STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

ORIGINAL

--oOo--

The Westin San Francisco Airport
1 Old Bayshore Highway
Millbrae, California

Thursday, November 18, 2004
9:33 a.m. to 10:55 a.m.

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Minutes approved by the Board of Directors at its meeting held:

Attest: January 13, 2005

Reported By: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

A P P E A R A N C E S

Board of Directors Present

JOHN A. COURSON
(Board Chair)
President
Central Pacific Mortgage

CURT AUGUSTINE
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

EDWARD W. BAYUK
Executive Vice President
Coachella Petroleum, Inc.

PETER N. CAREY
President/CEO
Self-Help Enterprises

RICHARD L. FRIEDMAN
for Lucetta Dunn
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

JACK SHINE
Chairman
American Beauty Development Co.

LAURIE WEIR
for Phillip Angelides
State Treasurer

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A P P E A R A N C E S

Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

For the Staff of the Agency:

BRUCE D. GILBERTSON
Director of Financing

JIM LISKA
Housing Finance Officer

DENNIS MEIDINGER
Comptroller

RUTH VAKILI
Multifamily Programs

LINN G. WARREN
Director of Multifamily Programs

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

Also Present

TAWNYA FALKNER
Domus Development

MAKANI MAEVA
Allied Pacific Development

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1 BE IT REMEMBERED that on Thursday, November 18,
2 2004, commencing at the hour of 9:33 a.m., at The Westin
3 San Francisco Airport, 1 Old Bayshore Highway, Millbrae,
4 California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR
5 and CRR, the following proceedings were held:
6 --oOo--
7 CHAIRPERSON COURSON: I'll call the meeting of
8 the Board of California Housing and Finance to order, and
9 ask that we call the roll.
10 MS. OJIMA: Thank you.
11 --oOo--
12 **Item 1: Roll Call**
13 Ms. Weir for Mr. Angelides?
14 MS. WEIR: Here.
15 MS. OJIMA: Mr. Bayuk?
16 MR. BAYUK: Here.
17 MS. OJIMA: Mr. Carey?
18 MR. CAREY: Here.
19 MS. OJIMA: Mr. Czuker?
20 *(No audible response was heard.)*
21 MS. OJIMA: Mr. Friedman for Ms. Dunn?
22 MR. FRIEDMAN: Here.
23 MS. OJIMA: Mr. Augustine for Ms. McPeak?
24 MR. AUGUSTINE: Here.
25 MS. OJIMA: Mr. Morris?

1 MR. MORRIS: Here.

2 MS. OJIMA: Mr. Shine?

3 MR. SHINE: Here.

4 MS. OJIMA: Mr. Courson?

5 CHAIRPERSON COURSON: Here.

6 MS. OJIMA: Ms. Boel?

7 *(No audible response was heard.)*

8 MS. OJIMA: Ms. Parker?

9 MS. PARKER: Here.

10 MS. OJIMA: We have a quorum.

11 --o0o--

12 **Item 2. Approval of the minutes of September 8, 2004,**

13 **Board of Directors Meeting**

14 CHAIRPERSON COURSON: Okay, the first order of

15 business in the board binders are the minutes of the

16 September 8th Board of Directors meeting.

17 Is there a motion to approve the minutes?

18 MR. MORRIS: So moved.

19 CHAIRPERSON COURSON: Mr. Morris.

20 Is there a second?

21 MR. CAREY: Second.

22 CHAIRPERSON COURSON: By Mr. Carey.

23 Is there any discussion on the minutes?

24 *(No audible response was heard.)*

25 CHAIRPERSON COURSON: Let's call the roll.

1 MS. OJIMA: Thank you.

2 Ms. Weir?

3 MS. WEIR: Yes.

4 MS. OJIMA: Mr. Bayuk?

5 MR. BAYUK: Yes.

6 MS. OJIMA: Mr. Carey?

7 MR. CAREY: Yes.

8 MS. OJIMA: Mr. Friedman?

9 MR. FRIEDMAN: Yes.

10 MS. OJIMA: Mr. Augustine?

11 MR. AUGUSTINE: Yes.

12 MS. OJIMA: Mr. Morris?

13 MR. MORRIS: Yes.

14 MS. OJIMA: Mr. Shine?

15 MR. SHINE: Abstain.

16 MS. OJIMA: Thank you.

17 Mr. Courson?

18 CHAIRPERSON COURSON: Yes.

19 MS. OJIMA: The minutes have been approved.

20 CHAIRPERSON COURSON: Thank you.

21 --o0o--

22 **Item 3: Chairman/Executive Director Comments**

23 CHAIRPERSON COURSON: I'd just like to make a

24 few comments about some of the activities that we've been

25 involved in since our last Board meeting. I think we

1 mentioned at the last meeting in Chicago, I was really
2 pleased to be able to attend, along with members of the
3 staff, the National Conference of State Housing Agencies
4 annual meeting. Also from the Board, Laurie was there;
5 and, obviously, a number of the staff of CalHFA.
6 What really struck me from that meeting, it was
7 an opportunity for me, being fairly new, to talk to
8 others who were in similar situations, in other housing
9 finance agencies. And as I mentioned to Laurie earlier,
10 it gave me an appreciation as just the cursing and the
11 blessing of being large, and of the some of the
12 complexities that we deal with in our state, just based
13 upon the size and the complex issues we deal with, versus
14 some of what seemingly, probably not for them, at least,
15 to me seem fairly simple needs that we deal with in some
16 of the other states.
17 But it was a terrific meeting. And one of the
18 things that was most gratifying, is that our Executive
19 Director, Terri Parker, was elected as treasurer and
20 officer of NCSHA. So she is now one of five officers
21 that serves us well; and it was very proud for California
22 to have Terri elected to that position. It is a great
23 honor; and others would have liked to have served in that
24 position also. And Terri was the one who was elected.
25 And so we congratulate her for that. It's a pretty proud

