



REPORTS

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State of California

MEMORANDUM

To: Board of Directors

Date: November 8, 2004



Bruce D. Gilbertson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS
HOUSING PROGRAM BONDS 2004 SERIES A

On November 4th we issued \$50 million of tax-exempt bonds under a new indenture: Housing Program Bonds. This indenture was created to provide a vehicle under which we could issue debt to finance either multifamily or single family programs which have terms that are not easily financed under our mainstream single family and multifamily bond indentures. Bonds issued under this new indenture are backed by the Agency's general obligation.

The Housing Program Bonds 2004 Series A were issued to finance downpayment assistance loans originated under the Agency's CHAP and HiCap programs. These loans are structured as deferred payment simple interest loans, accruing interest at 5%. Proceeds from the sale of the bonds are being used to purchase CHAP and HiCap loans which have been originated using the Agency's PMIA borrowing line. Purchasing these loans out of the borrowing line will free up a like amount of liquidity to support the Agency's expected CHAP and HiCap production for this fiscal year.

The bonds were issued as variable rate demand obligations, with interest resetting weekly and paid quarterly. Of the \$50MM par amount, \$35 million was swapped to a fixed interest rate of 3.145%. Due to the uncertainty regarding the timing of repayments of the underlying loans, neither the bonds nor the swap amortize. The notional amount of the swap reduces to \$17.5 million in year ten, to correspond to ten year rule restrictions on the bonds. All payments received on the loans during the first ten years of the transaction are expected to be recycled into new CHAP and HiCap loans. During these first ten years, debt service on the bonds is expected to be paid from transfers of excess revenues from the Home Mortgage Revenue Bonds indenture.

Board of Directors

November 8, 2004

SERIES	A
\$ Amount	\$50,000,000
Type of Bonds	VRDO
Tax Treatment	AMT
Maturity	2036
Interest Rates	Variable
Reset Frequency	Weekly
Floating Rate Swap Formula	60% of LIBOR + 26 bps
Swap Rate	3.145 %
Swap Start Date	11/4/04
Credit Rating	Aa3/AA-VMIG-1/A-1+
Swap Counterparty	Citigroup Financial Products Inc.
Bond Insurer	N/A

M E M O R A N D U M**To:** Board of Directors

Date: November 3, 2004



From: Bruce D. Gilbertson, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS
 MULTIFAMILY HOUSING REVENUE BONDS III, 2004 SERIES CD

On November 24, 2003 we executed two anticipatory swaps for a total notional amount of \$23,320,000 (please see the Board report dated January 7, 2004 re Locking in Today's Low Rates for Future Multifamily Refundings - Update) and on October 7th we executed four additional swaps for a total notional amount of \$56,765,000. In total, we set swap rates for \$80,085,000 of the \$152,415,000 of multifamily variable rate bonds to be issued on November 17th. The Series C and D bonds are being issued as auction rate bonds, for which interest rates will reset with a Seven Day Auction Mode period and interest paid semiannually. The Series C and D bonds are backed by our Aa3/AA- general obligation but are rated Aaa/AAA because of bond insurance provided by Financial Security Assurance, Inc.

The Series C and D bonds have been issued to provide funds to finance new loans to seventeen multifamily projects and to refund \$23,320,000 of prior CalHFA bond issues. A total of five prior loans will be transferred as a result of the refunding. Attached is a listing of the projects to be financed by the Series C and D bonds.

As shown in the table below, we have obtained six interest rate swaps, together in an amount related to the new and transferred permanent loans. Consistent with our strategy for previous multifamily transactions, amounts related to bridge loans, construction loans and lender loans are not being swapped due to the short term of these loans. As with previous transactions, we have chosen to delay the starting dates for the six swaps. Delayed starts enable us to minimize negative investment arbitrage during the period between the issuance of the bonds and the date new loans are funded or (in the case of the refunding component) the prior bonds are retired.

Amount of Swap	Start Dates	End Dates	Fixed Rates Paid to Counterparties	Floating Rate Index
\$9,720,000	2/1/2005	8/1/2025	3.435%	60% of LIBOR + 0.21%
\$4,220,000	12/1/2006	2/1/2037	3.588%	60% of LIBOR + 0.21%
\$13,600,000	2/1/2005	2/1/2035	3.590%	60% of LIBOR + 0.26%
\$6,595,000	12/1/2005	2/1/2036	3.568%	60% of LIBOR + 0.26%
\$7,215,000	11/1/2006	2/1/2037	3.778%	60% of LIBOR + 0.26%
\$38,735,000	12/1/2007	8/1/2039	3.984%	60% of LIBOR + 0.26%

**Projects To Be Financed with The Proceeds of
Multifamily Housing Revenue Bonds III 2004 Series CD**

Project Name	Loan Amount	Interest Rate		Actual/Projected Loan Origination Date
New Loans				
Napa Creek Manor	\$4,220,000	5.35%		15-Nov-04
Casitas del Valle	4,800,000	5.50%		01-Dec-06
Central Plaza	7,215,000	5.70%		01-Nov-05
College View Transfer	3,680,000	5.70%		15-Nov-04
Douglas Park Transfer	3,450,000	5.50%		17-Nov-04
Dublin Transit Center	19,315,000	5.70%		01-Dec-06
Encore Hall	10,565,000	3.00%	(1)	01-Dec-06
Fairground Family - HACSC	17,240,000	5.70%		01-Jul-07
Fairground Family – ROEM	23,165,000	5.70%		01-Jul-07
Las Flores	4,510,000	3.00%	(1)	22-Jan-07
Mission Gateway (lender loan increase)	3,000,000	5.25%		30-Oct-06
Sierra Madre (permanent & bridge loan increase)	765,000	5.35%		01-Nov-06
Sobrato Apartments	10,670,000	2.00%	(1)	15-Oct-06
The Crossings	14,335,000	5.70%		1-Sep-06
Timothy Commons (construction loan increase)	545,000	5.25%		31-Mar-06
White Rock Village (second loan increase)	1,165,000	5.60%		01-Jun-05
Moulton Plaza (permanent loan increase)	455,000	5.25%		01-Jul-05
Total	<u>\$ 129,095,000</u>			
Old Loans Transferred from Prior Bond Issue				
Cambridge Glen	\$3,926,360	7.75%		01-Apr-86
Laurel Court	466,894	3.75%	(2)	01-Jul-87
Manhattan Place	2,339,272	4.50%	(2)	01-Jan-91
Sheffield Greens	4,493,733	7.75%		01-Apr-86
Villa San Ramon	11,854,934	5.00%	(2)	01-Sep-94
Total	<u>\$ 23,081,193</u>			

- (1) The Agency expects to subsidize the interest rate on the permanent loans to 5.70%. The source of funds for these subsidies is expected to be the Agency's share of McKinney Act savings from certain FAF projects.
- (2) Indicates current interest rates for existing stepped-rate loans (Laurel Court (2.75% - 7.75%), Manhattan Place (4.0% - 7.75%) and Villa San Ramon (3.0% - 11.0%)). As a result of the refunding, the Agency staff intend to negotiate workout agreements with the borrowers to reduce or eliminate the stepped-rate feature of these loans.

State of California

MEMORANDUM

To: Board of Directors

Date: November 3, 2004



Bruce D. Gilbertson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: ANNUAL INVESTMENT REPORT

In 1995 the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is a fiscal year end investment report as of June 30, 2004. This report shows that CalHFA moneys continue to be invested conservatively and in accordance with the Board-approved investment policy.

SUMMARY

As of June 30, 2004, CalHFA had \$9.7 billion of assets, of which \$4.1 billion (42%) consisted of investments (not mortgages). Of this \$4.1 billion, \$1.1 billion was used to pay bond debt service due on August 1. For the fiscal year, CalHFA total revenues were \$549 million, of which \$117 million (21%) was investment interest income.

The following table shows the types of investments we hold for different categories of funds. Note that (as for the previous fiscal years) investment agreements are our most prevalent type of investment and are used exclusively with our bond financing programs. As before, our next most prevalent investment is the State's investment pool. The balances in these two categories have increased by \$535 million during the 2004 fiscal year for a number of reasons. The investment agreement balances have increased because of the higher incidence of single family loan prepayments. As of June 30, 2004, \$409 million of loan principal prepayment was being held for recycling into new mortgage loans. For the investment pool, balances are up primarily because of our investment of proceeds of bonds and notes issued to preserve tax-exempt authority for future use. As of June 30, 2004, proceeds from \$415.4 million in short-term debt were invested in the State's investment pool for this purpose.

<u>Investment Type</u>	<u>AMOUNT INVESTED</u> <i>(\$ in millions)</i>		
	<u>Bond Moneys</u>	<u>Non-Bond Moneys</u>	<u>Total</u>
Investment agreements	\$2,096.5	\$0.1	\$2,096.6
State investment pool	1,336.7	523.9	1,860.6
Securities (fair market value)	67.4	7.9	75.3
Money market and Bank deposit	<u>30.8</u>	<u>2.9</u>	<u>33.7</u>
Totals	\$3,531.4	\$534.8	\$4,066.2

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we normally invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice.

