Purchased a total of 2,993 loans for $19.3 million as of March 31, 2004.
- Implemented the Homeownership In Revitalization Areas Program (HIRAP) and approved for participation six nonprofit agencies that provide homeownership counseling.
- Implemented legislative changes to the Extra Credit Teacher Program to permit a larger subordinate deferred-payment loan in high cost areas and to broaden program eligibility to "classified" employees of eligible schools. Through the end of March, 229 eligible homebuyers have participated in the program.
- Continued the rollout of the School Facility Fee Downpayment Assistance Program (SFF). As of the end of March, over 955 disbursements had been made for a total of $3.3 million.

Mortgage Insurance:

- Risk share arrangement with GEMICO completed and implemented. Additionally, GEMICO assumed responsibility for premium billing and loss mitigation.
- Significantly expanded our product development and outreach efforts. This includes the introduction of the Economic Opportunity Mortgage, a partnership with Union Bank; Cal Jumbo, which targets the high cost areas (a partnership with the National Homebuyer Fund and Countrywide), and expansion of the lease purchase programs to the Bay Area counties.
- Restructured several existing programs: Access, Gold, and CalPERS, to make them more attractive to prospective homebuyers.
- Introduced a zero monthly premium option on CalHFA loans which will reduce the required cash to close.
- Expanded business relationships with Fannie Mae, Freddie Mac, and the National Association of Hispanic Real Estate Professionals (NAHREP.)
- Continued to assess our technology needs and upgraded as appropriate. This included upgrading the internal computer application tracking system and the creation of a multi disciplined e-business team.
- Received approval from the Secretary of BT & H to expand income guidelines in defined high cost areas.

Multifamily:

- Projected to achieve the current fiscal year's permanent and construction loan core production goal of $255 million by processing loan commitments equaling $260 million.

- Projects receiving commitments attained a high level of affordability, 61% of the units are at 50% or less of median income and 30% are 51% to 80% of median income.

- Continued the popular and successful Housing Enabled through Local Partnerships (HELP) program. The two allocation rounds for the current year were fully subscribed at the $20 million level, representing 21 commitments to an equal number of localities. Since its inception, the program has achieved notable success with allocations awarded to 80 localities representing 111 active commitments. These commitments will help produce over 17,000 units of affordable housing in both homeownership and multifamily developments.

- Projected to close 40 multifamily loans for approximately $285 million, representing 3,000 units of housing, the highest annual total for the Agency.

- Implemented the new construction lending program to complement our successful permanent loan program. This competitively priced and efficient process has led to lower costs for affordable housing projects financed by the Agency. Five construction loans totaling $56.7 million should close by the end of the fiscal year.

- Funded a record number of Special Needs permanent and construction loans. By the end of the fiscal year a total of six of these projects will have received funding for $31.2 million representing 367 units.

- Significantly increased the number of multifamily projects and loans in process. As of March 31, 2004, 85 projects were in various process stages containing 133 loans totaling $510.8 million.

IV. DIVISIONAL SUMMARIES

A. HOMEOWNERSHIP PROGRAMS

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

Objectives:

In FY 2004/05, CalHFA would continue to pursue activities designed to further the following mission objectives:

> Providing first-time homebuyers with below-market-rate mortgage financing; focusing on low-income homebuyers; assisting teachers, administrators, other eligible credentialed staff, and classified employees working in high priority schools to buy their first home; distributing loans equitably throughout the State; targeting loans to extremely high housing cost areas of the State; promoting loan products to expand the supply of affordable new construction housing; and continuing a loan product to assist low-income disabled homebuyers.

Strategies:

The planned strategies to accomplish the objectives, and in particular to maximize the public benefit to low-income borrowers, include:

- providing long-term, fixed-rate first mortgages below conventional market interest rates;
- providing the lowest rates for low-income borrowers;
- supporting very-low and low-income homeownership through the provision of downpayment assistance and other incentives such as reduced interest rates in the Affordable Housing Partnership Program (AHPP), the CalHFA Housing Assistance Program (CHAP), the California Homebuyer's Downpayment Assistance Program (CHDAP), the Homeownership In Revitalization Areas Program (HIRAP), the School Facility Fee Downpayment Assistance Program (SFF), and the Self-Help Builder Assistance Program (SHBAP);
- providing downpayment assistance for teachers, administrators, other eligible credentialed staff and classified employees through the Extra Credit Teacher Home Purchase Program;

- implementing a 100% loan product and/or some other comparable products;

- continuing the High Cost Area Home Purchase Assistance Program (HiCAP) that assists homebuyers in extreme high cost areas of the State;

- continuing to utilize a statewide network of lending institutions to provide consumer access to CalHFA loan products;

- providing outreach, technical assistance, and training 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; and

- utilizing marketing and media resources to generate awareness for these programs and participating in special events.

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.

- First Mortgage Lending

2003/04 Plan Goal: Projected:	$ 1.175 billion $ 1.175 billion
2004/05 Plan Goal:	$ 1.250 billion
Five-Year Goal:	$ 6.750 billion

The current fiscal year's Business Plan includes a first mortgage purchase goal of $1.175 billion which is projected to be met by year-end. As of March 31, 2004, the Agency had purchased loans totaling $1.045 billion in the current fiscal year, of which 80% were for resale homes and 20% for newly constructed homes.

The goal is to increase the $1.175 billion loan purchase goal next year to $1.250 billion and to increase the goal for each succeeding year by another $50 million annually for the remaining four years of the Business Plan. The $1.250 billion annual goal should be attainable in the coming fiscal year subject to market interest rates remaining stable, and based on the amount of private activity bond allocation received this calendar year.

- CalHFA Housing Assistance Program (CHAP)

2003/04 Plan Goal: Projected:	\$ 28.2 million \$ 30.5 million
2004/05 Plan Goal:	\$ 27.0 million
Five-Year Goal:	\$151.8 million

A \$28.2 million 2003/04 goal was included in the current Five-Year Business Plan for the highly successful CHAP. With CHAP, the financing for home purchases is comprised of a first loan up to a 97% 30-year long-term, fixed-rate first mortgage and a 3% CHAP deferred payment second mortgage. The deferred payment second mortgage, which has so far been funded from the Agency's Housing Assistance Trust (HAT) fund, reduces borrower downpayment requirements without increasing monthly loan payments. This product is used statewide and has been instrumental in assisting with the Agency's equitable loan 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, 2004, there had been 4,509 CHAP second mortgages purchased for a total of \$27 million.

- Self-Help Builder Assistance Program (SHBAP)

2003/04 Plan Goal: Projected:	\$ 2.5 million \$ 0.5 million
2004/05 Plan Goal:	\$ 2.5 million
Five-Year Goal:	\$ 12.5 million

The Agency continues to commit \$2.5 million of HAT funds annually to the SHBAP program for Development Loans to nonprofit self-help developers. This program provides Development Loans for site acquisition, development and/or construction financing to nonprofit self-help housing sponsors (and permanent loans to borrowers). The SHBAP Development Loan is currently set at a maximum limit of \$500,000 per development with a deferred fixed-rate of 3%. Families contribute their labor ("sweat equity") in lieu of a cash downpayment under the mutual self-help approach.

- High Cost Area Home Purchase Assistance Program (HiCAP)

2003/04 Plan Goal: Projected:	\$ 11.4 million \$ 28.85 million
2004/05 Plan Goal:	\$ 32.5 million
Five-Year Goal:	\$179.5 million

This program provides financing in the form of a deferred payment second mortgage for downpayment assistance to create new opportunities for low-to-moderate income homebuyers to purchase housing in counties with extremely high housing costs, very high job demand, where the Agency's Homeownership Program has underserved the county and where there is an affordability problem.

As reported at the January 24, 2004 Board meeting, with the additional eligible counties and increased program awareness by the lenders, HiCAP far exceeded the 2003-04 plan goals by 153% -- $11.4 million in the Plan to $28.85 million projected.

As of March 31, 2004, the Agency had purchased 829 second mortgages for a total of $20.7 million, with an additional accompanying $9.3 million in the pipeline. CalHFA had also purchased 836 related first mortgage loans totaling $207.5 million.

- California Homebuyer's Downpayment Assistance Program (CHDAP)

2003/04 Plan Goal:	$ 19.4 million
-With CalHFA Firsts	$ 10.75 million
-With Non-CalHFA Firsts	$ 8.65 million
-Projected	$ 22.6 million
Projected: 2004/05 Plan Goal:	$ 19.5 million
-With CalHFA Firsts	$ 16.57 million
-With Non-CalHFA Firsts	$ 2.93 million
Five-Year Goal:	$ 102.7 million
-With CalHFA Firsts	$ 87.3 million
-With Non-CalHFA Firsts	$ 15.4 million

CHDAP provides a deferred payment, 3% simple interest, junior mortgage of up to 3% of the purchase price or appraised value, whichever is less. Used for downpayment and closing cost assistance, it may be used in conjunction with a CalHFA or non-CalHFA first mortgage.