1 moment for California. And certainly, it will bring some
2 benefits to us, as she now is one of the really five key
3 policy makers and leaders on the national basis and as we
4 deal on issues in Washington.
5 So congratulations to you, Terri.
6 The other item I'll mention -- we haven't
7 coordinated this, maybe I'm stealing some of your
8 thunder -- but we have an awards luncheon; and at that
9 luncheon, there must be probably, I'd say 10 or 12
10 different awards. And housing finance agencies submit,
11 if you will, applications to be considered for these
12 awards. And I think I'm right in saying that in
13 California, we submitted, I think, in five different
14 categories. And we were the award winner, first place in
15 two of those. And one, in particular -- and I see Ken is
16 here, Ken Giebel -- one was our efforts in public
17 relations and communications, which was one that was very
18 visible -- obviously, one that a lot of housing finance
19 agencies are trying to get the message out, of housing
20 and their role.
21 And congratulations to Ken and to Terri and the
22 rest of the staff for the awards we won. But that also
23 was a pretty proud time at that meeting.
24 Let me mention a couple of other things that I
25 was struck with. As I went around, and they have

1 different sessions, and I went around to different
2 meetings, multi-family and also single-family meetings,
3 it was really striking that the message that was coming
4 out in virtually every meeting I was in, whether it was
5 in the multi-family or the single-family, was the
6 affordability issue, and listening to people in various
7 states talking about how they're struggling to produce
8 their mission as HFAs first-time home builders because of
9 affordability.
10 And I'll segue out of that and come back in a
11 minute; but I just was in New York for a meeting of the
12 advisory board of the National Association of Home
13 Builders. And I was struck as they were talking about
14 different topics in housing and the need to create
15 products and abilities to respond to the housing needs of
16 affordability. And I think in front of you, each of you
17 has -- I just really took out of their materials three
18 pages or four pages that have to do with affordability in
19 California. Actually, three.
20 And I was struck, when you look at the first
21 page and they talk about California as -- and let me
22 mention also, for the public, if there are public here,
23 there are extra copies of these on the back table. So
24 you can see California as a percentage of the population
25 in households and housing units.

1 But then when you look at the mean value of
2 homes relative to the remainder of the United States, at
3 the 177 percentile, and then also look at the median
4 household income at 113 percent, and it was -- I go
5 back, and I was thinking about how folks at NCSHA were
6 bemoaning affordability in their states, and these
7 numbers sort of drove it home, that if they think they
8 have an issue to deal with, take a look at our California
9 numbers.
10 And if you look at the next page, there is a
11 graph, that the left-hand axis -- being California, along
12 with a solid line -- and the right hand being the U.S.;
13 and you can see that as of the mid-point of this year,
14 our affordability -- this is the median income, being
15 able to afford the median price house, is at 19 percent,
16 as compared to the United States, at, roughly, about
17 53 percent. So 19 percent of our households are able to
18 afford to purchase that median price home, as opposed to
19 53 percent in other parts of the country.
20 The next page really deals with some jumbo
21 products. They went through and exampled the home
22 builders of some of the different kinds of products that
23 are available on the conventional market and the effect
24 they have upon the monthly payments and the need to
25 create in the conventional market, products to combat

1 affordability.

2 But the last page, which I thought was

3 particularly interesting, also was the fact that now you

4 see that the affordability levels are now approaching and

5 are at the 30-year fixed rate mortgage.

6 So if you take that same affordability formula

7 and applied it now, it is at the level of the fixed rate

8 mortgages. Whereas before, you can see how that gap has

9 really narrowed very quickly over the last couple of

10 years.

11 MR. MORRIS: Are these mortgages, for this year,

12 are these percentages -- where it says number of mortgage

13 loans, are these for this past year or --

14 CHAIRPERSON COURSON: Yes, yes.

15 So I just share that with you as sort of an

16 interesting piece of information that I picked up. And

17 going back to the NCSHA, so when they talk about

18 affordability, clearly it's on everybody's thoughts. But

19 here in California, one of our challenges -- not only our

20 challenge but other agencies in this state that deal with

21 housing, really are left with a daunting task of trying

22 to meet our mission of providing first-time home buyers

23 with lower and moderate housing. And it's a daunting

24 task.