The following table shows the types of bond moneys that are deposited into investment agreements.

INVESTMENT AGREEMENT BALANCES
(*\$ in millions*)

	Bond Proceeds (For Loan <u>Purchases</u>)	Drawdown Bond / Short Term Note <u>Proceeds</u>	Reserve <u>Funds</u>	Debt Service <u>Funds</u>	<u>Totals</u>
Single Family	\$0.0	\$266.0	\$94.8	\$1,335.9	\$1,696.7
Multifamily	<u>269.6</u>	<u>21.6</u>	<u>12.3</u>	<u>96.4</u>	<u>399.9</u>
Totals	\$269.6	\$287.6	\$107.1	\$1,432.3	\$2,096.6

The first two attachments show information about our \$2.09 billion of deposits with financial institutions providing us with investment agreements. Note the high credit ratings of the institutions. If these credit ratings were to fall below a threshold level, we have the right to request collateralization or return of principal.

STATE INVESTMENT POOL

As shown by the table on the previous page, we have \$1.86 billion invested with the State Treasurer in the State investment pool, which, over time, has given us security, a fair return (1.469% during June), complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most non-bond moneys in the pool. We also invest a significant amount of bond moneys in the pool, including, most recently, Home Mortgage Revenue Bond and Drawdown Bond proceeds as well as the proceeds of some of our new multifamily bonds. In addition, the Agency's Operating Account, Housing Assistance Payments moneys from HUD for the Section 8 projects, loan servicing accounts, and mortgage revenue for some of the older transactions are also invested in the pool.

SECURITIES

The third attachment displays information about the \$75.3 million (fair market value) of securities we hold. This category includes \$64.5 million of Fannie Mae, Ginnie Mae, and Linda Mae securities backed by loans originated for our single family and multifamily programs. Note that the market value of the securities is greater than the amortized value because of declines in interest rates since the securities were obtained.

The commercial paper was purchased by our outside trustee (U.S. Bank Trust, National

Association) for investment of certain escrow and program account moneys.

MONEY MARKET AND BANK DEPOSITS

Our outside trustee sweeps overnight deposits into a treasury securities money market fund which was paying 0.44% as of June 30. The amount invested in the money market includes some bond program moneys which we expect to use to purchase loans or mortgage backed securities or to pay costs of issuance. In addition, this category includes loan servicing revenues held in bank deposit accounts.

California Housing Finance Agency
 Funds Invested in Investment Agreements
 As of June 30, 2004
 Totals by Financial Institution Ratings

<u>Moody's Ratings</u>	<u>Amount Invested</u>	<u>Percentage of Total Invested</u>
Aaa	\$ 989,177,033	47.18%
Aa1	9,041,603	0.43%
Aa2	340,165,510	16.22%
Aa3	758,552,491	36.17%
Total	<u><u>\$2,096,936,637</u></u>	<u><u>100.00%</u></u>
<u>S & P Ratings</u>		
AAA	\$ 989,177,033	47.18%
AA	344,968,583	16.45%
AA-	756,229,913	36.06%
A+	6,561,108	0.31%
Total	<u><u>\$2,096,936,637</u></u>	<u><u>100.00%</u></u>

Summary of CalHFA Funds Deposited in Investment Agreements

As of June 30, 2004

<u>Investment Agreement Provider</u>	<u>Moody's Ratings</u>	<u>Standard & Poor's Ratings</u>	<u>Amount Invested</u>
Bayerische Landesbank	Aaa	AAA	\$ 541,332,701
Aegon Institutional Markets	Aa3	AA-	377,210,560
Societe General	Aa3	AA-	373,611,898
Westdeutsche LB	Aa2	AA	340,060,319
CDC Funding	Aaa	AAA	138,937,082
American International Group Matched Funding Corp. (AIGMFC)	Aaa	AAA	92,870,828
Trinity	Aaa	AAA	90,534,187
MBIA Inv. Management Corp.	Aaa	AAA	73,247,659
FGIC Cap. Market Services	Aaa	AAA	37,924,023
Rabobank Int.	Aaa	AAA	14,330,553
JPMorganChase ¹	Aa3	A+	4,284,869
Bank of America	Aa1	AA-	4,094,583
Citibank	Aa1	AA	3,634,148
Canadian Imperial Bank	Aa3	A+	2,171,048
Citicorp	Aa1	AA-	1,312,872
Pacific Life Co.	Aa3	AA	1,274,116
Bankamerica Corp.	Aa2	A+	105,191
Total			<u><u>\$ 2,096,936,637</u></u>

¹: TMG Financial Pruducts' assets were purchased by JPMorganChase.

Summary of CalHFA Investments in Securities

As of June 30, 2004

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Weighted Average Coupon</u>	<u>Weighted Average Remaining Maturity</u>
GNMA Securities	\$ 35,538,832	\$ 35,538,832	\$ 36,077,635	6.14%	28.01 Years
FNMA Securities	28,500,089	28,434,548	28,021,586	6.12%	23.90 Years
LNMA Securities	490,000	490,000	415,814	3.00%	6.78 Years
Commercial Paper	7,016,000	7,016,000	6,994,418	2.46%	0.00 Years
U.S. Treasury Bonds	1,346,000	1,213,801	1,523,035	7.73%	16.77 Years
REFCORP Bonds	904,000	1,015,596	1,238,118	8.63%	16.54 Years
FHLMC Securities	780,000	791,330	1,001,325	8.25%	11.92 Years
Totals	\$74,574,921	\$74,500,107	\$75,271,931		

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MEMORANDUM

To: Board of Directors

Date: November 3, 2004



From: Bruce D. Gilbertson, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY

Subject: UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS

Although we began issuing some variable rate bonds in 1995, it was not until 2000 that we began using variable rate debt as our primary issuance strategy with most of our interest rate exposure hedged in the swap market, as further described in this report. This strategy has enabled us to achieve a significantly lower cost of funds and a better match between assets and liabilities, all as described in detail in this report. These benefits are especially important in today's interest rate market, where short-term rates are extremely low and the usual rate advantage of tax-exempt financing is greatly reduced.

The following report describes our variable rate bond and swap positions. The report is divided into sections as follows:

- Variable Rate Debt Exposure
- Fixed-Payer Interest Rate Swaps
- Basis Risk and Basis Swaps
- Risk of Changes to Tax Law
- Amortization Risk
- Termination Risk
- Types of Variable Rate Debt
- Liquidity Providers
- Bond and Swap Terminology

VARIABLE RATE DEBT EXPOSURE

This report describes the variable rate bonds and notes of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture), MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture), and HPB (Housing Program Bonds--CalHFA's newest indenture, used to finance the Agency's downpayment assistance loans.) The total amount of CalHFA variable rate debt (including drawdown bonds, but not the warehouse lines) is \$6.3 billion, 80% of our \$7.9 billion of total indebtedness as of November 4, 2004. As shown in the table below, our "net" variable rate exposure is \$1.2 billion, 15% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments.

	VARIABLE RATE DEBT (<i>\$ in millions</i>)			
	Tied Directly to Variable Rate <u>Assets</u>	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate <u>Assets</u>	Total Variable Rate Debt
HMRB	\$1,013	\$3,306	\$961	\$5,280
MHRB	0	715	235	950
HPB	<u>0</u>	<u>35</u>	<u>15</u>	<u>50</u>
Total	\$1,013	\$4,056	\$1,211	\$6,280

Our net exposure includes \$266 million of taxable note proceeds that are currently invested at a fixed rate. One year ago our net exposure was \$860 million and 11% of our indebtedness. Two years ago it was \$666 million and 8.5 % of our indebtedness; three years ago it was \$672 million and 8.9%.

As discussed in each previous report, our \$1.2 billion of net exposure provides a useful internal hedge against today's low interest rate environment, where we are experiencing low short-term investment rates and fast loan prepayments. For example, the interest earnings rate for the State Treasurer's investment pool, where we invest much of our bond proceeds, is currently at 1.88%. In addition, the high incidence of single family loan prepayments since early in 2001 has caused our loan portfolio to contract in spite of our \$1.3 billion pace of annual new single family and multifamily production. However, debt service savings on our unswapped variable rate bonds helps to offset the economic consequences of low investment rates and high prepayments. As an example, the interest rates on our unswapped taxable variable rate bonds have been resetting at approximately 1.85%.

The table below summarizes this risk position.

NET VARIABLE RATE DEBT			
<i>(\$ in millions)</i>			
	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
Short average life *	\$137	\$791	\$928
Long average life	<u>117</u>	<u>166</u>	<u>283</u>
TOTALS	\$254	\$957	\$1,211

* Bonds with an expected average life of 10 years or less.

FIXED-PAYER INTEREST RATE SWAPS

Currently, we have arranged a total of 105 “fixed-payer” swaps with ten different counterparties for a combined notional amount of \$4.1 billion. Included in this total is \$57 million of anticipatory swaps for multifamily bonds that are expected to be issued later this year. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fixed-rate bonds. This savings will help us continue to offer exceptionally low interest rates to multifamily sponsors and to first-time homebuyers. The table below provides a summary of our notional swap amounts.