As of March 31, 2004, the Agency has purchased 2,993 CHDAP junior mortgages for a total of $19.3 million, with an additional $5.7 million in the pipeline. CalHFA had also purchased 2,527 related first mortgage loans totaling $506 million. While the Agency's original current year goal of $8.65 million with non-CalHFA firsts depended on a number of unknowns, the Agency was able to purchase $2.9 million of such loans and exceed its overall goal with $22.5 million projected.

A total of $111.6 million is available for loans from Prop. 46 for CHDAP. A total of $102.7 million is included in this year's five-year business plan for loans, of which $19.5 million is for FY 2004-05.

- School Facility Fee Downpayment Assistance Program (SFF)

2003/04 Plan Goal:	$ 6.9 million
Projected:	$ 6.7 million
2004/05 Plan Goal:	$ 7.4 million
Five-Year Goal:	$ 40.4 million

A total of $47.5 million is available for grants for downpayment and closing cost assistance from Prop. 46 for this program. A total of $40.4 million is included in the five-year business plan for grants, to be divided equally between the two SFF programs: 1) "Economically Distressed Area" and 2) "First-Time Homebuyer, Moderate-Income Limits". As of March 31, 2004, 955 grants had been disbursed for a total of $3.3 million with an additional $1 million in the pipeline.

- Extra Credit Teacher Home Purchase Program (ECTP)

2003/04 Plan Goal: Projected:	$ 3.8 million $ 3.8 million
2004/05 Plan Goal:	$ 6.6 million
Five-Year Goal:	$ 20 million

As of July 1, 2003, the ECTP junior loan for downpayment assistance was funded with $23.8 million of Prop. 46 funds. Several changes to the program occurred during this fiscal year. In summary, the maximum loan amount was changed and now classified employees in high priority schools are eligible for ECTP. Intended to help high priority schools recruit and retain credentialed teachers, administrators, staff and classified employees, this program offers a combination of a CalHFA first mortgage at a reduced interest rate, along with a junior loan for downpayment assistance. The junior loan amount is the greater of $7,500 or 3% of the sales price in CalHFA-defined statewide, non-high cost counties or the greater of $15,000 or 3% of the sales price in CalHFA-defined high cost counties.

As of March 31, 2004, the Agency had purchased 210 ECTP junior mortgages for a total of $1.6 million, with an additional $1.2 million (and 143 loans) in the pipeline. The total of 353 loans is a good start towards the Agency's goal of 500 loans annually. Based on current goals, the Prop. 46 funds for this program will be expended by 2008/09.

- Homeownership In Revitalization Areas (HIRAP)

2003/04 Plan Goal: Projected:	$ 1.3 million $ .2 million
2004/05 Plan Goal:	$ .3 million
Five-Year Goal:	$ .3 million

As a set-aside of CHDAP within Prop. 46, $11.6 million is available for HIRAP. This program is for downpayment and closing cost assistance to lower-income first-time homebuyers. CalHFA-approved nonprofit organizations certified and funded to provide homeownership counseling by a federally funded national nonprofit, must document that the low-income homebuyers are purchasing a residence in a community revitalization area targeted by the nonprofit organization and have received counseling from the nonprofit organization.

Effective January 1, 2004, legislation increased the maximum HIRAP loan amount from 3% of the lesser of the sales price or appraised value to 6% of the sales price.

As of March 31, 2004, six (6) nonprofit organizations throughout California had been approved by the Agency to participate in HIRAP. Only two loans had been reserved under this program as of March 31, 2004. Legislation that established this program provides that any unused portion of HIRAP funds shall revert to CHDAP in May, 2005.

HOMEOWNERSHIP WORKING GROUP:

In December 2003, the Executive Director of CalHFA formed a Homeownership Working Group, consisting of the Directors of the Homeownership, Mortgage Insurance, Financing, and Fiscal Services Divisions, as well as the Director of Information Technology and other senior staff of CalHFA. The working group was given the task of reviewing and evaluating the processes in place with regard to tax, program and policy compliance, portfolio management, and loan servicing. The goal of the working group relative to this review and evaluation is to streamline the processes to best meet customer needs and agency goals, and to identify and implement the most effective and efficient processes to help maximize the Agency's resources. In addition, the working group is exploring and assessing loan products and services in furtherance of the five-year business plan.

B. MORTGAGE INSURANCE SERVICES

The role of Mortgage Insurance Services is to expand homeownership opportunities for eligible California homebuyers by providing innovative Mortgage Insurance (MI) programs.

Objective/Strategies:

In 2004-2005, CalHFA Mortgage Insurance Services will support its mission with three specific strategies. Each strategy detailed below will include measurable goals and numerous tactics, some of which are under development and will continue to evolve during the next fiscal year and beyond.

A. Continue to work aggressively to increase production.

- Develop a prototype process/program to provide mortgage insurance on a suite of second deed of trust products with priority given to agency funded products.
- Work with Homeownership to expand their first mortgage product offering. This includes consideration of an 80/20 product, 100% LTV product, and and/or products similar to FHA MI financed products.
- Expand outreach of lenders, non-profits, and localities with training.
- Continue to simplify existing programs where possible and provide necessary enhancements to increase volume.
- Expand direct relationships with Fannie Mae and Freddie Mac.

B. Create an integrated information technology vision and platform.

- Receive and send loan data to/from lenders electronically, including all application data and decisions.
- Portfolio data will be accurate, easy to access and utilize to create standard, ad hoc, and customizable reports.
- Improve customer access to the CalHFA portal via the website and computer technology.

C. Enhance communications internally and externally.

- Create lender advisory groups in areas of product and technology as appropriate.

Program Performance and Strategy Implementation:

- CalHFA

2003/04 Plan Goal: Projected:	$125 million $141 million
2004/05Goal:	$180 million
Five-Year Goal:	$900 million

Insurance on CalHFA loans is projected to increase 43% over 2003/2004 as Homeownership implements new programs that focus on the current home financing environment. Additionally, since December 2003 a monthly mortgage insurance premium designed to lower financing costs to homebuyers has been offered. Previously, only annual premiums with upfront costs were available to homebuyers. Mortgage Insurance will work closely with Homeownership to develop loan and insurance programs that meet the current home buying challenges.

- CalPERS

2003/04Plan Goal: Projected:	$ 8 million $ 2.5 million
2004/05 Goal:	$ 5 million
Five-Year Goal:	$ 25 million

Private mortgage insurers are able to be more competitive and to offer risk base pricing to the CalPERS programs because of their broader business relationship. CalHFA worked with CalPERS to broaden the income limits statewide to 140% of area median income, and reduce mortgage insurance coverage from 50% to 35%, thus lowering the monthly premium.

- CalSTRS

2003/04 Plan Goal: Projected:	$ 105 million $ 52.5 million
2004/05 Goal:	$ 35 million
Five-Year Goal:	$ 175 million

Volume is down from the 2003/04 projections as a result of the WAMU's merger with NAMCO, a once high producer of CalSTRS loans. CalSTRS also restricted origination operation to two small lenders while it searched for a program administrator. Mortgage Insurance, Countrywide (the CalSTRS program administrator), and CalSTRS are currently working on restructuring the loan products to improve the program for homebuyers, and at the same time streamline the administration of the program. Until these changes can be implemented, current events lower the production expectations in this area.

- Lease Purchase

2003/04 Plan Goal: Projected:	$ 32 million $ 21 million
2004/05 Goal:	$ 10 million
Five-Year Goal:	$ 30 million

Five lease purchase bond funded programs have expired and only one $48 million program in the Northern California Bay Area remains active. These programs have not performed as expected and will end in 2006-07. Program administrators are developing a state wide offering which is expected to improve production by centralizing operations and processing. However, our projections are based on the remaining current Bay Area program only.

- Community Affordable Housing

2003/04 Plan Goal: Projected:	$ 120 million $ 26 million
2004/05Goal:	$ 30 million
Five-Year Goal:	$ 170 million

Community Affordable Housing includes new programs being developed to meet the growing demand for emerging and underserved markets. Legislative changes have made it possible for the Division to be more engaged in Fannie Mae My Community Mortgage products as well as Freddie Mac's Affordable Gold products. Products to address the emerging immigrant and minority markets have already been developed and are being announced. Fannie Mae is eager to pursue additional programs with the Agency and we are working with other mortgage loan investors to develop other affordable financing products. For instance, the Cal Jumbo program was developed in cooperation with Countrywide Home Loans and National Homebuyers Fund (CalRural) to address underserved high-cost areas throughout California.

C. Multifamily Programs

The role of Multifamily Programs is to finance the creation or preservation of rental housing for very-low, low and moderate-income persons and families.