25 And it turns out, in most states, it's

1 interesting, there is, in fact -- there's money -- there
2 clearly is liquidity and plenty of mortgage liquidity
3 available. One of the big issues, of course, is being
4 able to create the housing -- the affordable housing
5 stock. And that's a challenge.
6 Let me segue out of that and into a meeting --
7 or several meetings that we had in Washington. I
8 reported at the last board meeting that Terri, myself and
9 Linn Warren were going to go to Washington and try to
10 make the rounds, if you will, and call on those who are
11 potential stakeholders in what we do here at CalHFA. And
12 we did that. We were there the first week of October.
13 We met with Fannie Mae and Freddie Mac, and had,
14 I think, very good meetings with both groups, to talk
15 about the opportunities for us to partner with them, to
16 leverage our dollars with their affordable housing needs,
17 and how we can work together on homelessness initiatives
18 and also with them dealing as a participant in some of
19 our loans or a liquidity provider.
20 Clearly, they are incentived with their new
21 affordable housing goals which have been announced, to
22 find additional ways to participate in states, to achieve
23 their low- and moderate-income housing goals. And with
24 the contacts and with the relationships that Terri and I
25 have had separately and now together, we think there's a

1 very good opportunity that in California, we'll work with
2 them. We've talked about several initiatives with them
3 in the state of California, dealing with homelessness or
4 dealing with the ability to bring into a community our
5 resources, along with the resources of the other housing
6 agencies in the state to provide housing.
7 And the integration of these resources is one
8 that we had a meeting at the Mortgage Bankers Association
9 of America, with the president and staff person for the
10 U.S. Conference of Mayors. And we are going to work with
11 cities -- we've got a couple, two cities, that we're
12 hopefully being able to talk to in California, to see
13 if we can't go in with the city, with the housing folks,
14 with the other housing agencies in the state, and sort of
15 vertically integrate some of these resources we've got to
16 meet housing needs in our communities and provide the
17 stock, if you will -- to figure out how to provide the
18 stock to meet this affordability.
19 The other things we did, we met with FHA in
20 Washington, talked about risk-sharing. We went to the
21 Hill and met with both the Chief of Staff of the Majority
22 of the House Financial Services and the Senate Banking
23 and the Chief of Staff of the Minority of the House
24 Financial Services and Senate banking, and had very good
25 meetings. We certainly got our needs on the record with

1 them. It was good to make contacts. And I think you
2 will find that, particularly with Terri's work at the
3 national level now, we'll be doing more and more, and
4 making sure that they understand our needs here in
5 California and other HFAs.
6 The one thing that was striking, and I'm sure
7 we'll hear about several times during the coming year, is
8 really the debate over the Section 8 funds. And I think
9 we heard some of that at the NCSHA. But clearly the
10 Administration in their last two years in their budget
11 proposal has had part of their budget a realignment of
12 the way the Section 8 funds are managed. And basically
13 what they are saying is, and I think the facts show, that
14 Section 8, six years ago, was 38 percent of the total
15 HUD budget; and today, in 2004, it's been 51 percent.
16 And then you get into the war of the numbers. There are
17 those who are saying it's at a plateau, that we've had
18 sort of a perfect storm, and a lot of things have
19 happened to cause this; and that it will, in fact,
20 moderate itself. And you have others that say, in fact,
21 it will continue to eat a bigger share of the HUD budget.
22 So there have been proposals in the budget.
23 They have not made it out of committees, and in terms of
24 the administration wanting to put the Section 8, if you
25 will, funding and so on, back into the states. And that

1 has been, obviously, a debate -- a vigorous debate on the
2 Hill.
3 But I think in all cases, when we talked about
4 it -- with everybody we talked to on the Hill, and those
5 at HUD, and even with the GSE's, and at this home
6 builder's meeting I was at, everybody has a dog in this
7 fight, so to say. And everybody's dog has a little
8 different grooming to it. And so as we continue to rely
9 on Section 8, I think in the state, the different housing
10 agencies in the state really need to make sure that we
11 keep our ear to the ground and we participate in that,
12 because it's the cornerstone of much of the financing
13 we're doing here, and there is a great debate going on.
14 It was disturbing to me that one of the answers
15 we got on the Hill was that there are so many different
16 approaches to Section 8 and so many different ways to
17 solve it, that there was not a great deal of confidence
18 that the different constituencies could come together in
19 any meaningful consensus; and, therefore, the only way it
20 was going to get fixed was to wait for the train wreck,
21 and then fix it.
22 And my response to that is that that is an
23 unacceptable approach and mind-set to take. And even
24 though consensus is hard, sitting around, waiting for,
25 quote, "the Section 8 train wreck" is something that

1 particularly with our housing resources and our housing
2 agencies in California, is something that we've got to
3 try to work with those, to see if we can avoid that.
4 So it was really two very good meetings, in
5 terms of the NCSHA and Washington. I think we're getting
6 a lot of good touches, if you will, for our agency, as we
7 move forward into our programs over the coming year.
8 And with that, I will turn to Terri.
9 MS. PARKER: Thank you, Mr. Chairman.
10 You did steal some of my thunder. But on behalf
11 of the staff, we all appreciate your recognition. And
12 it's a pleasure being able to inform you of being able to
13 receive two awards at the NCSHA.
14 The second award was, in addition to the media
15 campaign, in innovative management techniques. And it
16 was in recognition of a new staff orientation that we put
17 together about a year ago, Jackie Riley and her staff, to
18 really try to booster our recruitment and retention and
19 deal with making sure our employees get acclimated,
20 climatized, culturized as quickly as possible, and feel
21 a part of what the organization is all about. So that
22 was very nice to get that recognition also.
23 At your place is our new annual report. Just so
24 you all have that. I'm not sure if you received it in
25 the mail.