FIXED PAYER INTEREST RATE SWAPS			
(notional amounts)			
<i>(\$ in millions)</i>			
	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$2,114	\$1,210	\$3,327
MHRB	772	0	772
HPB	<u>35</u>	<u>0</u>	<u>35</u>
TOTALS	\$2,921	\$1,210	\$4,131

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

SWAP COUNTERPARTIES

<u>Swap Counterparty</u>	<u>Credit Ratings</u>			<u>Notional Amounts Swapped</u> <i>(\$ in millions)</i>	<u>Number of Swaps</u>
	<u>Moody's</u>	<u>S & P</u>	<u>Fitch</u>		
Merrill Lynch Capital Services Inc.					
Guaranteed by:					
Merrill Lynch & Co.	Aa3	A+	AA-	\$ 835.8	18
MLDP, AG	Aaa	AAA	AAA	348.2	12
Citigroup Financial Products Inc.	Aa1	AA-	AA+	825.7	20
Bear Stearns Financial Products Inc.	Aaa	AAA	NR	659.0 326.5 *	11 8 *
Lehman Brothers Derivative Products Inc.	Aaa	AAA [†]	NR	581.7	18
AIG Financial Products Corp.	Aaa	AAA	AAA	254.5	8
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AA+	NR	164.4 346.7 *	4 5 *
JP Morgan Chase Bank	Aa3	AA-	AA-	145.7	6
Bank of America, N.A.	Aa1	AA-	AA-	128.8	4
BNP Paribas	Aa2	AA-	AA	100.0	2
UBS AG (Union Bank of Switzerland AG)	Aa2	AA+	AA+	<u>86.7</u>	<u>2</u>
				\$4,130.5	105

* *Basis Swaps (not included in totals)*

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

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today’s market, with very low short-term rates, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2004 semiannual debt service payment date we made a total of \$62.2 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

BASIS RISK AND BASIS SWAPS

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

Periodically, the divergence between the two floating rates widens, as market conditions change. Some periodic divergence was expected when we entered into the swaps. In the past we entered into swaps at a ratio of 65% of LIBOR, the London Inter-Bank Offered Rate which is the index used to benchmark taxable floating rate debt. These percentage-of-LIBOR swaps have afforded us with excellent liquidity and great savings when the average BMA/LIBOR ratio was steady at 65%. But with short-term rates at historic lows and with an increased market supply of tax-exempt variable rate bonds, the historic relationship between tax-exempt and taxable rates has not been maintained. For example, the average BMA/LIBOR ratio was 77% in 2002, 84.3% in 2003, and is currently at 84%. The BMA (Bond Market Association) index is the index used to benchmark tax-exempt variable rates.

When the BMA/LIBOR ratio is very high the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. In response, we and our advisors looked for a better formula than a flat 65% of LIBOR. After considerable study of California tax-exempt variable rate history, we settled on a new formula (60% of LIBOR plus 0.26%) that results in comparable fixed-rate economics but performs better when short-term rates are low and the BMA/LIBOR percentage is high. Since December of 2002 we have amassed approximately \$1.3 billion of new LIBOR-based swaps using this new formula, and we expect to continue to use this formula. In addition, we currently have basis swaps for \$673 million of the older 65% of LIBOR swaps. The basis swaps provide us with better economics in low-rate environments by exchanging the 65% of LIBOR formula for alternative formulas that would alleviate the effects of the current high BMA/LIBOR ratio. As an example, we saved nearly \$745 thousand on our 8/1/04 swap payments by entering into the basis swaps. The following table shows the diversification of variable rate formulas used for determining the payments received from our interest rate swap counterparties.

BASIS FOR VARIABLE RATE PAYMENTS
RECEIVED FROM SWAP COUNTERPARTIES
(notional amounts)
(\$ in millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
60% of LIBOR + 26bps	\$1,361	\$0	\$1,361
3 mo. LIBOR + spread	0	746	746
BMA – 15bps	509	0	509
1 mo. LIBOR	0	386	386
Enhanced LIBOR ¹	347	0	347
Stepped % of LIBOR ²	326	0	326
65% of LIBOR	315	0	315
6 mo. LIBOR	0	77	77
64% of LIBOR	40	0	40
60% of LIBOR + 21bps	<u>24</u>	<u>0</u>	<u>24</u>
TOTALS	\$2,922	\$1,209	\$4,131

¹ Enhanced LIBOR – This formula is 50.6% of LIBOR plus 0.494% with the proviso that the end result can never be lower than 61.5% of LIBOR nor greater than 100% of LIBOR.

² Stepped % of LIBOR – This formula has seven incremental steps where at the low end of the spectrum the swap counterparty would pay us 85% of LIBOR if rates should fall below 1.25% and at the high end, they would pay 60% of LIBOR if rates are greater than 6.75%.

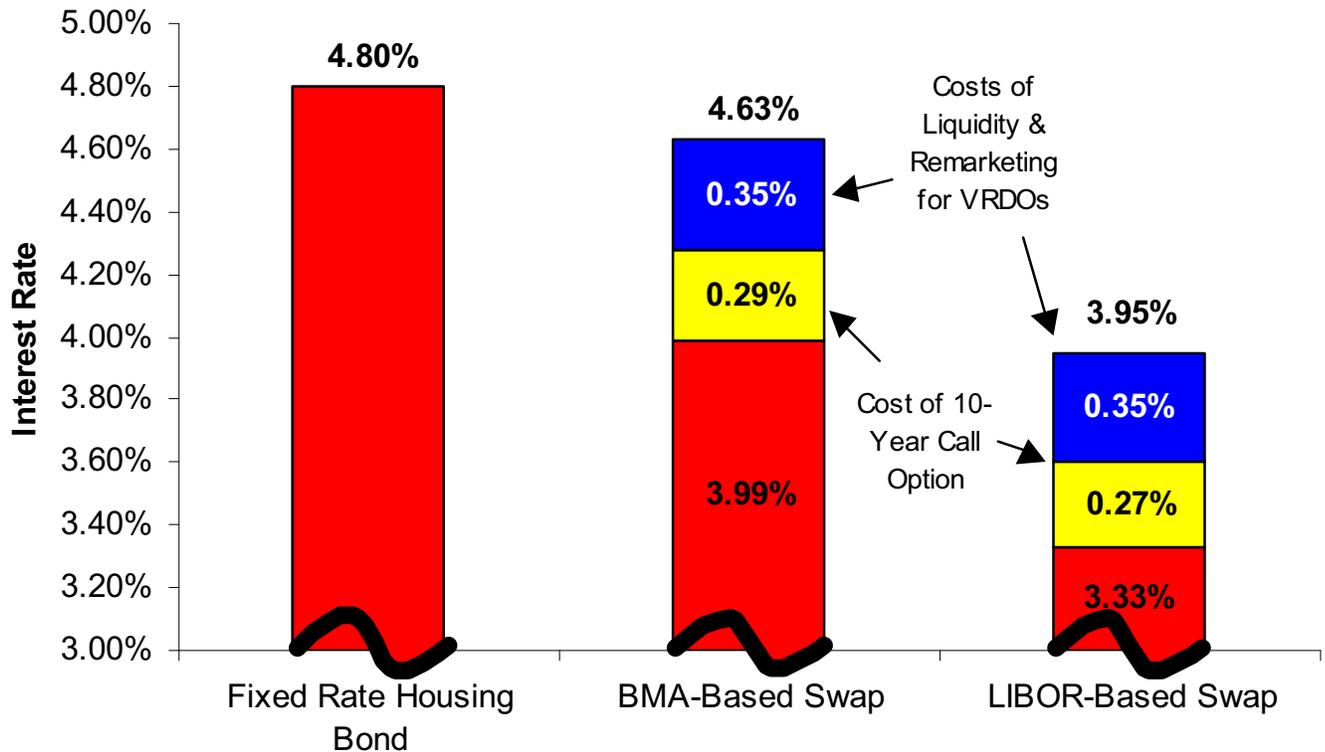
RISK OF CHANGES TO TAX LAW

For an estimated \$2.4 billion of the \$2.9 billion of tax-exempt bonds swapped to a fixed rate, we remain exposed to certain tax-related risks, another form of basis risk. In return for significantly higher savings, we have chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. In these cases, if a tax law change were to result in tax-exempt rates being more comparable to taxable rates, the swap provider's payment to us would be less than the rate we would be paying on our bonds, again resulting in our all-in rate being higher.

We bear this same risk for \$258 million of our tax-exempt variable rate bonds which we have not swapped to a fixed rate. Together, these two categories of variable rate bonds total \$2.6 billion, 32.6% of our \$7.9 billion of bonds outstanding. This risk of tax law changes is the same risk that investors take every time they purchase our fixed-rate tax-exempt bonds.

The following bar chart shows clearly that our ability to assume the risk of changes to tax laws is the “engine” that makes our interest rate swap strategy effective in today’s market. If the Agency was unable or unwilling to take this risk, our cost of funds would be significantly higher.

**Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds
(Variable Rate Bonds Swapped to Fixed)
(All Rates as of October 29, 2004)**



BMA-Based Swap: BMA Index – 15 bps
LIBOR-Based Swap: 60% LIBOR + 26 bps

AMORTIZATION RISK

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

Since January 1, 2002, we have received over \$4 billion of prepayments, including over \$2.1 billion in 2003. Of this amount, approximately \$463 million is “excess” to swapped transactions we entered into between 2000 and 2003. In other words, our current loan portfolios for these 2000 through 2003 bond transactions have shrunk to amounts that are \$463 million less than the current “notional” amounts of the interest rate swaps.

Also of interest is a \$17.3 million forced mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred as a result of the interplay between our phenomenally high incidence of prepayments and the “10-year rule” of federal tax law. Under this rule, prepayments received 10 or more years beyond the date of the original issuance of bonds cannot be recycled into new loans and must be used to redeem bonds. In the case of these recent bond issues, a portion of the authority to issue them on a tax-exempt basis was related to older bonds.

While this mismatch has occurred (and will show up in the tables of this report), the small semiannual cost of the mismatch will be more than offset by the large interest cost savings from our \$1.2 billion of “net” variable rate debt. In other words, while some of our bonds are “over-swapped”, there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch.

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

Currently we initially invest most of the excess prepayments with the financial institutions that originally provided us, for each transaction, with fixed-rate “float” agreements at what seem like high rates today. Many of these agreements, however, were written to limit the amount of time that we could leave moneys on deposit; in these cases the investment of the excess is an interim step until we implement longer-term strategies.

We determined that the best long-term strategy was to recycle the excess prepayments into new CalHFA loans. Of course, this means that we will be bearing the economic consequences of replacing old 7% to 8% loans that have paid off with new loans at the rates that will be current at the time we recycle. With our October 1, 2004 transfer of loans from our warehouse line we have recycled a total of \$650.1 million of excess prepayment moneys over the past year and a half. Each month This practice has resulted in reduced issuance activity in 2004.

TERMINATION RISK

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that depends on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap “counterparty”) to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination “events”, i.e., circumstances under which our swaps may be terminated early, or (to use the industry phrase) “unwound”. One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty’s credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

As part of our strategy for protecting the agency when we entered the swap market in late 1999, we determined to choose only highly-creditworthy counterparties and to negotiate “asymmetrical” credit requirements in all of our swaps. These asymmetrical provisions impose higher credit standards on our counterparties than on the agency. For example, our counterparties may be required to collateralize their exposure to us when their credit ratings fall from double-A to the highest single-A category (A1/A+), whereas we need not collateralize until our ratings fall to the mid-single-A category (A2/A).

At least quarterly we monitor the termination value of our swap portfolio as it grows and as interest rates change. Over time, since we entered the swap market, interest rates has largely fell. Growth in the portfolio combined with this steady downward trend in interest rates made our swap portfolio have a large negative value (to us), as shown in the table on the next page.

Because termination is an unlikely event, the fact that our swap portfolio has a large negative value, while interesting, is not necessarily a matter of direct concern. We have no plans to terminate swaps early (except in cases where we negotiated “par” terminations when we entered into the swaps) and do not expect that credit events triggering termination will occur, either to us or to our counterparties.

The Government Accounting Standards Board does not require that our balance sheet be adjusted for the market value of our swaps, but, beginning last fiscal year, it does require that this value be disclosed in the notes to our financial statements.

The table below shows the history of the fluctuating negative value of our swap portfolio over the last three years.

TERMINATION VALUE HISTORY

<u>Date</u>	<u>Termination Value (\$ in millions)</u>
12/31/02	(\$345.2)
3/31/03	(\$345.1)
5/31/03	(\$450.4)
6/30/03	(\$409.9) ¹
7/31/03	(\$208.4)
8/31/03	(\$212.9)
9/30/03	(\$322.9)
10/31/03	(\$255.4)
11/30/03	(\$254.3)
12/31/03	(\$274.5)
1/31/04	(\$295.7)
2/29/04	(\$315.0)
3/31/04	(\$336.7)
4/30/04	(\$215.6)
5/31/04	(\$178.3)
6/30/04	(\$187.2) ²
7/31/04	(\$230.4)
8/31/04	(\$272.8)
9/30/04	(\$279.3)

It should be noted that during this period, the notional amount of our fixed-payer swaps has been increasing to our current total of \$4.1 billion. When viewing the termination value, one should consider both the change in market conditions and the increasing notional amount.

¹ As reported in our 2002/03 financial statements.

² As reported in our 2003/04 financial statements.

TYPES OF VARIABLE RATE DEBT

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

TYPES OF VARIABLE RATE DEBT				
<i>(\$ in millions)</i>				
	<u>Auction Rate & Similar Securities</u>	<u>Indexed Rate Bonds</u>	<u>Variable Rate Demand Obligations</u>	<u>Total Variable Rate Debt</u>
HMRB	\$186	\$2,810	\$2,284	\$5,280
MHRB	354	0	596	950
HPB	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>
Total	\$540	\$2,810	\$2,930	\$6,280

Since September of 2000 we have been able to sell \$2.4 billion of taxable single family variable rate bonds to the Federal Home Loan Banks. In addition, our \$1 billion of currently outstanding drawdown bonds are indexed-rate securities.

LIQUIDITY PROVIDERS

The table below shows the financial institutions providing liquidity in the form of standby bond purchase agreements for our VRDOs. Under these agreements, if our variable rate bonds are put back to our remarketing agents and cannot be remarketed, these institutions are obligated to buy the bonds. Dexia Credit Local, a highly-rated Belgian/French bank, is the largest provider of liquidity, followed closely by Fannie Mae

In 2003 we began financing our multifamily program with auction rate securities, for which no liquidity support is required. Use of auction rate securities for multifamily will enable us to target Fannie Mae's remaining liquidity capacity to single family deals

We are constantly working toward obtaining liquidity for single family bond issues from different financial institutions. BNP Paribas, a new provider, recently provided us with \$100 million of liquidity for a recent single family financing, and Citigroup, who is one of our managing underwriters and swap counterparties, has provided us with \$50 million of liquidity for our new downpayment assistance program. Citigroup is the first managing underwriter to extend liquidity to our financings. We expect to obtain additional capacity from some of our other current providers (e.g. Fannie Mae and Bank of America) and hope to utilize other new providers, including Freddie Mac.

Bank liquidity is more scarce today than in previous years for a couple of reasons. First, more and more issuers want to issue variable rate debt, and second, many banks apparently feel that, because of the State's budget crisis, this is not the time to increase exposure to California issuers.

LIQUIDITY PROVIDERS
(*\$ in millions*)

<u>Financial Institution</u>	<u>\$ Amount of Bonds</u>	<u>Indenture</u>
Dexia Credit Local	\$496.8	HMRB
Fannie Mae	474.8	HMRB/MHRB
Lloyds TSB	324.2	HMRB
Bank of Nova Scotia	274.3	HMRB
Bank of America	191.5	HMRB
Landesbank Hessen-Thuringen	177.4	MHRB
JPMorgan Chase Bank	176.3	HMRB/MHRB
KBC	139.2	HMRB
Westdeutsche Landesbank	123.4	HMRB
Bayerische Landesbank	112.0	HMRB
State Street Bank	102.0	HMRB
BNP Paribas	100.0	HMRB
Bank of New York	99.0	HMRB
CalSTRS	88.8	HMRB/MHRB
Citigroup, N.A.	<u>50.0</u>	HPB
Total	\$2,929.7	

Unlike our interest rate swap agreements, our liquidity agreements do not run for the life of the related bonds. Instead, they are seldom offered for terms in excess of five years, and a portion of our agreements require annual renewal. We expect all renewals to take place as a matter of course; however, changes in credit ratings or pricing may result in substitutions of one bank for another from time to time. In addition, we have begun to switch some of our VRDOs to auction rate in order to free up liquidity capacity of some current providers.

BOND AND SWAP TERMINOLOGY**REVENUE BOND (OR SPECIAL OBLIGATION BOND) (OR LIMITED OBLIGATION BOND)**

A type of security which is evidence of a debt secured by revenues from certain assets (loans) pledged to the payment of the debt.

GENERAL OBLIGATION BOND

A type of security which is evidence of a debt secured by all revenues and assets of an organization.

INDENTURE

The legal instrument that describes the bonds and the pledge of assets and revenues to investors. The indenture often consists of a general indenture plus separate series indentures describing each issuance of bonds.

OFFICIAL STATEMENT

The "prospectus" or disclosure document describing the bonds being offered to investors and the assets securing the bonds.

SERIES OF BONDS

An issuance of bonds under a general indenture with similar characteristics, such as delivery date or tax treatment. Example: "Name of Bonds", 1993 Series A. Each series of Bonds has its own series indenture.

MATURITY

Date on which the principal amount of a bond is scheduled to be repaid.

REDEMPTION

Early repayment of the principal amount of the bond. Types of redemption: "special", "optional", and "sinking fund installment".

SERIAL BOND

A bond with its entire principal amount due on a certain date, without scheduled sinking fund installment redemptions. Usually serial bonds are sold for any principal amounts to be repaid in early (10 or 15) years.