Objectives:

The objective of Multifamily Programs is to increase the affordable housing stock through the preservation of existing housing, the creation of affordable rental housing, and addressing unmet affordable housing needs through the development of innovative lending programs.

Strategies:

As part of the Agency's strategy to maximize its public purpose benefit, Multifamily Programs intends to focus its rental financing activity as a direct lender to affordable housing sponsors. The main components of this strategy involve New Construction, Preservation and Special Needs financing with individual programs in each of these areas.

The strategies are as follows:

- Provide the lowest cost long-term, fixed rate and variable rate mortgage products 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. Utilize interim financing to assist in the timely acquisition of qualified projects specifically targeting HUD 202, 236 and Section 8 assisted projects.
- Create partnerships with state and local agencies by developing lending programs throughout the state leveraging resources that meet local and state housing needs.
- Offer a highly competitive, low cost construction lending program to reduce development costs.
- Administer and participate in the Preservation Opportunity Program authorized by Proposition 46.

- Continue the efficient use of tax-exempt bonds through the Agency's pooled bond issues, taking advantage of the Agency's solid credit ratings and efficient swap structures.

- Explore new initiatives to provide financing for the development of infill homeownership projects.

- Maintain the Special Needs Housing program with its deep interest rate subsidy, with an increased emphasis on shorter term loans. Facilitate interagency cooperation and utilization of supportive housing resources.

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

Program Performance and Strategy Implementation:

The successful introduction of Multifamily Programs' construction loan program and the prospect for increased preservation financing equates to loan commitment activity of $351 million in the first year of the business plan with the total five-year Multifamily goal equaling $1.7 billion.

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.

- Construction and Permanent Loans

2003/04 Plan Goal: Projected:	$ 255 million $ 260 million
2004/05 Plan Goal:	$ 260 million
Five-Year Goal:	$ 1.4 billion

The previous Five-Year Business Plan anticipated a total of $255 million in final commitments for bond funded loans in FY 2003/2004, to include new construction, preservation acquisition/rehabilitation, and special needs programs. As of March 31, 2004, the Board approved final commitments totaling $237 million for 23 projects, involving 1,481 units. These projects provide a high degree of affordability with 61% of the total units restricting rents at 50% or less of area median income; 39% with rents at 51% to 80% of area median income.

We estimate year end final commitment activity exceeding our goal with $260 million to finance a total of 39 loans, representing 1,872 units.

This fiscal year CalHFA began closing its first construction loans for tax-exempt bond projects. This program provides low-cost, variable rate funds to reduce construction period interest and is linked to a CalHFA 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, five project loans have closed, representing 385 units with total loans of $57 million.

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.

CalHFA funded six loans under the Special Needs Programs for a total of $31.2 million, representing 367 units of supportive housing.

- <u>Preservation Acquisition and Preservation Opportunity Program</u>

Preservation Acquisition 2003/04 Plan Goal: Projected:	$ 70 million $ 0
Preservation Opportunity Program 2003/04 Plan Goal: Projected:	$ 20 million $ 0
Preservation Acquisition 2004/05 Plan Goal:	$ 35 million
Preservation Opportunity Program 2004/05 Plan Goal:	$ 15 million

Proposition 46 authorized the Preservation Opportunity Program, a revolving fund of monies for the acquisition and preservation of at-risk affordable housing projects. These bond funds are intended to finance approximately 25% - 30% of the project's acquisition costs, with CalHFA lending the balance of the monies. Loans made from both of these sources are intended to be repaid with permanent financing and be recycled for new acquisitions. Fiscal year 2003/04 saw limited activity in this program due to the low level of preservation financing in general and the availability of attractively priced financing alternatives. Production activity appears to be increasing with the expectation that the Opportunity Program will also see greater utilization. Projections for activity in this program have not been extended past this fiscal year due to current law which requires the reversion of the funds to the Housing Rehabilitation Loan Fund in the Multifamily Program in May 2005.

- Section 8 Portfolio Rehab

2003/04 Plan Goal: Projected:	\$ 3 million \$ 2.5 million
2004/05 Plan Goal:	\$ 3 million
Five-Year Goal:	\$ 15 million

The Section 8 Rehab Loan Program, managed by the Asset Management Division, will be used to facilitate capital improvements and the rehabilitation of Section 8 properties where a Physical Needs Assessment (PNA) indicates existing Reserve For Replacement (RFR) funds are not sufficient.

- Housing Assistance Trust Loans

2003/04 Plan Goal: Projected:	\$ 5 million \$ 5 million
2004/05 Plan Goal:	\$ 5 million
Five-Year Goal:	\$ 25 million

HAT loans will be made to Multifamily and Special Needs projects where subsidy, gap financing or other low interest loans may be required. Sources of funds for the Rehab and HAT loans may come from FAF, Earned Surplus or regular HAT reserves.

SPECIAL LENDING PROGRAMS:

The Special Lending Unit of the Multifamily Division has achieved considerable success assisting localities with their housing initiatives through its HELP program. An expansion of this program envisions further partnering with localities in the areas of neighborhood infill, tax increment lending and small project development. Under these initiatives, localities could share financial risk with the Agency and take the lead in the selection of sponsors.

- Housing Enabled through Local Partnerships (HELP)

2003/04 Plan Goal: Projected:	\$ 20 million \$ 20 million
2004/05 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 five years of the originally planned Five-Year program have proven highly successful. As of March 31, 2004 we have committed $110 million. Of the total 130 commitments issued to date, 111 are active loans serving 80 separate local government entities. Approximately $79 million has been disbursed to date.

As we enter the sixth year of the HELP program, it's proposed to continue at the same annual program level of $20 million.

- Small Loan Program

2003/04 Plan Goal: Projected:	$ 2 million $ 0
2004/05 Plan Goal:	$ 3 million
Five-year Goal:	$15 million

The objective of the Small Loan Program (formerly Small Business) is to create productive partnerships with small builders and developers by providing small development loans, and to encourage conventional construction lenders to partner with CalHFA. The Agency is seeking to expand this type of lending through increased resources and enhanced incentive efforts.

- Locality Initiatives Program

2003/04 Plan Goal: Projected:	$10 million $ 0
2004/05 Plan Goal:	$10 million
Five-Year Goal:	$50 million

The Local Initiatives Program 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. Another program contemplates CalHFA providing loans secured by a local government's tax increment or other non-real-estate-related assets as security for periods up to ten years. The project selection criteria for this program would be similar to that now utilized for the HELP Program. During this fiscal year, pressure on local financial resources limited activity in this program. Activity is expected to increase for this fiscal year due to more directed marketing and the introduction of more fully developed program guidelines.

D. SUPPORT DIVISIONS

Introduction

There are eight Support Divisions: Administration, Information Technology, Financing, Fiscal Services, Legislation, Marketing, Multifamily Asset Management, and the Office of General Counsel. These divisions' roles are to assist the operating divisions in achieving the goals outlined in CalHFA's Five-Year Business Plan. These divisions also provide the day-to-day support services for our operating divisions to conceive, facilitate, and execute the strategies needed for meeting customer, stakeholder, and employee objectives.

The following are the individual support divisions' objectives, strategies and implementation considerations for the 2004/2005 Five-Year plan:

1. ADMINISTRATION

Objectives:

- Continue to recruit new staff to fill open positions.
- Finalize consolidation of work units in the Senator Hotel.
- Begin planning for consolidation of two Sacramento locations into an agency owned space.

Strategies:

- Work within State government to update and upgrade positions.
- Continue to advertise, interview, and select quality hires.
- Finish tenant improvements, procure additional furniture, and schedule phased moves of employees.
- Organize a multi-disciplined working group to begin the planning process for the Agency's eventual move.

Implementation Considerations:

The Administrative Division supports the operational needs of the Agency through both human resources and business services and has spent a considerable amount of time working toward the completion of several long term projects. With the successful culmination of these projects, the Agency will be well positioned for the next five years.

2. Information Technology (IT)

Objectives:

- Use the best technology available to improve the efficiency and effectiveness of the Homeownership Programs loan delivery processes and procedures.
- Complete the tasks that remain on the Multifamily Programs IT Project including implementing new software for Asset Management, procuring a loan origination system, and developing a comprehensive, centralized data warehouse.
- Continue to enhance and improve the CalHFA web site.

Strategies:

- Ensure that IT resource allocation is closely aligned with Business Plan objectives. Work closely with the operating division's staff to identify critical IT needs.
- Conduct a thorough analysis to determine the best and most appropriate technologies to procure and/or develop in-house.
- Research which technologies are being used most effectively by the housing finance industry and determine how these technologies could be used at CalHFA.
- Reduce or eliminate paper, and compress the time required to process loans.
- Maximize the use of web-based technologies.