1 There's also the most recent Multifamily
2 Newsletter. So I do want to bring your attention to
3 that.
4 The other thing, in following up John's comments
5 about our trip to Washington. We happened to be there at
6 the time that the onset was involved in markup of the
7 jobs and tax bill. And we actually were able to even
8 corner the chairman of the committee, that was the
9 conference committee, Mr. Thomas, in the hallway on his
10 way to get a sandwich, to try to make a last-ditch pitch
11 to have a ten-year rule included in the conference
12 committee report.
13 Unfortunately, we were not successful with that,
14 even though there had been last-minute attempts at trying
15 to even have prospective consideration in that. We
16 failed in being included in that. It was really a
17 disappointment for a tremendous amount of work on the
18 part of NCSHA and states in its totality. So since
19 that's the end of the legislative session of which we
20 were able to achieve across the country over 80 percent
21 of co-sponsorship, NCSHA and the executive directors will
22 have to decide for next year what we do about including
23 that as a legislative agenda item. So we are meeting in
24 December in New York to talk about finalization of our
25 legislative agenda. So we'll see whether or not that

1 will, once again, be a task that we will have to go and
2 convince members of the importance of the loss of those
3 resources to California.
4 I presume all of you have the Board calendar for
5 next year. We start our meeting in January. Just for
6 our new Board members, this is the meeting that staff
7 bring in and do a midyear update for you on where we are
8 with our 2005-2008 business plan. We will update you on
9 where we are in production goals for multifamily,
10 single-family and insurance. We will give you an idea
11 about any changes that we are making on product lines and
12 start to begin to give some consideration to thoughts
13 from the Board in developing the business plan that will
14 be coming to the Board for adoption in the May Board. So
15 that begins our update, but also our planning cycle for
16 our next year business plan to be adopted probably by the
17 Board in the May meeting.
18 The staff is working on a number of kind of
19 initiative areas that we have talked with you about.
20 We'll be bringing more information as time allows us to
21 develop these. But we are continuing to look at the
22 development of some kind of a lending program for
23 construction lending in residential housing. And also,
24 as John mentioned, in partnerships, either in California
25 or at the federal level, with the GSE's on lending

1 programs to promote or really take advantage of housing
2 for the chronically homeless. So those are two areas
3 that we're working on, in addition to everything else
4 we're working on, but we hope to be bringing you more
5 information.
6 And with that, Mr. Chairman, that concludes my
7 report, with one exception. I do want to introduce to
8 you, the Board, the selection of our new Comptroller,
9 Dennis Meidinger.
10 Dennis, if you could stand up.
11 Dennis has worked with the Agency for well over
12 a decade, most recently in the Financing Division.
13 However, prior to that, he was in the Accounting
14 Division. So for Dennis, he is going back to his
15 original roots. And he formally replaces Bruce
16 Gilbertson, who now will just be our Director of
17 Financing, rather than the Director of Financing and
18 Acting Comptroller.
19 So, Dennis, I just want to introduce you to
20 everybody.
21 And we are continuing to work on our other
22 senior manager vacancy, which is for our Director of
23 Information Technology. I have made a selection, and the
24 name is being submitted to the Governor's office for
25 their review and consideration and appointment. And I

1 hope to report at our next Board meeting the introduction
2 of that individual.
3 With that, Mr. Chairman, that would conclude my
4 remarks.
5 CHAIRPERSON COURSON: Let me mention
6 logistically -- we'll go through the projects and the
7 other business on the agenda. We'll conclude and take
8 our public testimony, and then we're going to move into
9 an executive session for some legal matters. So we'll
10 complete the entire public portion of the Board work,
11 then move into the executive session. So that will be
12 our game plan today.
13 And I am told also that these are parking
14 stickers. So those of you who need to extricate yourself
15 from the parking fee, we have those up here.
16 With that, Mr. Warren, we will start through the
17 projects.
18 --o0o--
19 **Item 4. Discussion, recommendation and possible action**
20 **relative to final loan commitments for three**
21 **projects.**
22 MR. WARREN: Okay, Mr. Chairman, Members of the
23 Board.
24 We have three projects for your consideration
25 today: A new construction project and two preservation

1 projects that utilize Prop. 46 acquisition funds.

2 When we get into the preservation products

3 projects, we'll spend a little time going back over the

4 program, which I don't think we had a project of the

5 Prop. 46 nature in front of the Board for some time, so

6 I'll spend a few minutes on that.

7 So with that, we will start with Seacliff

8 Highlands and ask Laura and Ruth to present the project.

9 --o0o--

10 **Item 4. Resolution 04-29 (Seacliff Highlands)**

11 MS. WHITTALL-SCHERFEE: This is a final

12 commitment request for a construction and permanent loan

13 on Seacliff Highlands. Seacliff Highlands is a 39-unit

14 family project, located in the town of Aptos in Santa

15 Cruz County.

16 The property will be owned by Seacliff Highlands

17 Associates. It's a formed limited partnership that will

18 include South County Housing Corp. as its managing

19 general partner.

20 The construction loan that we are requesting is

21 in the amount of 7,510,000 dollars. It's a variable

22 interest rate. For 18 months, interest only, and it will

23 be tax-exempt money.