TERM BOND

A bond with a stated maturity, but which may be subject to redemption from sinking fund installments. Usually of longer maturity than serial bonds.

DATED DATE

Date from which first interest payment is calculated.

PRICING DATE

Date on which issuer agrees (orally) to sell the bonds to the underwriters at certain rates and terms.

SALE DATE

Date on which purchase contract is executed evidencing the oral agreement made on the pricing date.

DELIVERY DATE, OR ISSUANCE DATE

Date that bonds are actually delivered to the underwriters in exchange for the bond proceeds.

REFUNDING

Use of the proceeds of one bond issue to pay for the redemption or maturity of principal of another bond issue.

VARIABLE RATE BOND

A bond with periodic resets in its interest rate. Opposite of fixed rate bond.

INTEREST RATE SWAP

An exchange between two parties of interest rate exposures from floating to fixed rate or vice versa. A fixed-payer swap converts floating rate exposure to a fixed rate.

NOTIONAL AMOUNT

The principal amount on which the exchanged swap interest payments are based.

COUNTERPARTY

One of the participants in an interest rate swap.

LIBOR

London Interbank Offered Rate. The interest rate highly rated international banks charge each other for borrowing U.S. dollars outside of the U.S. Taxable swaps often use LIBOR as a rate reference index. LIBOR swaps associated with tax-exempt bonds will use a percentage of LIBOR as a proxy for tax-exempt rates.

BMA

Bond Market Association. A weekly index of short-term tax-exempt rates.

MARK-TO-MARKET

Valuation of securities or swaps to reflect the market values as of a certain date. Represents liquidation or termination value.

DELAYED START SWAP

A swap which delays the commencement of the exchange of interest rate payments until a later date.

SWAP CALL OPTION

The right (but not the obligation) to terminate a predetermined amount of swap notional amount, occurring or starting at a specific future date.

INTEREST RATE CAP

A financial instrument which pays the holder when market rates exceed the cap rate. The holder is paid the difference in rate between the cap rate and the market rate. Used to limit the interest rate exposure on variable rate debt.

SYNTHETIC FIXED RATE DEBT

Converting variable rate debt into a fixed rate obligation through the use of fixed-payer interest rate swaps.

SYNTHETIC FLOATING RATE DEBT

Converting fixed rate debt into a floating rate obligation through the use of fixed-receiver interest rate swaps.

M E M O R A N D U M

To: CalHFA Board of Directors**Date:** 03 November 2004**From:** Di Richardson, Director of Legislation
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** Legislative Report

Attached is a list containing the final status of various bills we've reported to you during this past legislative session. Where appropriate, veto and signature messages are attached. Please keep in mind that this was a very unique session. If you seem surprised by a signature or veto, please check the date, and remember that Governor Davis held that office during the first half of the session (2003) and Governor Schwarzenegger the second half (2004).

On the federal side – you probably know by now that we were not successful in our efforts to win Ten Year Rule relief. Although Congress is expected to return for a brief “lame duck” session to finish work on a number of issues, we do not expect them to take up any additional tax bills. All of our hard work on this issue, however, did not go unnoticed. By October, nearly 80% of Congress had cosponsored the HR 284 and S 595. The cosponsorship total for these two bills was higher than that of any other tax bill and included nearly equal numbers of Republicans and Democrats. When the tax bill was being considered by the Conference Committee, the Senate conferees unanimously passed an amendment to prospectively repeal the Ten Year Rule. Unfortunately, House conferees rejected the amendment. Chairman Thomas apparently expressed concern that the amendment would create an ever-revolving pool of MRB funds and challenged its germaneness. Ten Year Rule relief was not the only conference casualty. Chairman Thomas successfully defended his Chairman's Mark (the bill he drafted from which the conference committee worked) – against all but two other amendments. Whether we will continue to pursue this issue during the next Congressional session is an issue that will be determined by the NCSHA Board of Directors, as they finalize priorities for the coming year.

As always, if you have any questions, please give me a call at (916) 324-0801 or email me at drichardson@calhfa.ca.gov.

Building Standards

[SB 1508](#) (Ducheny) Real property loans: restrictions: code violations.
Status: 09/24/2004-Vetoed by the Governor

Summary:

Existing law regulates the transfer of real property and the recording of liens on real property. This bill would have generally prohibited a person or entity, other than a federally or state chartered financial institution, from making a loan secured by a deed of trust or mortgage on non-owner-occupied residential real property if the person or entity has actual or constructive notice that a notice of pendency of action relative to a code violation has been recorded against the property by the local code enforcement agency

Governor's Message:

I am returning Senate Bill 1508 without my signature. This bill was introduced in response to a widely publicized landlord who owned 44 properties in the Sacramento area. Thirty-one (31) of these properties had some form of code

violations ranging from minor to major violations. The owner of these properties refinanced his mortgages and received proceeds from the equity in the properties, however, did not utilize the funds to correct or fix these code violations. I feel strongly that landlords should be held responsible when their properties are in disarray and tenants are subjected to conditions that pose significant safety and health risks. However, this bill does not further that result and goal. This bill prohibits certain mortgage lenders from making a loan secured by a deed of trust or mortgage on non-owner occupied residential property if there is a code violation pending. The bill specifically exempts federal lending institutions and banks chartered by the State of California through the Department of Financial Institutions. This bill creates an uneven regulatory playing field creating a hardship and competitive disadvantage for those financial institutions which are subject to the restrictions of this bill. Additionally, the requirements of this bill could result in lenders being unwilling to finance loans with code violations; increasing the likelihood code violations will go uncorrected. Finally, SB 1508 would make certain lenders de facto code enforcers, a function that should remain with the local municipality. Sincerely, Arnold Schwarzenegger

SB 1634**(Alarcon) Real property: substandard conditions.**

Status: 08/04/2004-Returned to Chief Clerk pursuant to Joint Rule 62(a).

Summary:

The State Housing Law requires the building department of every city or county to enforce all the provisions published in the California Building Standards Code, the State Housing Law, and the other rules and regulations adopted pursuant to the State Housing Law pertaining to apartment houses, hotels, or dwellings. This bill would have: authorized the enforcement agency or health department employee to issue an administrative citation for specified violations; required the building owner or owner's agent receiving an order or notice to abate to provide specified identification information to the city, county, or city and county department that issued the order; required the city, county, or city and county to mail this information to affected tenants; authorized the department issuing the order or notice to provide specified notices in the event of noncompliance after a reinspection; and would have authorized the enforcement agency to charge the property owner for specified costs.

CalHFA Sponsor**SB 353****(Ducheny) California Housing Finance Agency.**

Status: 08/04/2003-Chartered by Secretary of State - Chapter No. 193, Statutes of 2003

Summary:

The existing Multifamily Rental Housing Program requires any mortgage that encumbers a multifamily rental housing development as security for an obligation to the California Housing Finance Agency to have priority over any covenant, condition, restriction, or other limitation or agreement imposed on the housing development as a condition of qualifying it for any development, construction, or rehabilitation permit or approval or for any financial assistance. This bill deletes that requirement, giving CalHFA the authority to subordinate its regulatory agreements for multifamily housing developments; and clarifies CalHFA's authority to make loans secured by assets other than real property to local public entities.

SB 596**(Torlakson) Housing finance.****Status:** 02/02/2004-Returned to Secretary of Senate pursuant to Joint Rule 56.**Summary:**

Existing law authorizes the California Housing Finance Agency to insure housing loans made for a period acceptable to the agency not to exceed 40 years or 4/5 of the remaining life of the structure, as determined by the agency, whichever is less. This bill would delete the provision for the making of loans with a period of 4/5 of the remaining life of the structure. This bill contains other related provisions and other existing laws. Although this bill did not move, the most significant provisions were ultimately included in AB 304 (Mullin) – listed below under the Downpayment Assistance category.

Construction Defect

AB 2071**(Houston) Limitation of actions: construction defects.****Status:** 05/04/2004-In committee: Hearing canceled at the request of author.**Current Location:** 05/29/2004-A DEAD**Summary:**

Existing law provides that an action to recover damages for or arising from a latent deficiency against any person who develops real property or who performs specified services related to the construction of improvements upon real property will be barred if the action is brought more than 10 years after the substantial completion of the development or improvement. This bill would have barred an action to recover damages for or arising from a latent deficiency, as described above, if that action is brought more than 6 years after the substantial completion of the development or improvement. However, the bill would have provided that actions based on soil subsidence or similar specified conditions would be barred if the action is brought more than 10 years after the substantial completion of the development or improvement.

AB 2333**(Dutra) Construction defect actions.****Status:** 05/27/2004-Referred to Com. on RLS.**Summary:**

Existing law specifies the rights and requirements of a homeowner to bring an action for construction defects, including applicable standards for home construction, the statute of limitations, the burden of proof, the damages recoverable, a detailed prelitigation procedure, and the obligations of the homeowner. This bill would have declared the intent of the Legislature to protect the interests of builders, contractors, subcontractors, laborers, and building purchasers, and to facilitate the expeditious and equitable resolution of construction defect claims and litigation.