Implementation Considerations:

The Information Technology Division is committed to supporting the Agency's Business Plan. Sufficient IT staffing is available to work on the tasks and strategic initiatives outlined above. For the past three years, through formal training and work experience, the programmer analysts in IT have been developing and improving their skills in the area of web-based programming. The IT Division is well positioned for success.

3. Financing

Objectives:

- Arrange the issuance of bonds and identify other sources of capital to support up to $9.5 billion of homeownership and multifamily loan production over the next five years.
- Ensure continued growth of the Agency's capital so that our credit ratings are maintained and financial partners and investors continue to meet our needs.

Strategies:

- Continue to lower the cost of the Agency's debt through the issuance of variable rate bonds and to utilize the swap market to hedge our interest rate risk.
- Help local agencies use their tax-exempt bond authority, maximize the recycling of previous years' tax-exempt authority, recycle prepayments directly in certain cases, and finance new home loans with a mix of tax-exempt and taxable bonds.
- Pool multifamily loans into large financings, pledge the Agency's general obligation to multifamily bonds, and incorporate economic refundings of older CalHFA bonds into future transactions.
- 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.
- Begin issuing bonds, secured by the CalHFA general obligation, to finance deferred-payment loans.

Implementation Considerations:

At the end of the five-year planning period, it is possible that the Agency will have more than $13 billion of bonds outstanding, and as much as 90% may be variable rate, most of which will be swapped to a fixed rate. Legislative action will be needed before the end of the five-year planning period to increase the Agency's cap on bonded indebtedness. Additional financial partners will need to be secured to provide liquidity or insurance for variable rate bonds. The Agency intends to strengthen its risk management efforts to assure that its financial resources are being maximized, while at the same time reasonably mitigating its risks.

4. Fiscal Services

Objectives:

- Provide superior financial management and reporting services to Agency management.
- Support the affordable housing mission of the Agency by servicing a wide variety of Agency loan products including homeownership first trust deed loans, homeownership downpayment assistance loans, HELP loans, loans secured by multifamily rental developments and many other specialty loan products.
- Continually improve and integrate automated accounting activities with financial and management reporting systems.

Strategies:

- Ensure that adequate internal controls are in place and successfully coordinate the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund.
- Provide the highest level of customer service possible to borrowers whose loans are being serviced by the Agency.
- Provide timely and accurate financial information.
- Search for process improvements and automated solutions that will minimize effort and provide for greater reporting capabilities.

Implementation Considerations:

The Fiscal Services Division will continue to support CalHFA activities through the receipt and disbursement of financial resources, the safeguarding of assets, the servicing of loans and by recording and reporting on financial matters of the Agency in accordance with professional standards in meeting all federal, state and indenture requirements. Additionally, the Division will continue to provide financial management reports and other assistance and support to the Agency's lending, insurance and financing activities. The Division is also prepared to assume additional loan servicing responsibilities as needed.

5. Legislation

Objectives:

- Participate in efforts to update the Agency's statutory framework.
- Advocate Agency programs and positions to Administration, Legislature, Congress and appropriate stakeholder groups.

Strategies:

- Work with Agency Legal and Program staffs to identify needed statutory changes.
- Develop and advocate the Agency's policy position on state and federal legislation.
- Promote the Agency before Congress, the State Legislature and the Governor's Office.

Implementation Considerations:

The focus of the Legislative Division is to ensure that legislation which fosters CalHFA's primary purpose of providing financing to meet the housing needs of low and moderate income families in California is monitored, tracked, analyzed and enacted into law. Additionally, the Agency has embarked on a review of its current statutes to determine what changes will be required to meet the Agency's long-term business plan objectives. The Legislation Division will not only need to understand the Agency's current statutory framework, but the proposed statute changes so that it can develop the recommendation and rationale for presentation to our Administration, Legislative and stakeholder audiences. Additionally, the Division will continue its efforts to repeal the Ten Year Rule (HR 284/S 595) at the federal level, and work closely with housing advocates to promote affordable housing strategies before the State Legislature.

6. MARKETING

Objectives:

- Increase awareness of CalHFA as a primary source of below market interest rate funding for California's affordable housing market.
- Promote CalHFA products to expand affordable housing opportunities throughout California.

Strategies:

- Develop marketing initiatives to assist in maximizing the mortgage loan and insurance output for Homeownership.
- Provide additional outreach support for Proposition 46 programs as well as special Multifamily programs and projects.
- Continue to increase awareness for CalHFA programs among user and stakeholder groups.
- Continue media driven outreach efforts to generate awareness and increase interest in our Homeownership and Insurance programs.
- Utilize the most efficient and effective means available to reach target and stakeholder audiences.

Implementation Considerations:

The marketing team will continue to focus its attention on advancing the awareness, education and understanding of the CalHFA brand and products with its customers, stakeholders, employees and others concerned with the need for affordable housing in California. We will increase our outreach activities, particularly in media driven channels, to promote key CalHFA Homeownership and Insurance programs. The 2004/05 Marketing Plan will target the program goals outlined in the Business Plan. Additionally, marketing support will be provided to the key Proposition 46 programs to help ensure the timely usage of the funds.

7. Multifamily Asset Management

Objectives:

- Protect the Agency's loans through financial monitoring, workouts, and physical inspections.
- Protect subsidy funds through occupancy and other financial compliance monitoring on behalf of HUD.
- Protect CalHFA's rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and State laws.

Strategies:

- Negotiate for increased affordability in existing projects when opportunities arise to lower their loan rates.
- Update disposition policies affecting six REO (real estate owned) properties with long-term affordability requirements.

Implementation Considerations:

The Asset Management Division is committed to supporting the Agency's Business Plan and ensuring the viability of the Agency loans throughout the life of the loans. The Division works closely with Multifamily Programs during the underwriting process by reviewing operating budgets, participating in concept meetings, and assisting during the loan close process. During the next several years, staff will be working with HUD and Section 8 owners whose housing assistance contracts are expiring. Housing assistance contracts will either be renewed or loans refinanced through HUD-sponsored programs. The original 15-year compliance period is ending for many of our tax credit owners and we will be working with them as they seek exit strategies through sales of their projects. In addition, we are updating our in-house software to improve communication and monitoring between the staff and outside management agents and sponsors.

8. Office of General Counsel (OGC)

Objectives:

- To provide legal services to the Board, the Executive Director and the Agency equal in scope and quality to those available to private businesses.
- To fully utilize legal technology to provide state of the art support capability.
- To fully develop both in-house and outside legal resources to meet the complex business demands of the Agency.
- To perform a comprehensive review of the Agency's statutory framework.

Strategies:

- Assign attorneys to work closely with client divisions within the Agency, both to develop and maintain client relationships, and to obtain the specialized business knowledge needed to proactively deal with each division's unique legal needs.
- Utilize I-Manage document management software, PDF document conversion software, and document imaging technology. OGC is exploring web based document acquisition and editing to allow interested parties to work collaboratively in complex transactions. OGC is also developing, with the IT Division, software to manage file location and related database applications.
- Provide up-to-date legal resources by developing in-house legal talent and maintaining relationships with specialized outside counsel.

Implementation Considerations:

OGC recognizes the need to continuously examine and improve the delivery of legal services, to keep pace with the real estate finance industry and the State's delivery of affordable housing to Californians. The General Counsel and legal staff will continue that development to ensure that the legal needs of the Agency are always met.

V. FINANCIAL SUMMARY

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of December 31, 2003, 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 December 31, 2003, the Agency had total assets of $9.7 billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of $8.6 billion (comprised primarily of bond indebtedness). The residual restricted assets of $1.1 billion (Housing Finance Fund) and $47 million (Housing Loan Insurance Fund) represent the Agency's equity position at December 31, 2003.

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 <u>are not surplus moneys</u> 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 2002/03 Annual Report, in the notes to the audited Financial Statements, all of the Agency's equity is restricted either by indenture or by statute, or invested in capital assets.

The categories "Restricted by Indenture" and "Restricted by Statute" 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 Restricted by Statute 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 December 31, 2003.

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cash flow 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 CALHFA 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.

The Agency's equity is allocated into three main restricted reserve categories: Restricted by Indenture, and Restricted by Statute, and Invested in Capital Assets. They are described as follows:

Restricted by Indenture:

The amount classified as Restricted by Indenture ($697 million) includes amounts presently under the lien of various bond indenture funds. This total provides security for the specific bonds to which they are assigned.

Restricted by Statute:

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain restricted reserves in addition to the above-described Indenture Restricted Reserves.

The amount classified as Restricted by Statute ($378 million), consisting of amounts from the Emergency Reserve Account, the Supplementary Bond Security Account, the Housing Assistance Trust, the Contract Administration Programs, and the Operating Account provides general support for all obligations of the Agency, including general obligation bonds, interest rate swaps, and mortgage insurance.