24 The project will also include a permanent loan

25 in the amount of $1,500,000 at 5.7 percent for 30 years.

1 And that, too, is tax-exempt money.

2 The property was acquired using an acquisition
3 loan from the County of Santa Cruz Redevelopment Agency
4 in May of 2003. And that was acquired by South County
5 housing. That acquisition loan is still part of the
6 deal. And that is in the amount of approximately
7 1,611,000 dollars.

8 In addition, there is going to be other
9 financing, other public and local financing. There will
10 be a County of Santa Cruz RDA redevelopment loan in the
11 amount of 948,250 dollars. It's a 55-year loan, at
12 3 percent. Payment is residual receipt.

13 There is also an MHP loan that will come in as a
14 permanent loan close in the amount of 2,868,318 dollars,
15 for 55 years at 3 percent. And an AHP loan in the amount
16 of 292,500 dollars, for 30 years.

17 There is a sponsor loan that is from the -- it's
18 called an NRC loan, which stands for "Neighborhood
19 Reinvestment Corporation." And that is 140,000 dollars
20 for 30 years; and that is at zero percent.

21 And with that, I'm going to ask Ruth to take you
22 to the project, and she'll explain the slides as well.

23 MS. VAKILI: This is a view of the project.
24 It's actually 2.54 acres of an overall eight-acre parcel.
25 You can see the interchange of Highway 1 and State Park

1 Drive. This is Seacliff Drive and McGregor. The project
2 will consist of 39 townhome-style units -- I'm sorry,
3 actually four flats, and the rest are townhome style.
4 There will be a mix of one-, two- and three-bedroom
5 units. The project is extremely well located, near
6 Highway 1, in the town of Aptos. And it's convenient to
7 all the employment and medical centers. It's less than
8 a half of a mile from the state park and .3 mile from the
9 beach, which is one of the, in my opinion, nicer features
10 of the project.
11 And here, you can see how close it is to the
12 ocean. The pictures were taken on a lovely day.
13 Part of the site improvements for this project
14 will consist of building a new road off of Sea Ridge and
15 accessing to McGregor. The developer will share on a
16 pro rata basis with two other owners of the overall
17 8-acre parcel in the road improvements, off-site
18 improvements and utilities.
19 Once the construction starts on this property,
20 there is an agreement in place that requires the owners
21 of the other two parcels to also participate. These
22 owners consist of a church and a proposed park site. The
23 church will be under construction starting next year.
24 Here, you can see a view of the community room.
25 You can see the style of architecture that has wood

1 siding and asphalt shingle roof.

2 Here's a typical elevation of the units.

3 And a courtyard view.

4 The units will all have dishwashers, garbage

5 disposals and central heat. The construction will be

6 Type 5 wood frame with hardy shingle plank siding and

7 wood trim. There will be 105 at-grade, uncovered parking

8 spaces. And the community improvements will include a

9 tot lot, open-space community areas with a barbecue and

10 benches, and a community garden. There will be a laundry

11 room located centrally near the tot lot area.

12 As a part of this development, the Soquel Water

13 District is requiring that the developers offset the

14 water use estimated by this project by 1.2 times the

15 amount of estimated water usage. What this results in is

16 a requirement to retrofit several -- actually, 92 homes

17 and six commercial buildings in the water district. The

18 developers have identified these homes and businesses

19 that have signed up for this retrofit program. The cost

20 has already been identified and the work will be underway

21 in the next 30 days. The retrofit will consist of

22 installing low-flow shower heads and toilets in these

23 buildings.

24 The water district also, on a new development,

25 requires that tenants of apartment buildings pay for

1 their own water. And this, in their viewpoint,
2 encourages water conservation by the tenants.
3 In order to do so, there will be a master meter
4 to the property, and submeters to each unit that will be
5 read. Estimated water usage for the units has already
6 been determined by the Housing Authority. And the water
7 charges that the tenant must pay -- the rent is actually
8 net of the water charges.
9 In order to ensure that there is no impact to
10 the operating budget, we have put aside -- we will
11 require a reserve in the amount of the annual estimated
12 water usage. And that amount is 16,500 dollars.
13 In the event that there is a default situation
14 and the tenant does not pay the water charge, this
15 reserve would be utilized; or in the event that water
16 usage impacts the operating budget itself, this reserve
17 is intended to take the place of that type of impact.
18 Prior to construction and during construction,
19 the water district has issued a conditional will-serve
20 letter that is conditioned upon these obligations being
21 met; and prior to completion of the project, the water
22 district will accept and provide a final will-serve
23 letter.
24 The market area for this project is the City of
25 Aptos, Watsonville, Soquel, Capitola and Freedom and

1 portions of Santa Cruz. The estimated number of renters
2 is 43 percent of the population.
3 The housing supply in this area consists
4 primarily of market-rate housing, generally, older
5 apartment buildings that are smaller. The occupancy
6 rates for these types of projects is 98.6 percent. There
7 are eight affordable housing projects in the Santa Cruz
8 market that are located less than five miles from the
9 subject. All of these properties are 100 percent
10 occupied, and have waiting lists that exceed one year.
11 Most of the rents are at 50 percent.
12 This project is expected to be built within
13 12 months; and it will take less than two months to reach
14 95 percent occupancy due to the very favorable market
15 conditions for the project. We estimate that the
16 construction and lease-up period will be 14 months.
17 The Phase I report that was completed on this
18 property in 2003 revealed no environmental impacts to the
19 property. Prior to the close of construction, however,
20 we'll ask for an updated Phase I environmental assessment
21 report.
22 And similarly, the geotechnical report completed
23 in February of 2003 indicated no subsurface conditions
24 that would require any unusual measures for structural
25 building code requirements.