AB 2804**(Calderon) Construction defect actions.****Status:** 06/15/2004-Withdrawn from committee. Re-referred to Com. on RLS.**Summary:**

Existing law specifies the rights and requirements of a homeowner to bring an

action for construction defects, including applicable standards for home construction, the statute of limitations, the burden of proof, the damages recoverable, a detailed prelitigation procedure, and the obligations of the homeowner. This bill would declare the intent of the Legislature to protect the interests of builders, contractors, subcontractors, laborers, and building purchasers, and to facilitate the expeditious and equitable resolution of construction defect claims and litigation.

AB 2812**(Dutra) Construction defects: resolution process.**

Status: 05/27/2004-Referred to Com. on RLS.

Summary:

Existing law, applicable to residences originally sold on or after January 1, 2003, specifies the rights and requirements of a homeowner to bring an action for construction defects, including applicable standards for home construction, the statute of limitations, the burden of proof, the damages recoverable, a detailed prelitigation procedure, and the obligations of the homeowner. This bill would have provided that it is the intent of the Legislature to consider whether the existing process for resolution of residential construction defect claims, as specified, could be revised for the mutual benefit of consumers, builders, contractors, building trades, subcontractors, insurers, and others who may be interested in the equitable and expeditious resolution of these controversies.

SB 1833**(Dunn) Construction defects: litigation: insurance.**

Status: 05/17/2004-In Assembly. Read first time. Held at Desk.

Summary:

Existing law sets forth the defects in residential construction that are actionable and the procedures necessary to bringing an action against a builder or other persons for a defect in residential construction. This bill would have provided that it is the intent of the Legislature to enact legislation to provide for the equitable resolution of construction defect claims and litigation and to address the costs of liability insurance for builders, contractors, and subcontractors.

Discrimination

AB 1536**(Goldberg) Discrimination.**

Status: 09/22/2003-Chaptered by Secretary of State - Chapter No. 447, Statutes of 2003

Summary:

Under the existing Fair Employment and Housing Act, when a complaint alleging an unlawful practice is filed with the Department of Fair Employment and Housing, the department is required to serve the complaint upon the person, employer, labor organization, or employment agency alleged to have committed the unlawful practice, and service is to be completed within 45 days. This bill provides that where a person claiming to be aggrieved by an unlawful practice is represented by private counsel, private counsel, and not the department, would instead serve the complaint, and in either case, service is to be completed within 60 days.

Downpayment Assistance**AB 304****(Mullin) Housing: downpayment assistance and guaranty insurance.****Status:** 09/29/2003-Chaptered by Secretary of State - Chapter No. 553, Statutes of 2003**Summary:**

Under existing law, the California Housing Finance Agency is authorized to administer a number of downpayment assistance programs. This bill: increases the amount of downpayment assistance available to low income first time homebuyers under the Housing In Revitalization Areas Program (HIRAP) (funded by Proposition 46) from 3% up to 6%; authorizes CalHFA to increase the amount of downpayment assistance available to qualified teachers and administrators under the Extra Credit Teachers Program (also funded by Proposition 46) in high housing cost areas of the state; gives CalHFA additional flexibility to create mortgage insurance programs to serve a more diverse sector of the California workforce; and places a reasonable cap on the purchase price of the homes in "economically distressed" counties that are eligible for reimbursement of their school fees under School Facility Fee Program (funded by Proposition 46).

AB 672**(Montanez) Housing: downpayment assistance and mortgages.****Status:** 09/22/2004-Chaptered by Secretary of State - Chapter No. 674, Statutes of 2004**Summary:**

Existing law establishes the California Homebuyer's Downpayment Assistance Program (administered by CalHFA) to assist first-time low- and moderate-income homebuyers. It requires downpayment assistance to include, but not be limited to, a deferred-payment, low-interest, junior mortgage loan and limits the amount of downpayment assistance to 3% of the home's sales price. This bill authorizes the amount of downpayment assistance to not exceed 5% of the purchase price or the appraised value, whichever is less, of a home within an infill opportunity zone, a transit village development district, or a transit-oriented development specific plan area, as defined.

AB 2838**(Salinas) Downpayment assistance: sales of real property.****Status:** 09/22/2004-Chaptered by Secretary of State - Chapter No. 683, Statutes of 2004**Summary:**

The existing California Homebuyer's Downpayment Assistance Program (administered by CalHFA) authorizes funds appropriated for purposes of the program to be used to provide downpayment assistance to first-time low- and moderate-income home buyers that does not exceed 3% of the home sales price. This bill would provide CalHFA with the discretion to continue to offer the Housing In Revitalization Areas Program (HIRAP), a program that provides up to 6% downpayment assistance to first-time low-income home buyers in specified revitalization areas, beyond June 2005.

SB 162**(Alarcon) Federal tax credits: housing: teachers.****Status:** 10/12/2003-Chaptered by Secretary of State - Chapter No. 853, Statutes of 2003

Summary:

Existing law declares that a substantial public benefit is served by providing federal tax credits or reduced interest rate mortgages to assist teachers, principals, vice principals, and assistant principals who are willing to serve in low-performing schools to purchase a home. Existing law authorizes the California Debt Limit Allocation Committee to establish the Extra Credit Teacher Home Purchase Program to provide federal mortgage credit certificates and reduced interest rate loans funded by mortgage revenue bonds to eligible teachers, principals, vice principals, and assistant principals who agree to teach or provide administration in a low-performing school. This bill authorizes the Extra Credit Teacher Home Purchase Program to additionally provide federal mortgage credit certificates and reduced interest rate loans funded by mortgage revenue bonds to classified employees in high priority schools. It requires priority for assistance to be given to eligible teachers, principals, vice principals, and assistant principals.

Housing Element**AB 1970****(Harman) Land use: housing element.****Status:** 04/19/2004-In committee: Hearing canceled at the request of author.**Summary:**

The Planning and Zoning Law requires a city or county to adopt a general plan for land use development that includes, among other things, a housing element. It also requires the Department of Housing and Community Development to determine the regional share of the statewide housing need, as specified, and for each council of governments to determine the existing and projected housing need for its region. This bill would have authorized a city that meets specified requirements to adopt a housing element that makes no provision for new housing or the share of regional housing needs.

AB 2158**(Lowenthal) Housing elements: regional housing need.****Status:** 09/22/2004-Chaptered by Secretary of State - Chapter No. 696, Statutes of 2004**Summary:**

Existing law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs. The assessment includes the locality's share of the regional housing need. That share is determined by the appropriate council of governments, subject to revision by the Department of Housing and Community Development. A city, county, or city and county is required to submit a draft housing element or draft amendment to its housing element to the department for a determination of whether the draft complies with state law governing housing elements. This bill reflects changes to the regional housing needs allocation process (RHNA) as proposed by the Housing Element Working Group. The bill, among other things, provides greater transparency in how regional allocation numbers are developed and provides for greater local input.

[**AB 2348**](#)**(Mullin) Housing element: regional housing need.****Status:** 09/23/2004-Chaptered by Secretary of State - Chapter No. 724, Statutes of 2004**Summary:**

Existing law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and an inventory of land suitable for residential development in meeting a city's or county's share of the regional housing need, including vacant sites and sites having potential for redevelopment, and an analysis of the relationship of zoning facilities and services to these sites. A city, county, or city and county is required to submit a draft housing element or draft amendment to its housing element to the Department of Housing and Community Development for a determination of whether the draft complies with state law governing housing elements. This bill contains language developed by the Housing Element Working Group regarding adequate sites, land inventory and permitted use.

[**AB 2980**](#)**(Salinas) Housing element: self-certification.****Status:** 05/5/2004-In committee: Hearing postponed by committee.**Summary:**

Existing law authorizes cities and counties within the jurisdiction of the San Diego Association of Governments to self-certify the revision of its general plan housing element, and makes the self-certified cities and counties eligible for specified state housing funds in the same manner as other jurisdictions. This bill, until an unspecified date, would have provided procedures whereby a city or county could elect to participate in alternative production-based certification of its housing element and would make those cities and counties eligible for specified state housing funds in the same manner as other jurisdictions.

[**SB 492**](#)**(Ducheny) Housing: funds****Status:** 09/09/2004-Chaptered by Secretary of State - Chapter No. 387, Statutes of 2004**Summary:**

The existing Housing and Emergency Shelter Trust Fund Act of 2002 prescribes the allocation of bond money deposited in the Housing and Emergency Shelter Trust Fund by, among other agencies, the Department of Housing and Community Development. Existing law authorizes any city or county within the jurisdiction of the San Diego Association of Governments, until June 30, 2009, to self-certify its general plan housing element, as prescribed, and makes those cities and counties that are self-certified fully eligible, until January 1, 2010, to participate in any program created by, or receiving funds through, the Housing and Emergency Shelter Trust Fund Act of 2002 in an identical manner and to the same degree as those local jurisdictions deemed in substantial compliance with the requirements relating to housing elements that are reviewed by the department rather than being self-certified. This bill extends the authority for that self-certification until June 30, 2010.