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 $1.3 billion of bonds outstanding that are backed by CalHFA's general obligation. The Agency has also extended its general obligation pledge to $324.6 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $162 million. In addition, the Agency pledges its general obligation for another $3.9 billion to its swap counterparties for the interest rate swaps that are currently outstanding.

While most of the Agency's reserves are contractually restricted as security behind the $8.6 billion in Agency liabilities and the $823.6 million in single family mortgages insured by the Agency, other 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 CalHFA 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.

The Contract Administration Programs ($56.8 million) category includes amounts related to programs originally funded with appropriations from the State and is restricted by State statutes. The equity is therefore not available for allocation to other Agency purposes.

Within the Operating Account the Agency maintains a $21 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.

<u>LOSS PROTECTION:</u>

<u>Rating Agency Requirements:</u>

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 cash flows associated with a bond issue differ from the cash flows 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 cash flows 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 cash flow 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 $1.3 billion of single family and multifamily debt, $162 million of multifamily loans subject to FHA Risk Share, and $3.9 billion to our swap counterparties for our outstanding interest rate swaps. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to continue to meet the capital adequacy requirements of Moody's and S&P, the Agency must reserve equity against these pledges.

Pledges of CalHFA General Obligation
(in millions)

	Current Pledges	Estimated as of June 30, 2009
CalHFA G.O. Bonds	$1,300	$3,000
FHA Risk Share Program	162	400
Interest Rate Swaps	3,900	9,000
	$5,362	$12,400

The rating agency assessment of CalHFA equity is very similar to the determination of capital adequacy of financial institutions and is necessary for the financial well-being of CalHFA 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
- 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:

- jeopardizing the Agency's Aa3/A+ ratings of its insurance claims paying ability
- jeopardizing ratings on the Agency's currently outstanding bonds
- an increase in the Agency's cost of funds
- 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

CalHFA 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.

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

CalHFA's variable rate bond strategy is the key to its ability to offer attractively-priced loan products in today's highly-competitive, low-interest-rate marketplace. Utilizing variable rate bonds, while hedging long-term exposure with interest rate swaps, enables borrowers to take advantage of CalHFA's significantly reduced cost of funds. In addition, the lower cost of funds provides CalHFA with an opportunity to modestly increase its capital base in spite of lending at the lowest rates in its history. As of March 31, 2004 the Agency had $5.46 billion of variable rate bonds outstanding, and another $266 million may be added before the end of the 2003/04 fiscal year. It is possible that another $1.5 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 1, 2004, the market value of the Agency's 100+ interest rate swaps was a negative $306.1 million. What this means is that, if all our counterparties were to fail, the Agency would owe termination payments in this amount. In addition, continued very high 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 $798.8 million of loans for condominiums. A portion of the Agency's multifamily loan portfolio is insured under a $50 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 $1.3 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 cash flow shortfalls. One type of potential cash flow 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 continue to be unable to invest a portion of the proceeds of its bonds and certain loan prepayments at rates equal to the cost of funds of each transaction. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

- Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

Equity Analysis by Fund and Account:

The Agency's total equity at December 31, 2003 was $1.1 billion (Housing Finance Fund) and $47 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below. As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

Bond Indenture Equity:

As of December 31, $697 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, 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 $56.8 million at December 31 is unavailable for Agency reallocation. This portion of the Agency's equity will grow as Proposition 46 programs are funded.

Housing Assistance Trust (HAT):

As of December 31, HAT accounts for $183.9 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.

CalHFA 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 mortgage insurance programs. Prudent management consistent with rating agency standards allow CalHFA 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.

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 continue to 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.

If the Agency is successful in carrying out its plan to issue bonds for deferred-payment loan programs normally funded directly through HAT, a portion of HAT equity will need to be reserved to pay the debt service on such bonds.

Supplementary Bond Security Account:

The statutorily established Supplementary Bond Security Account (SBSA) accounts for $56.8 million of the Agency's equity at December 31. This equity is subject to many influencing factors such as rating agency requirements, loss protection against loan default risks interest rate risks, natural catastrophes, and negative arbitrage. The SBSA is being used to indemnify the Housing Loan Insurance Fund against losses on certain CalHFA loans the Agency must insure under the terms of its bond indentures and may be used in the future to insure deferred-payment loans.

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 $61.7 million of the Agency's equity at December 31. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.
All of the ERA equity and the equity of other accounts backs the Agency's general obligation bond pledges of $5.4 billion. The Agency's general obligation will continue to be pledged to provide security for bonds, FHA Risk Share Program and 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.

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 $61.7 million balance.

- Mortgage Insurance

The Agency's Housing Loan Insurance Fund has restricted reserves of $47 million. In addition, the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 46) includes $85 million to increase the reserves of the Insurance Fund for new mortgage insurance programs to be developed by the Agency. The Agency's Five-Year Business

Plan has a goal of insuring $1.3 billion in new mortgages. Housing Finance Fund reserves would be available to be loaned to the Insurance Fund to increase the amount of its loan loss reserves, should the need arise.

On March 20, 2003, the Board of Directors authorized the Agency to provide financial support to the Housing Loan Insurance Fund from moneys in the much larger Housing Finance Fund by means of a line of credit of up to $100 million. The purpose of the line of credit is to satisfy credit rating agency concerns about the Insurance Fund's claims-paying ability during times of severe economic stress when the insurance Fund's reserves may conceivably become depleted as more and more claims are paid. Draws on the line of credit from the Housing Finance Fund will constitute interfund loans.

- General Obligations

CalHFA has $1.3 billion in outstanding bonds that are backed, in whole or in part, by the Agency'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 cash flows on our general obligation bonds as a charge against equity. CalHFA 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, to reimburse the bond insurer for losses or to reimburse 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 $124 million of 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 this FY's new bond issues we have made temporary pledges of $61.4 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

CalHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. As described in the CalHFA 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, CalHFA 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 $798.8 million of loans on condos in its portfolio. The Agency maintains a 1% reserve for new and resale condos in a Supplementary Reserve Account for $7.9 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $2.5 million (calculated on the probable maximum loss of $50 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 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $1.3 billion of unpaid principal balance.

<u>Operating Account:</u>

The Operating Account accounts for $21 million of the Agency's equity at December 31. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

<u>BUSINESS PLAN ASSUMPTIONS:</u>

Cash flow analyses of the Agency's bond programs are again this year being prepared by a consultant for the purpose of determining the financial strength of these programs. While these cash flow 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:

- Origination of $7.2 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.
- Commitments of $1.7 billion of multifamily loans to be financed with tax-exempt or taxable bonds.
- Insurance of approximately $1.3 billion of mortgages.
- Sufficient Private Activity Bond (PAB) allocation. In the out years of the Plan, increasing amounts of PAB may be required if our opportunity to partner with local issuers declines or to recycle prior single family allocation by means of replacement refundings. Recycling opportunities may decline because of the delayed effect of certain prior changes to federal tax law.
- 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:

- Home loan portfolio maintains its current delinquency ratio and REO experience.
- Capital reserve requirements for multifamily loans can be reduced through risk-sharing agreements and as a result of continued low delinquency and default rates.
- Homeownership prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
Below - 5.75%	100% - 308%
5.76% - 6.25%	365% - 540%
6.375% - 7.24%	500% - 610%
7.25% - 7.49%	525% - 525%
7.5% and above	526% - 535%

- Average investment rate in the absence of investment agreements to equal 1%.
- Financial strength of the entire multifamily portfolio to remain at the current level.
- 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.
- Operating budget is assumed to increase an average of 5% per year.
- No unexpected insurance losses.
- No principal losses from investments.
- No failures of swap counterparties.
- Only minor changes in the value of the federal tax exemption.

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RESOLUTION 04-13

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 03-29 adopted on May 15, 2003, which committed the Agency to a Business Plan for the years 2003/2004 through 2007/2008; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2004/2005 through 2008/2009 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 2004/05-2008/09 Five-Year 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 04-13 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 12, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

Attachment

State of California

MEMORANDUM

To: Board of Directors
California Housing Finance Agency

Date: May 12, 2004

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

Subject: BOARD RESOLUTION 04-14: OPERATING BUDGET 2004-2005

To carry forth the initiatives in the Proposed Business, attached is the 2004/2005 operating budget for Board review and approval.

There are no new positions added for the 2004/2005 budget. We examined all of our positions and redirected several, as necessary, to meet our current business needs. However, we were required as a result of the State's collective bargaining process, to include a 5% salary increase for employees. That increase is included in this proposed budget.

In addition, we have adjusted our operating expense line items as deemed necessary to accomplish the goals of the business plan. The primary increases are in general expenses, facilities operations, consulting and central administrative services.

In summary, additional funds are needed in the general expense category to cover the cost of increased marketing campaigns. This includes trade shows, postage and other miscellaneous expenses.