1 MS. WHITTALL-SCHERFEE: The borrowing entity, as
2 I mentioned earlier, is going to be Seacliff Highlands
3 Associates, Limited Partnership; and the general partner
4 is going to be South County Housing. The investor has
5 yet to be determined. But the estimated tax-credit
6 equity is expected to be approximately $3,800,000.
7 South County Housing is well known to CalHFA.
8 They were the developer of one of our first
9 loan-to-lender deals, Monticelli. They also have a
10 second loan-to-lender -- that's Corralitos -- that is
11 close to completion. And the Board recently approved
12 Gilroy Transitional Housing as well.
13 The management agent is going to be South County
14 Property Management. They have managed 24 rental
15 properties, all owned by South County Housing. And South
16 County Community Builders is going to be the contractor.
17 They have constructed over 20 projects, with a total of
18 823 units since 1990.
19 And with that, we would be happy to answer any
20 questions; and we would ask that you approve this final
21 commitment request.
22 CHAIRPERSON COURSON: Questions?
23 Mr. Shine?
24 MR. SHINE: I take it that the parking there is
25 all independent of the units? And are those covered or

1 uncovered spaces?

2 MS. VAKILI: They are uncovered spaces, and they

3 are independent of the units.

4 MR. SHINE: I notice you will have two-bedroom

5 townhomes, some with one bath and some with two. On the

6 one-bath unit, is there no bathroom downstairs, is that

7 the way it works?

8 MS. VAKILI: That's right.

9 MR. SHINE: Okay.

10 CHAIRPERSON COURSON: Other questions?

11 I have one question of water, which I found it

12 interesting. As it's netted against the rent, initially,

13 the water charges, as water costs through this project

14 increase, will there continue to be increases -- how will

15 the increase in water charges be handled going forward?

16 MS. VAKILI: Well, going forward, as a function

17 of normal rent increases, the water costs will be

18 calculated into the equation as well, just as they are

19 now.

20 CHAIRPERSON COURSON: So if the water goes up,

21 rents would have to be -- to continue the netting effect,

22 rents would have to rise at the same rate as the water

23 charges?

24 MS. VAKILI: Yes.

25 CHAIRPERSON COURSON: In addition to the other

1 rental increases?

2 MS. VAKILI: Yes.

3 CHAIRPERSON COURSON: Other questions?

4 *(No audible response was heard.)*

5 CHAIRPERSON COURSON: Is there a motion?

6 MR. CAREY: So moved.

7 CHAIRPERSON COURSON: A motion to approve.

8 Is there a second?

9 MR. BAYUK: Second.

10 CHAIRPERSON COURSON: We have a second.

11 Any further discussion?

12 *(No audible response was heard.)*

13 CHAIRPERSON COURSON: Any comments from the

14 public?

15 *(No audible response was heard.)*

16 CHAIRPERSON COURSON: Seeing none, we'll call

17 the roll.

18 MS. OJIMA: Ms. Weir?

19 MS. WEIR: Yes.

20 MS. OJIMA: Mr. Bayuk?

21 MR. BAYUK: Yes.

22 MS. OJIMA: Mr. Carey?

23 MR. CAREY: Yes.

24 MS. OJIMA: Mr. Friedman?

25 MR. FRIEDMAN: Yes.

1 MS. OJIMA: Mr. Augustine?

2 MR. AUGUSTINE: Yes.

3 MS. OJIMA: Mr. Morris?

4 MR. MORRIS: Yes.

5 MS. OJIMA: Mr. Shine.

6 MR. SHINE: Yes.

7 MS. OJIMA: Mr. Courson?

8 CHAIRPERSON COURSON: Yes.

9 MS. OJIMA: Resolution 04-29 has been approved.

10 CHAIRPERSON COURSON: Okay, thank you.

11 The next project is Golden West Towers.

12 --o0o--

13 **Item 4. Resolution 04-31 (Golden West Towers)**

14 MR. WARREN: Thank you, Mr. Chairman.

15 I'd like to spend a couple minutes going over

16 the Proposition 46 Preservation Acquisition Program, that

17 will be the framework for the next properties. As part

18 of the Housing Bond, it was 45 million dollars set aside,

19 designated to CalHFA to administer preservation

20 acquisition funds. The purpose behind the fund was to

21 leverage the 45 million dollars, 30 percent of the bond

22 funds with 70 percent of agency funds with the 30 percent

23 money from the bond being basically labeled as risk

24 money. That in those situations where we have to move

25 fairly quickly to acquire at-risk properties, in the

1 event that permanent financing structure didn't
2 materialize as anticipated, then the gap money or the
3 flexible money would be the "Prop. 46 money," as we refer
4 to it.
5 What the Agency did under an agreement with HCD,
6 under the bond agreement, is to construct the program in
7 which we'd move fairly quickly to acquire these
8 properties with good due diligence, and have a fairly
9 comprehensive exit strategy set out which would either
10 retire the acquisition money or allow some of the
11 Prop. 46 money to roll over on a permanent basis.
12 These two projects are in line with that. But
13 in some cases, as you'll see in one of the projects, all
14 the permanent financing sources are not completely
15 committed, although we're comfortable that they'll
16 eventually arrive. But that is the purpose of the
17 program, is to move quickly. Otherwise the projects
18 could be lost from that risk standpoint. So as we go
19 through that, we'll explain some of the risks that are
20 involved in both of these projects.
21 Jim Liska is here with me, and Jim will help
22 present.
23 So the first project that we have today is
24 Golden West Towers. This is 180-unit senior project
25 located in Torrance.