Land Use**[AB 1112](#)****(Lowenthal) Housing opportunity districts.**

Status: 02/02/2004-From committee: Filed with the Chief Clerk pursuant to Joint Rule 56. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

Summary:

The Community Redevelopment Law requires redevelopment agencies to increase, improve, and preserve the community's supply of low- and moderate-income housing that is available at affordable cost and provides that this housing shall be entitled to priority consideration for assistance in housing programs administered by the California Housing Finance Agency, the Department of Housing and Community Development, and other state agencies and departments, as specified. This bill would have enacted the Housing Near Transit Act, which would have authorized a city, county, or city and county that has adopted a resolution of intent, to create a housing transit district, subject to approval by HCD.

[AB 1426](#)**(Steinberg) Affordable housing: greater Sacramento region.**

Status: 09/29/2004-Vetoed by the Governor

Summary:

Existing law requires the Department of Housing and Community Development, the California Housing Finance Agency, and various other state and local agencies to administer programs to provide affordable housing through incentives to developers, rental housing assistance, and loans or grants for downpayment, interest subsidy, relocation, veterans' programs, and other home purchase assistance. Existing law requires the housing element of a local general plan to identify adequate sites for affordable housing to be made available through appropriate zoning and development standards. This bill, until January 1, 2008, would have required that no more than \$1,000,000 of any funds that have been appropriated to HCD for the Workforce Housing Reward Program be reserved by the department to provide additional funds to cities and counties in the greater Sacramento region that meet or exceed the affordable housing production goals of the Sacramento Regional Compact for the Production of Affordable Housing adopted by the Sacramento Area Council of Governments (SACOG). The bill would have generally required those funds to be used to provide additional affordable housing

Governor's Message:

I am returning Assembly Bill 1426 without my signature. The Workforce Housing Reward Program funds, administered by the Housing and Community Development Department (HCD), were designed to be a statewide benefit to reward communities for real production of affordable housing. This bill inappropriately sets aside \$1 million from this program to fund one regional county government, the Sacramento Area Councils of Government (SACOG), to implement their future affordable housing plan, which has not yet been determined. This bill does not take into consideration whether similar plans exist in other regions of the State or whether similar rewards were considered to encourage other regions to enter into such plans. If other similar regional plans exist, providing a special reward for SACOG presents a fundamental unfairness because other regions would not receive the same set aside funding reward.

Additionally, setting aside valuable and depleting Proposition 46 funds for one region without going through the competitive bidding process would neglect other worthy plans for affordable housing in other parts of the state. For these reasons I am unable to sign this legislation. Sincerely, Arnold Schwarzenegger

SB 619**(Ducheny) Housing**

Status: 10/11/2003-Chaptered by Secretary of State - Chapter No. 793, Statutes of 2003

Summary:

The Planning and Zoning Law prohibits a local agency from prohibiting or discriminating against a residential development or emergency shelter because of specified reasons. This bill would additionally prohibit those actions from being taken because the development consists of a multifamily residential project or, in whole or in part, because of the method of financing or other specified assistance, or other specified reasons.

SB 744**(Dunn) Planning: housing.**

Status: 06/16/2004-Hearing postponed by committee.

Summary:

Existing law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and inventory of resources and constraints relevant to meeting these needs. The assessment includes the locality's share of regional housing needs, which is determined by the appropriate council of governments, subject to revision by the Department of Housing and Community Development. This bill would have established within the department a Housing Accountability Committee consisting of 5 members, appointed as specified, to hear appeals of city, county, or city and county decisions on applications for the construction of housing developments that meet specified affordability requirements.

SB 1263**(Torlakson) Development projects: mandatory approval.**

Status: 03/17/2004-Set, first hearing. Hearing canceled at the request of author.

Summary:

The Planning and Zoning Law generally regulates the review and approval of development projects and authorizes a planning agency or, if so directed by the legislative body of a city or county, requires the planning agency to prepare specific plans containing prescribed matters relating to land use to implement the general plan for all or part of an area covered by the general plan. That law requires a public agency to comply with specified timelines in connection with the approval of development projects, and prohibits a public agency from disapproving a development project solely in order to comply with the specified time limits, but does not otherwise require that a development project be approved. This bill would have required a public agency to approve a development project that is consistent with certain specific plans approved on or after July 1, 2004, unless the agency finds that approval would result in a specific, significant, adverse effect upon the public health or safety that cannot feasibly be mitigated or avoided.

SB 1592**(Torlakson) Local planning.****Status:** 06/16/2004-Set, first hearing. Hearing canceled at the request of author.**Summary:**

The Planning and Zoning Law requires a city or county to adopt a general plan for land use development that includes a housing element, land use element, and an open-space element. The law authorizes the preparation of specific plans for the systematic implementation of the general plan. This bill would have, except as specified, required each city and each county to adopt or amend an infill ordinance or a specific plan for infill development that identifies potential infill sites and specifies appropriate zoning to encourage infill development on vacant and underutilized parcels. It would have required the infill ordinance or specific plan to provide at least 5 incentives for infill housing from a specified list of 10 incentives as well as an affordable housing strategy.

Landlord Tenant**SB 1328****(Torlakson) Housing: tenants: notices.****Status:** 07/06/2004-Chaptered by Secretary of State - Chapter No. 110, Statutes of 2004**Summary:**

Existing law, until January 1, 2011, requires, prior to the anticipated date of the termination of a subsidy contract, expiration of rental restrictions, or prepayment on an assisted housing development, that the owner proposing the termination, or prepayment of governmental assistance, or the owner of an assisted housing development in which there will be the expiration of rental restrictions, provide a notice of the proposed change to each affected tenant household residing in the assisted housing development and to the affected public entities. Those provisions were previously limited to certain federal subsidy programs. This bill includes additional state, local, or private subsidy programs within the definitions of "assisted housing development," "prepayment," and "termination" and defines "low or moderate income" and "very low income" for those purposes. The bill also requires the notice to contain additional information.

Misc**AB 210****(Nation) Tobacco: dwellings.****Status:** 02/02/2004-From committee: Filed with the Chief Clerk pursuant to Joint Rule 56. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.**Summary:**

Existing law governs the regulation of common interest developments. Existing law also provides a cause of action for the enjoinder, abatement, and prevention of a public or private nuisance. This bill would have provided that the drifting, wafting, or blowing of tobacco smoke into the interest of any other person in a common interest development is a nuisance, with specified exceptions, and it would have prohibited the smoking of any tobacco-related product within any common area in a common interest development.

SB 1404**(Soto) Multifamily improvement districts.****Status:** 09/15/2004-Chaptered by Secretary of State - Chapter No. 526, Statutes of 2004**Summary:**

Existing law establishes the Property and Business Improvement District Law of 1994 to levy assessments on properties within a business improvement area within a city or county for the purpose of financing certain improvements. This bill enacts the Multifamily Improvement District Law which provides, until January 1, 2012, for the establishment of multifamily improvement districts within a city or county to levy assessments on residential rental properties within the district for the purpose of financing certain improvements and promoting certain activities beneficial to those properties.

Outsourcing**AB 1829****(Liu) Public contracts: services: domestic workers.****Status:** 09/29/2004-Vetoed by the Governor**Summary:**

Existing law requires a state agency to comply with specified procedures in awarding agency contracts. Existing law authorizes a state agency to prohibit a person that is convicted of committing specified crimes from bidding on or being awarded agency contracts. This bill would have prohibited a state agency, or a local government in expending funds provided by a state agency, from contracting for services with a contractor or subcontractor unless that contractor or subcontractor certifies under penalty of perjury in his or her bid for the contract that the contract, and any subcontract performed under that contract, will be performed solely with workers within the United States. This bill would also have required the contract to include a clause for termination for noncompliance and specified penalties, if the contractor or subcontractor performs the contract or the subcontract with workers outside the United States during the life of the contract. The bill contained an exemption for seismic retrofit work, performed pursuant to a contract that is entered into on or before January 1, 2006 or agreements entered into by the Treasurer in connection with the sale of any evidence of indebtedness. This bill would have also specified that these provisions did not apply to a contract, if refusing to award that contract would violate the specific terms of federal trade treaties.