Facilities operations have had a slight increase to cover the cost of the Meridian Office for its entire first year. In addition, there are built-in increases to both our Senator and our Culver City leases that will become effective this year.

Consulting and professional services also have an increase. The Agency has included resources to support its ongoing litigation. We also have included resources to begin efforts to provide comprehensive Agency-wide updates and improvements to our technology support. This is a much needed first step in order to bring our technology along to match our current business practices and processes.

Lastly, there is a large increase in our Central Administrative Services line item. This is the amount we are assessed by other state departments to provide various administrative services on our behalf. The significant increase this year is a result of a Department of Finance audit conducted last year (with a successful outcome) and the cost of funding health benefits for our retired employees.

It is important to once again state that none of the Agency's operational costs are included in the State's appropriated budget. This budget does not adversely affect State expenditures or its finances. In fact, the Agency's accomplishments greatly aid the State economy. It is also important to mention that a thorough review was done on our budget and personnel resources and these are the resources that are necessary to fully implement and accomplish the goals set forth in our Business Plan. As such, your approval of the Agency's $32.6 million support budget for fiscal year 2004/2005 is recommended.

Attachments

April 29, 2004

CALIFORNIA HOUSING FINANCE AGENCY
2004/05
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 02/03	Budgeted 03/04	Proposed 04/05
PERSONAL SERVICES			
Authorized Salaries	$12,238	$16,234	$17,356
Estimated Salary Savings		(812)	(868)
Staff Benefits	2,875	3,815	4,122
TOTALS, Personal Services	$15,113	$19,237	$20,611
OPERATING EXPENSES AND EQUIPMENT			
General Expense	588	650	750
Communications	453	560	600
Travel	421	400	400
Training	157	140	140
Facilities Operation	1,456	2,335	2,602
Consulting & Professional Services	3,418	4,232	4,797
*Central Admin. Serv.	768	817	1,427
Information Technology	740	700	750
Equipment	178	500	500
Operating Expenses and Equipment	$8,179	$10,333	$11,966
TOTALS, EXPENDITURES	$23,292	$29,570	$32,577

* 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.

April 29, 2004

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CALIFORNIA HOUSING FINANCE AGENCY
2004/05
CalHFA FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 02/03	Budgeted 03/04	Proposed 04/05
PERSONAL SERVICES			
Authorized Salaries	$11,430	$15,375	$16,582
Estimated Salary Savings		(769)	(829)
Staff Benefits	2,729	3,651	3,938
TOTALS, Personal Services	$14,159	$18,257	$19,691
OPERATING EXPENSES AND EQUIPMENT			
General Expense	560	615	715
Communications	431	540	580
Travel	397	375	375
Training	146	125	120
Facilities Operation	1,403	2,192	2,452
Consulting & Professional Services	2,669	3,772	4,442
*Central Admin. Serv.	704	748	1,292
Information Technology	702	630	680
Equipment	178	450	450
Operating Expenses and Equipment	$7,190	$9,447	$11,106
Distributed Administration	($373)	($470)	($493)
TOTALS, EXPENDITURES	$20,976	$27,233	$30,304

* 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.

April 29, 2004

CALIFORNIA HOUSING FINANCE AGENCY
2004/05
MIS FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 02/03	Budgeted 03/04	Proposed 04/05
PERSONAL SERVICES			
Authorized Salaries	$808	859	775
Estimated Salary Savings		(43)	(39)
Staff Benefits	145	163	184
TOTALS, Personal Services	$954	$980	$920
OPERATING EXPENSES AND EQUIPMENT			
General Expense	28	35	35
Communications	22	20	20
Travel	24	25	25
Training	11	15	20
Facilities Operation	53	143	150
Consulting & Professional Services	749	460	355
*Central Admin. Serv.	65	69	135
Information Technology	38	70	70
Equipment	0	50	50
Operating Expenses and Equipment	$989	$886	$860
Distributed Administration	$373	$470	$493
TOTALS, EXPENDITURES	$2,316	$2,337	$2,273

* 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.

April 29, 2004

CALIFORNIA HOUSING FINANCE AGENCY
2004/05

SUMMARY
PERSONNEL YEARS AND SALARIES

DIVISION	PERSONNEL YEARS ACTUAL 02/03	PERSONNEL YEARS AUTHORIZED BUDGET 03/04	PERSONNEL YEARS PROPOSED 04/05	AMOUNT FINAL BUDGET 03/04	AMOUNT PROPOSED BUDGET 04/05
EXECUTIVE OFFICE	4.8	6.0	6.0	$463,572	$512,290
ADMINISTRATION	26.8	34.0	34.0	1,871,997	2,059,668
FINANCING	8.6	9.0	12.0	647,388	971,447
FISCAL SERVICES	51.3	63.0	63.0	3,193,650	3,412,116
GENERAL COUNSEL	12.7	18.0	19.0	1,299,350	1,458,132
MARKETING	3.8	5.0	6.0	294,082	401,16[illegible]
HOMEOWNERSHIP	38.2	50.0	52.0	2,663,968	2,955,264
MULTIFAMILY	25.9	40.0	38.0	2,734,397	2,670,240
ASSET MANAGEMENT	23.5	31.0	29.0	1,801,712	1,793,736
MIS	12.6	14.0	12.0	859,301	774,909
Temporary Help	14.8	8.0	7.0	315,000	290,500
Overtime				90,000	57,000
	223.0	278.0	278.0	$16,234,418	$17,356,471
TOTAL SALARIES				$16,234,418	$17,356,471
Less Salary Savings*		(13.9)	(13.9)	(811,721)	(867,824)
NET SALARIES	223.0	264.1	264.1	$15,422,697	$16,488,648

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

April 29, 2004
California Housing Finance Agency
Agency Code: 2260

2004/05
PERSONNEL YEARS
AND SALARIES
SCHEDULE 7A

ORGANIZATIONAL UNIT Classification	Actual 02/03	Authorized Budget 03/04	Proposed 04/05		Actual 02/03	Authorized Budget 03/04	Proposed 04/05
OPERATIONS				SALARY RANGE			
Executive Office:							
Exec Director	1.0	1.0	1.0	9,824 -	10,625	127,496	133,870
Chief Dep Director	1.0	1.0	1.0	9,115 -	9,857	112,657	118,284
Director of Legislation	0.0	0.0	1.0	6,785 -	7,337	0	88,044
Staff Services Mgr II (Mgrl)	1.0	1.0	0.0	5,768 -	6,361	71,847	0
Assoc Govtl Prog Analyst	0.0	1.0	1.0	4,111 -	4,997	46,980	59,964
Admin Asst II	1.0	1.0	1.0	4,111 -	4,997	57,108	59,964
Admin Asst I	0.8	1.0	1.0	3,575 -	4,347	47,484	52,164
Totals, Executive Office	4.8	6.0	6.0		$414,481	$463,572	$512,290
Administration:							
Director's Office:							
CEA I	1.0	1.0	1.0	5,493 -	8,068	92,016	96,816
Admin Asst I	0.0	0.0	1.0	3,575 -	4,347	0	49,860
Exec Assistant	0.0	1.0	0.0	3,072 -	3,734	42,669	0
Administrative Services:							
Staff Services Mgr I	1.2	2.0	2.0	4,520 -	5,453	130,872	130,872
Assoc Personnel Analyst	1.0	1.0	1.0	4,111 -	4,997	49,329	59,964
Assoc Management Analyst	0.3	1.0	0.0	4,111 -	4,997	57,108	0
Training Officer I	1.0	1.0	1.0	4,111 -	4,997	57,108	59,964
Staff Services Analyst	1.0	2.0	3.0	3,418 -	4,155	94,973	149,580
Bus Services Offr II (Spec)	0.0	1.0	1.0	3,746 -	4,555	42,816	54,660
Bus Services Offr	1.0	0.0	0.0	3,418 -	4,155	0	0
Bus Services Assistant	1.0	1.0	1.0	2,850 -	3,465	39,599	41,580
Sr. Personnel Servs Spec	0.0	0.0	1.0	3,418 -	4,155	0	49,860
Personnel Services Spec. I	1.0	1.0	0.0	3,127 -	3,800	40,212	0
Ofc Techn	0.8	1.0	2.0	2,510 -	3,050	34,258	73,200
Ofc Asst	2.1	3.0	2.0	2,172 -	2,641	88,733	63,384
Information Technology:							
DP Mgr III	1.0	1.0	1.0	6,334 -	6,984	79,810	83,808
Sr. Programmer Analyst (Sup.)	1.0	1.0	1.0	5,206 -	6,327	72,312	75,924
Systems Software Spec II	1.0	1.0	1.0	5,196 -	6,316	72,184	75,792
Systems Software Spec I	0.9	1.0	1.0	4,731 -	5,753	54,084	69,036
Staff Programmer Analyst	7.5	7.0	8.0	4,732 -	5,754	460,300	552,384
Staff Information Systems Anal.	1.0	1.0	3.0	4,732 -	5,754	56,788	207,144
Assoc Programmer Analyst	1.0	2.0	1.0	4,316 -	5,247	119,933	62,964
Associate Info. Sys. Analyst	2.0	2.0	1.0	4,316 -	5,247	119,933	62,964
Info Sys Tech	0.0	2.0	1.0	2,736 -	3,326	66,960	39,912
Totals, Administration	26.8	34.0	34.0		$1,440,020	$1,871,997	$2,059,668
Financing:							
Director	1.0	1.0	1.0	9,115 -	9,857	106,442	116,991
Risk Manager	0.0	0.0	1.0	8,611 -	9,314	0	117,356
Financing Chief	0.0	0.0	1.0	6,964 -	7,678	0	92,136
Financing Off	3.6	4.0	5.0	5,713 -	6,906	315,694	414,360
Financing Spec	2.0	2.0	1.0	4,516 -	5,489	125,474	65,868
Financing Assoc	1.0	1.0	2.0	4,111 -	4,997	57,108	119,928
Exec Assistant	1.0	1.0	1.0	3,072 -	3,734	42,670	44,808
Totals, Financing	8.6	9.0	12.0		$614,504	$647,388	$971,447