1 The financing request today, it's a little bit
2 convoluted, so I'll go through it. There's an
3 acquisition request in the amount of $7,395,000. That
4 will be followed by a permanent request, so I'll talk
5 about that in a minute.
6 The acquisition of funds is broken down into
7 three components. The first is the CalHFA component
8 which is a little over 4 million dollars. That's at
9 4 percent interest only for two years, which is the term
10 for the Prop. 46 program.
11 Behind that, is the actual Prop. 46 money itself
12 in the amount of $2,220,000. That is 3 percent that
13 accrues during the period of time the money is
14 outstanding. And then with that accrual, the principal
15 is paid back with permanent financing.
16 And the third piece of the acquisition is an
17 interest-reduction payment mortgage. This was originally
18 a 236 project, in which monies were dedicated and
19 prefunded to buy down the interest rate on the 236 loans,
20 a number of years ago. There's approximately nine years
21 remaining of the set-aside money. And what the Agency
22 has done with these is we have capitalized the stream
23 of income at a certain interest rate -- in this,
24 5.6 percent -- and that yields money which we can
25 leverage the date of acquisition.

1 Following the acquisition of this property,
2 as Jim will describe, there is an enormous amount of
3 rehabilitation to be done for this project. This is
4 a 14-story tower that has significant seismic problems.
5 And one of the reasons that we were involved with this,
6 is to set forth a permanent financing, rehabilitation
7 financing to address some very serious seismic problems.
8 I think we have almost two-thirds to three-fourths of the
9 rehabilitation money being directed toward a seismic
10 retrofit.
11 After acquisition and after obtaining the bond
12 funds, we have a rehabilitation mortgage in the amount of
13 14,100,000 dollars, that will essentially be a variable
14 rate for the rehabilitation period. Once the
15 rehabilitation is completed, this 14-million-dollar loan
16 will roll into the permanent financing for a 20-year term
17 at 5.6 percent.
18 We picked 20 years because coincident with this,
19 what Jim will talk about, is a 20-year Section 8 contract
20 basis for the project. It is subject to annual renewals.
21 But we feel that this is a fairly good bet for a
22 project-based Section 8.
23 To hedge our bet on this, as you'll notice the
24 permanent loans are insured under FHA Risk Share. This
25 is a 50-50 loss arrangement that we have with HUD. And

1 under the theory that if anything does happen to
2 Section 8, which I think project-based at least by
3 today's conventional wisdom, is fairly secure, HUD will
4 be on the hook for any potential downside.
5 There is a bit of a variation on the use of the
6 46 funds. One thing that we are recommending that we do,
7 is normally what we do with the permanent financing, we'd
8 retire all the acquisition funds, with the exception of
9 the IRP loan. What we'd like to do is leave the Prop. 46
10 2-million-dollar loan in place on the project until the
11 seismic retrofit is complete. Our engineers have
12 conducted an extensive evaluation of the property, in
13 conjunction with the borrowers' engineers. It is a
14 fairly significant undertaking. But just in case, that
15 the cost estimates for the scope of work come in low,
16 we'd like to leave the Prop. 46 money in as a cushion and
17 as a contingency, in case something occurs that we didn't
18 catch.
19 So that is a little bit of a variation. But
20 we'd like to think that it's in the spirit of the
21 Prop. 46 program to help preserve and rehabilitate the
22 property and be a flexible subsidy, in the event
23 something occurs we didn't anticipate. So that is a
24 variation. But I wanted the Board to be aware of that.
25 That's a little bit different.

1 So with that, I think that covers the financing
2 side.
3 I'm going to ask Jim to go through the project
4 and the contract and the borrower.
5 MR. LISKA: Mr. Chairman, members of the Board,
6 good morning.
7 I appreciate your comments on the Section 8,
8 Mr. Chairman, and apropos to our next couple of minutes
9 as Linn indicated.
10 The subject property is a 14-story building
11 located in almost Central Torrance. It's an existing
12 HUD 236 project, with interest-reduction payments to it.
13 We are in the process of having that decoupled. And as
14 Linn indicated, we are seeking a 20-year HAP contract,
15 with annual renewals. And hopefully, we should receive
16 that approval from HUD today, as they have that authority
17 now.
18 This is the entrance to the property.
19 The next one. There's a side view.
20 And here's the courtyard, with a little grass
21 area. There's also a vegetable garden.
22 If we can go back to the beginning a little bit.
23 But on the top is a beautiful penthouse, right
24 up there.
25 Right up here is a penthouse with a beautiful