Governor's Message:

I am returning Assembly Bill 1829 without my signature. California is a partner in the global marketplace. California businesses and its citizens are entrepreneurial, innovative and on the leading edge of new ideas and technologies. The rest of the world has received untold benefits exported from our state; yet at the same time our state and its citizens have also benefited from our neighbors around the world. As California begins to emerge from the dark days of our fiscal crisis, our focus should not be on erecting artificial barriers that will thwart the spirit of our citizens and the businesses that help our economy grow, but rather on ideas and policies that will fuel the thriving spirit of businesses who look to be on the forefront of the challenges of tomorrow. This bill prohibits state agencies from using funds from the state to contract for services with a contractor unless they can certify that the work will be performed in the United States. Noticeably excluded from the provisions of this bill are the investment activities of the State

of California. The state will continue to be able to invest its treasury bonds and state retirement funds without the need to comply with this bill, but these provisions apply to all other state and local contracts. While this bill purports to be about saving jobs, it would actually be detrimental to our economy and the creation of new jobs in this state. It is also contrary to my administrations efforts to create a more efficient and effective purchasing system and to increase small business contracting participation. This bill adds additional restrictions on state contractors, thereby resulting in less competition at the state and local levels and ultimately result in higher prices paid by governmental entities for goods and services. A recent report by the Public Policy Institute of California (PPIC) states that California has gained 713,000 jobs from direct foreign investment in California and additionally found that placing the type of restrictions, as set forth in this bill, on businesses will have a negative impact on our economy. The report further states that restricting state contracting will not necessarily help workers in California, but could instead result in contracts being awarded to out-of-state bidders. There is a right way and a wrong way to expand economic opportunity in California. The wrong approach is to implement measures that restrict trade, invite retaliation or violate the United States Constitution and our foreign trade agreements. The United States Constitution clearly defines that the authority to regulate trade with foreign nations rests with the federal government. Article 1, Section 8 grants Congress the exclusive authority to regulate Commerce with foreign nations. In todays global economy, the best approach to create and enhance job growth in California is to provide a competitive business environment. In order to improve their competitiveness in a global market, California businesses cannot be penalized with punitive policies restricting their ability to make decisions on how to best perform and provide goods or services for state government and our consumers. These restrictions will drive businesses out of California. California must continue to be an active participant in the worldwide economy in order to create new opportunities and better jobs for our citizens. This bill is contrary to those goals. Therefore, I cannot support this measure. Sincerely, Arnold Schwarzenegger

Prevailing Wage

AB 807

(Leno) Public works: prevailing wage.

Status: 10/12/2003-Chaptered by Secretary of State - Chapter No. 839, Statutes of 2003

Summary:

Existing law provides that per diem wages shall be deemed to include employer payments for health and welfare, pension, vacation, travel, and subsistence pay, apprenticeship or other training programs, and similar purposes, and specifies the employer contributions, costs, and payments that employer payments may include. That law prohibits credit from being granted for benefits required to be provided by other state or federal law, and provides that credits for employer payments may not reduce the obligation to pay the hourly straight time or overtime wages found to be prevailing. This bill provides that an employer may take a credit for employer payments even if contributions are not made or costs are not paid, as specified, if certain conditions are met.

AB 852

(Lieber) Prevailing rate of per diem wages: determinations

Status: 09/08/2003-Chaptered by Secretary of State - Chapter No. 343, Statutes of 2003

Summary:

Existing law generally requires the payment of the prevailing rate of per diem wages and the prevailing rate for holiday and overtime work to employees employed on public works projects that cost more than \$1,000. Existing law requires the Director of Industrial Relations to determine these wage rates and to provide these wage rates to an awarding body, as defined, that requests them. This bill would require the director, upon a request by the state or a political subdivision of the state, to determine and provide these wage rates to the state or a political subdivision that agrees by contract with a private entity that that private entity's employees, in performing the contract, receive the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work. This bill requires the director to respond to these requests in the order in which the requests were received, and requires the director to respond only to the first 20 requests if more than 20 requests are pending in a calendar year. This bill would require the director to respond to additional requests in a calendar year only if the director determines that funding is available to provide these responses.

Governor's Message:

To the Members of the California State Legislature: I am signing Assembly Bill 852, which establishes a mechanism for the determination of prevailing wage rates on non-public works projects in which a public and private entity voluntarily agree by contract that the employees will receive a prevailing wage. In signing this measure, I am directing the Department of Industrial Relations to implement the provisions of this bill within existing staff resources. Sincerely, GRAY DAVIS

AB 1310**(Dutton) Public works: prevailing wages.**

Status: 05/06/2003-From committee without further action pursuant to Joint Rule 62(a).

Summary:

Existing law generally requires the payment of the general prevailing rate of per diem wages to workers employed on public works projects costing over \$1,000, unless the awarding body, as defined, elects to initiate and enforce a labor compliance program for every public works project under the authority of that awarding body. Existing law generally defines "public works" to include construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds. This bill would have exempted from the prevailing wage requirements prefabrication work done at permanent offsite facilities of a contractor.

AB 1418**(Laird) Labor: violations.**

Status: 10/12/2003-Chaptered by Secretary of State - Chapter No. 849, Statutes of 2003

Summary:

Existing law provides that contractors who fail to pay the correct prevailing wage are subject to a maximum \$50 per day, per worker penalty. However, the actual amount of the penalty is determined by the Labor Commissioner and based on specific criteria. This bill establishes a minimum penalty that must be forfeited for prevailing wage violations. This bill also makes distinctions among willful violators, previous violators, and good faith violators by establishing varying minimum penalties. In addition, this bill would direct Contractors State Licensing

Board to add to its existing Internet site, information regarding contractors who have been found to have willfully or intentionally violated labor laws.

AB 2194

(Cogdill) Public works.

Status: 04/13/2004-In committee: Hearing canceled at the request of author.

Summary:

Existing law generally requires the payment of the prevailing rate of per diem wages and the prevailing rate for holiday and overtime work to employees employed on public works projects that cost more than \$1,000. Existing law specifies that private residential projects that are built on private property are exempt from this requirement, unless the projects are built pursuant to an agreement with a state agency, a redevelopment agency, or local public housing authority. This bill would have specified that, for purposes of this exemption, an "agreement" does not include a requirement imposed by a state or a local governmental entity on the private property owner to make a specified number of units of the private residential projects available for persons of very low, low, or moderate income. This bill would have also provided that, for purposes of this exemption, an "agreement" does not include an agreement by the state or a local governmental entity to provide the private property owner with a density bonus, or other incentive or concession, as provided, in exchange for the private property owner's agreement to make a specified number of units of the private residential projects available for persons of very low, low, or moderate income.

AB 2690

(Hancock) Public works: funds.

Status: 08/30/2004-Chaptered by Secretary of State - Chapter No. 330, Statutes of 2004

Summary:

Existing law defines "public works," for purposes of regulating public works contracts, as, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds. Otherwise covered work that meets certain criteria, including work that is performed entirely by volunteer labor, is excluded from this definition of "public works." Pursuant to existing law, all workers employed on public works shall be paid not less than the general prevailing rate of per diem wages for work, except for public works projects of \$1,000 or less. This bill exempts from these provisions any work that is performed by a volunteer, a volunteer coordinator, or by members of the California Conservation Corps or of certified Community Conservation Corps.

SB 730

(Burton) Child custody.

Status: 08/17/2004-Set, first hearing. Hearing canceled at the request of author.

Summary:

As originally introduced, this bill would have required the Department of Industrial Relations to make initial prevailing wage determinations within 120 days and appeal determinations within 30 days; and maintain a public log of information pertaining to prevailing wage requests. The bill was subsequently gutted and used for another purpose, and in its final form, dealt with child custody issues.

[SB 789](#)**(Johnson) State economy: suspension of statutes.****Status:** 02/02/2004-Returned to Secretary of Senate pursuant to Joint Rule 56.**Summary:**

Various statutes enacted in 2000 and 2002 impose regulations on agreements involving school employees, public works, and personal services. This bill would have suspend those statutes (including some related to prevailing wage) enacted in 2000 and 2002 relating to agreements involving school employees upon the effective date of this bill, and would reinstate those provisions 2 years from the effective date of the bill.

[SB 966](#)**(Alarcon) Public works and prevailing wages: contractor's costs.****Status:** 10/11/2003-Chaptered by Secretary of State - Chapter No. 804, Statutes of 2003**Summary:**

Existing law generally requires the payment of the prevailing rate of per diem wages and the prevailing rate for holiday and overtime work to employees employed on public works projects that cost more than \$1,000. Existing law requires the Director of Industrial Relations to determine these wage rates and to provide these wage rates to an awarding body that requests them. Existing state regulations authorize an interested party to request that the director make a determination regarding the applicability of these provisions to a particular project. This bill authorizes a contractor to bring an action in a court of competent jurisdiction to recover from an awarding body specified labor costs, penalties, and legal fees if certain conditions are met.

Tax Credits

[AB 644](#)**(Mullin) Taxation: low-income housing.****Status:** 02/02/2004-From committee: Filed with the Chief Clerk pursuant to Joint Rule 56. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.**Summary:**

Existing insurance tax law and the Personal Income Tax Law and the Bank and Corporation Tax Law authorize, for so long as corresponding provisions of federal law are in effect, a credit against the taxes imposed by those state laws for certain amounts with respect to the provision of specified low-income housing. Those laws generally provide, for the allocation of the credits by the California Tax Credit Allocation Committee based on specified criteria. This bill would have required the California Tax Credit Allocation Committee to also consider child care as one of the criteria for selection of projects to which the low-income housing tax credits may be allocated.

[SB 1702](#)**(Battin) Housing tax credits.****Status:** 03/26/2004-Set for hearing April 19. No vote taken.**Summary:**

Existing law establishes the California Tax Credit Allocation Committee as the state agency responsible for allocating housing tax credits for purposes of federal law, and requires the Department of Housing and Community Development to

determine the regional share of the statewide housing need in connection with the adoption of the housing element of a city or county general plan. This bill would have required the committee to allocate the available housing credit to each county in proportion to the need identified by the department in its determination of the regional share of the statewide housing need. The bill would have required the committee to adopt regulations to implement this requirement.