Fiscal Services:							
Comptroller, CEA II	1.0	1.0	1.0	7,302 -	8,051	101,208	96,612
Acctg Admin III	1.0	1.0	1.0	6,334 -	6,984	71,847	83,808
Acctg Admin II	2.0	2.0	2.0	5,211 -	6,286	143,695	150,864
Acctg Admin I (Supervisor)	1.0	2.0	2.0	4,746 -	5,726	130,865	137,424
Acctg Admin I (Specialist)	4.7	7.0	7.0	4,516 -	5,489	439,159	461,076
Assoc Acctg Analyst	1.0	1.0	1.0	4,316 -	5,247	59,966	62,964
Assoc Admn Anlyst Acctg Syst	0.0	1.0	1.0	4,316 -	5,247	59,964	62,964
Sr Acctg Off (Supervisor)	1.0	2.0	2.0	4,319 -	5,211	119,109	125,064
Sr Acctg Off (Specialist)	7.4	7.0	7.0	4,111 -	4,997	399,759	419,748
Mortgage Loan Acctg Off	9.2	9.0	9.0	3,589 -	4,363	448,718	471,204
Accountant Trainee	7.0	6.0	7.0	3,027 -	3,505	240,365	294,420
Mortgage Loan Accountant	1.0	1.0	0.0	2,682 -	3,259	37,253	0
Mgt Services Techn	1.0	1.0	3.0	2,632 -	3,201	36,591	115,236
Ofc Techn	0.0	2.0	1.0	2,510 -	3,050	68,515	36,600
Ofc Asst	1.8	1.0	0.0	2,172 -	2,641	29,578	0
Loan Servicing:							
Housing Finance Off	1.0	1.0	1.0	5,713 -	6,906	78,924	82,872
Housing Finance Spec	1.0	1.0	1.0	4,516 -	5,489	62,737	65,868
Housing Finance Assoc	2.0	2.0	4.0	4,111 -	4,997	114,217	239,856
Housing Finance Asst	1.0	3.0	2.0	3,418 -	4,155	142,459	99,720
Housing Finance Trainee	1.2	0.0	3.0	2,850 -	3,465	0	124,740
Collection Agent	0.5	0.0	0.0	2,976 -	3,616	0	0
Mgt Services Techn	1.2	5.0	2.0	2,632 -	3,201	182,957	76,824
Acct Tech	0.8	1.0	1.0	2,465 -	2,998	34,258	35,976
Ofc Tech	1.7	3.0	2.0	2,510 -	3,050	102,773	73,200
Ofc Asst	1.8	3.0	3.0	2,172 -	2,641	88,733	95,076
Totals, Fiscal Services	51.3	63.0	63.0		$2,433,592	$3,193,650	$3,412,116
Legal:							
Gen Counsel	1.0	1.0	1.0	8,611 -	9,314	106,442	111,768
Staff Counsel IV	0.0	0.0	1.0	7,625 -	9,415	0	107,316
Staff Counsel III	4.5	4.0	3.0	6,902 -	8,517	389,326	306,612
Staff Counsel	2.0	5.0	6.0	5,988 -	7,386	422,011	531,792
Housing Finance Assoc	2.0	2.0	2.0	4,111 -	4,997	114,217	119,928
Legal Analyst	0.9	3.0	3.0	3,589 -	4,363	149,580	157,068
Exec Assistant	0.0	1.0	1.0	3,072 -	3,734	42,669	44,808
Sr Typist Legal	2.0	2.0	2.0	2,704 -	3,285	75,105	78,840
Ofc Tech	0.3	0.0	0.0	2,510 -	3,050	0	0
Totals, Legal	12.7	18.0	19.0		$931,093	$1,299,350	$1,458,132
Marketing:							
Staff Services Mgr II (Supvr)	0.8	1.0	1.0	5,211 -	6,286	71,844	75,436
Deputy Director Mrktng Spec Prjcts	0.0	0.0	1.0	7,820 -	8,459	0	86,020
Sr. Marketing Specialist	0.0	0.0	1.0	4,979 -	6,052	0	72,624
Staff Services Mgr I (Spec)	0.4	2.0	1.0	4,746 -	5,726	130,872	68,712
Information Officer I	0.8	0.0	0.0	4,111 -	4,997	0	0
Assoc Govtl Prog Analyst	1.0	1.0	1.0	4,111 -	4,997	57,108	59,964
Mgt Services Techn	0.0	0.0	1.0	2,632 -	3,201	0	38,412
Ofc Tech	0.0	1.0	0.0	2,510 -	3,050	34,258	0
Ofc Asst	0.8	0.0	0.0	2,172 -	2,641	0	0
Totals, Marketing	3.8	5.0	6.0		$200,588	$294,082	$401,168
Temporary Help	5.1	3.5	3.7		$213,314	140,000	155,500
Overtime					$62,665	55,000	45,000
Totals, OPERATIONS	113.1	138.5	143.7		$6,310,257	$7,965,040	$9,015,322

HOMEOWNERSHIP PROGRAMS							
Homeownership Lending:							
Director	0.0	0.0	1.0	9,115.0 -	9,857	0	118,284
Exec Assistant	0.0	0.0	1.0	3,072 -	3,734	0	44,808
Production							
Housing Finance Chief	1.0	1.0	1.0	6,964 -	7,678	87,747	92,136
Housing Finance Off	3.0	3.0	4.0	5,713 -	6,906	236,771	331,488
Housing Finance Spec	3.0	5.0	5.0	4,516 -	5,489	313,685	329,340
Housing Finance Assoc	6.0	6.0	3.0	4,111 -	4,997	342,651	179,892
Housing Finance Asst	16.2	17.0	18.0	3,418 -	4,155	807,269	897,480
Housing Finance Trainee	0.8	1.0	1.0	2,850 -	3,465	39,599	41,580
Mgt Services Techn	0.3	0.0	1.0	2,632 -	3,201	0	38,412
Support Staff - Sacramento:							
Ofc Techn	0.9	1.0	1.0	2,510 -	3,050	34,258	36,600
Ofc Asst	2.0	4.0	3.0	2,172 -	2,641	118,310	95,076
Special Lending							
Housing Finance Chief	0.5	1.0	1.0	6,964 -	7,678	87,747	92,136
Housing Finance Off	0.5	1.0	1.0	5,713 -	6,906	78,923	82,872
Housing Finance Spec	0.8	3.0	3.0	4,516 -	5,489	188,211	197,604
Housing Finance Assoc	0.5	1.0	1.0	4,111 -	4,997	57,108	59,964
Housing Finance Asst	2.4	5.0	5.0	3,418 -	4,155	237,432	249,300
Ofc Techn	0.3	1.0	1.0	2,510 -	3,050	34,257	36,600
Ofc Asst	0.0	0.0	1.0	2,172 -	2,641	0	31,692
Totals, Homeownership	38.2	50.0	52.0		$2,060,113	$2,663,968	$2,955,264
Insurance Program:							
Ca Housing Loan Insurance Fund							
Director's Office:							
Director	1.0	1.0	1.0	8,798 -	9,515	108,735	114,180
Chief	0.8	1.0	1.0	6,696 -	7,678	87,747	42,669
Exec Assistant	0.0	1.0	1.0	3,072 -	3,734	42,669	44,808
Delinquency & Claims							
Mortgage Insurance Off	1.0	1.0	1.0	5,441 -	5,999	68,553	71,988
Mortgage Insurance Rep I	1.0	0.0	0.0	3,418 -	4,155	0	0
Product Development / Outreach							
Mortgage Insurance Off	0.3	1.0	1.0	5,441 -	5,999	69,168	71,988
Housing Finance Spec	0.5	1.0	1.0	4,516 -	5,489	62,737	65,868
Housing Finance Assoc	2.4	2.0	1.0	4,111 -	4,997	114,217	59,964
Risk Management:							
Mortgage Insurance Off	1.0	1.0	1.0	5,441 -	5,999	68,553	71,988
Housing Finance Spec	0.3	1.0	1.0	4,516 -	5,489	62,737	65,868
Mortgage Insurance Rep II	0.7	0.0	0.0	4,111 -	4,997	0	0
Operations:							
Mortgage Insurance Spec	1.5	1.0	1.0	4,516 -	5,489	49,632	65,868
Housing Finance Asst	0.2	2.0	2.0	3,418 -	4,155	94,973	99,720
Housing Finance Trainee	0.8	0.0	0.0	2,850 -	3,465	0	0
Mgt Services Techn	0.3	0.0	0.0	2,632 -	3,201	0	0
Ofc Asst	0.8	1.0	0.0	2,172 -	2,641	29,577	0
Totals, Insurance Program:	12.6	14.0	12.0		$676,418	$859,301	$774,909

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MULTIFAMILY PROGRAMS

Lending:							
Director	1.0	1.0	1.0	8,611 -	9,314	106,442	111,768
Deputy Director	0.7	1.0	0.0	7,647 -	8,432	96,370	0
Spec Asst to Dir	1.0	1.0	1.0	7,021 -	8,051	92,014	96,612
Housing Finance Chief	0.9	3.0	2.0	6,964 -	7,678	263,241	184,272
Housing Finance Officer	5.1	7.0	7.0	5,713 -	6,906	552,465	580,104
Housing Finance Spec	1.7	5.0	4.0	4,516 -	5,489	313,685	263,472
Housing Finance Assoc	1.0	1.0	2.0	4,111 -	4,997	57,108	119,928
Housing Finance Asst	2.8	4.0	3.0	3,418 -	4,155	189,946	149,580
Housing Finance Trainee	0.4	1.0	2.0	2,850 -	3,465	39,599	83,160
Mgt Services Techn	0.7	0.0	0.0	2,632 -	3,201	0	0
Support Staff:							
Exec Assistant	0.8	1.0	1.0	3,072 -	3,734	42,669	44,808
Ofc Techn	0.0	1.0	1.0	2,510 -	3,050	34,258	36,600
Ofc Asst	0.6	0.0	0.0	2,172 -	2,641	0	0
Special Lending							
Housing Finance Chief	0.5	1.0	1.0	6,964 -	7,678	87,747	92,136
Housing Finance Officer	0.0	1.0	1.0	5,713 -	6,906	78,924	82,872
Housing Finance Spec	0.6	2.0	2.0	4,516 -	5,489	125,474	131,736
Mgt Services Techn	0.1	0.0	1.0	2,632 -	3,201	0	38,412
Ofc Techn	0.2	1.0	0.0	2,510 -	3,050	34,258	0
HELP:							
Housing Finance Off	0.5	0.0	0.0	5,713 -	6,906	0	0
Housing Finance Spec	0.5	0.0	0.0	4,516 -	5,489	0	0
Ofc Techn	0.2	0.0	0.0	2,510 -	3,050	0	0
Small Business Dev:							
Housing Finance Spec	0.8	0.0	0.0	4,516 -	5,489	0	0
Tech Support:							
Supvng Design Off	1.0	1.0	1.0	5,854 -	7,117	81,332	85,404
Sr Housing Const Insp	1.0	1.0	2.0	5,336 -	6,483	74,094	155,592
Housing Const Insp	1.0	2.0	1.0	5,089 -	6,186	141,373	74,232
Sr Estimator	0.0	1.0	1.0	5,854 -	7,117	81,336	85,404
Sr Design Off	1.0	2.0	2.0	5,082 -	6,173	141,099	148,152
Assoc Design Off	0.8	1.0	1.0	4,635 -	5,632	64,372	67,584
Housing Finance Trainee	0.3	0.0	0.0	2,850 -	3,465	0	0
Mgt Services Techn	0.7	1.0	1.0	2,632 -	3,201	36,591	38,412
Totals, Multifamily Lending	25.9	40.0	38.0		$1,488,876	$2,734,397	$2,670,240
Asset Management:							
Housing Finance Chief	1.0	1.0	1.0	6,964 -	7,678	87,747	92,136
Admin Asst I	1.0	1.0	1.0	3,575 -	4,347	49,683	52,164
Asset Management - North:							
Housing Finance Off	1.0	2.0	2.0	5,713 -	6,906	157,847	165,744
Housing Maint Insp	2.0	3.0	2.0	4,868 -	5,913	193,078	141,912
Housing Finance Spec	3.3	5.0	5.0	4,516 -	5,489	313,685	329,340
Housing Finance Assoc	1.5	2.0	2.0	4,111 -	4,997	114,217	119,928
Housing Finance Asst	1.8	1.0	1.0	3,418 -	4,155	47,486	49,860
Housing Finance Trainee	0.0	1.0	1.0	2,850 -	3,465	39,599	41,580
Mgt Services Techn	0.5	0.0	0.0	2,632 -	3,201	0	0
Support Staff - North:							
Ofc Techn	1.0	1.0	1.0	2,510 -	3,050	34,258	36,600
Ofc Asst	0.7	1.0	1.0	2,172 -	2,641	29,578	31,692
Asset Management - South:							
Housing Finance Off	1.0	2.0	2.0	5,713 -	6,906	157,847	165,744
Housing Maint Insp	2.7	3.0	3.0	4,868 -	5,913	193,078	212,868
Housing Finance Spec	2.0	3.0	3.0	4,516 -	5,489	188,211	197,604
Housing Finance Assoc	0.1	0.0	0.0	4,111 -	4,997	0	0
Housing Finance Asst	1.9	2.0	1.0	3,418 -	4,155	94,973	49,860
Mgt Services Techn	1.0	1.0	1.0	2,632 -	3,201	36,591	38,412
Support Staff - South							
Ofc Techn	0.8	1.0	1.0	2,510 -	3,050	34,257	36,600
Ofc Asst	0.2	1.0	1.0	2,172 -	2,641	29,577	31,692
Totals, Asset Mngmnt	23.5	31.0	29.0		$1,286,601	$1,801,712	$1,793,736
Temporary Help	8.9	4.5	3.3		$370,813	175,000	135,000
Overtime					$44,540	35,000	12,000
Totals, LENDING PROGRAMS	109.1	139.5	134.3		$5,927,361	$8,269,377	$8,341,149

TOTALS, AUTHORIZED POSITIONS						
CalHFA Totals	223.0	278.0	278.0	$12,237,618	$16,234,418	$17,356,471
Regular/Ongoing Positions	208.2	270.0	271.0	$11,546,286	$15,829,418	$17,008,971
Temporary Help	14.8	8.0	7.0	$584,127	$315,000	$290,500
Overtime				$107,205	$90,000	$57,000

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CALIFORNIA HOUSING FINANCE AGENCY
ACTUAL AND PROJECTED REVENUES AND EXPENSES
OPERATING ACCOUNT
(In millions)

	2002/03 (Actual)	2003/04 (Budgeted)	2004/05 (Projected)
Beginning Balance	$20.4	$27.2	$23.2
HOUSING REVENUES			
Administrative Fees:			
Single Family/Second Programs	3.6	5.0	5.2
HUD/Multifamily	1.7	1.7	2.2
SMIF Int. on Impounds	0.2	0.0	0.0
Commitment Fees/Misc. Inc.	1.2	1.0	1.0
SMIF Interest on Balance	0.7	0.5	0.9
Operating Transfers	21.0	15.0	18.4
Total, Housing	$28.4	$23.3	$27.7
INSURANCE REVENUES			
Investments and Premiums	2.2	2.4	2.6
HOUSING AND INSURANCE TOTAL OPERATING REVENUES	$30.6	$25.7	$30.3
EXPENSES			
Housing - Operating Budget	21.1	27.2	30.3
Insurance - Operating Budget	2.2	2.4	2.3
HOUSING AND INSURANCE FUNDS TOTAL OPERATING EXPENSES	$23.3	$29.6	$32.6
Non-Operating Expenses	0.5	0.1	0.1
Ending Balance	$27.2	$23.2	$20.8

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RESOLUTION 04-14

CHFA OPERATING BUDGET

FISCAL YEAR 2004/2005

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2004/2005 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund for fiscal year 2004/2005.

I hereby certify that this is a true and correct copy of Resolution 04-14 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

Attachment

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