1 panoramic view of the surrounding area. It's a library,
2 and you have a computer room up there for the seniors.
3 You saw the exterior, with the courtyard.
4 Down below, there's a central full commercial
5 kitchen with a dining room. Right now, there's
6 approximately 85 meals that are daily served from Meals
7 on Wheels.
8 There's a pool room.
9 Surrounding the project, it's very accessible.
10 Adjacent to the project, on one side is a condominium, on
11 the west; on the other side is a multi-family
12 residential. To the north, across the street, is a
13 religious institution with the school. And then when you
14 get to the south side, on the main arterial, it's
15 Hawthorne Street with a hotel.
16 In close proximity, within a couple blocks, is a
17 Del Amo Fashion shopping center, which is a regional
18 shopping center, and it's anchored by Marshall's,
19 Robinson-May, Sears, and multiple stores. In close
20 proximity, the Little Company of Mary Hospital medical
21 offices are approximately three blocks west of the
22 subject. The subject also has a shuttle bus to provide
23 services for the seniors for local shopping, medical
24 attention, what have you.
25 As indicated, this project is predicated on a

1 20-year HAP contract. And we are tied to market-rate
2 rents. The units are studios and one-bedrooms. It may
3 seem like the rents are high, but a rent comparability
4 study was done by HUD, as well as our own analysis by
5 third parties. And we feel that the rents are
6 reasonable.
7 As far as the rehabilitation, we are looking
8 at approximately 73,300 dollars per unit. And as Linn
9 indicated, a substantial portion of that is for the
10 seismic retrofitting: Approximately 4.8 million,
11 5 million dollars.
12 KPFF, on behalf of the borrowers, did their
13 study; and our own contract reviewer, URS, Bill Graf and
14 Company reviewed the seismic retrofitting, as well as the
15 costs. And we feel the cost estimates are reasonable;
16 and they should be able to do it within that budget.
17 Other stuff they are doing: The City is
18 requiring a fire sprinkler system, which is extensive. A
19 fire alarm system. We're looking at window replacements,
20 the roofs, plumbing, central HVAC system, painting,
21 electrical. There is some plumbing. When we went out
22 and did our due diligence, some of the lateral lines in
23 the plumbing for the building have corrosion,
24 disintegrated. And that's going to be an extensive cost
25 to repair.

1 Cabinetry in the units, the units, again, are --
2 the studio units, with a pullman kitchen, and they're
3 very livable, but they are just a normal studio. And
4 then appliances.
5 As far as relocation, the majority of this work
6 is going to be on the exterior; so we shouldn't have too
7 much disruption with the tenants, even though we have a
8 little bit of a temporary relocation in the budget.
9 As far as environmental, there was some asbestos
10 that was found in the ceilings. And this will be removed
11 with trained personnel and with oversight.
12 The market, as far as subsidized projects or
13 low-income, affordable projects in the area, there isn't
14 much. There's an overwhelming demand for the projects.
15 As far as a development team, do you want to get
16 into that?
17 MR. WARREN: Yes. I'll comment.
18 The primary developer is Allied Pacific
19 Development of Seattle. This is the first project we've
20 done with Allied. However, they've had a vast amount of
21 experience, particularly with Section 8. So they've
22 demonstrated certain competency as they evaluated the
23 seismic.
24 The non-profit managing general partner is
25 Affordable Housing Access, managed by William Hirsch.

1 We have had a couple of other projects with this
2 organization which is nonprofit.
3 So generally speaking, we're comfortable with
4 the team. The property manager in this particular case
5 is going to be Pacific West. And, again, we've vetted
6 these folks as to their ability to manage essentially a
7 Section 8, particularly a seniors project. So we think
8 the team is pretty solid, given the challenge that they
9 have.
10 So with that, I think, as we said, this is a --
11 from a physical challenge standpoint, there is certainly
12 a lot of public policy in this, but certainly something
13 that we think we should undertake. And with that, we'd
14 like to recommend approval and be happy to answer any
15 questions.
16 CHAIRPERSON COURSON: Questions?
17 Mr. Morris?
18 MR. MORRIS: The asbestos was only in the common
19 area? There was no asbestos in the ceiling tiles in any
20 of the units?
21 MR. LISKA: No, not from the testing, no.
22 MR. BAYUK: Your estimates on page 4 don't list
23 asbestos removal.
24 MR. LISKA: Page 4? Of the narrative or the
25 worksheet?

1 MR. BAYUK: The top of page 4.

2 MR. LISKA: Oh, the asbestos was just included

3 in the overall rehab scope. I don't have a breakout --

4 a specific breakout for you that I did for this

5 presentation.

6 If that's required, I can supply that to you.

7 MR. WARREN: We'll look into the number for you,

8 Mr. Bayuk.

9 CHAIRPERSON COURSON: Mr. Morris?

10 MR. MORRIS: Can you tell us how the relocation

11 works? In other words, I assume there are a number of

12 residents currently in these units.

13 MR. LISKA: This project is 99 percent,

14 100 percent occupied. And, again, the majority of the

15 rehab scope is going to be the retrofitting, which is the

16 exterior painting -- a lot of it is the exterior. And

17 then we have the hallways, what have you.

18 As we get into the units themselves, you'll

19 probably be doing rolling rehab, where tenants will be

20 removed, maybe a floor at a time or what have you. And

21 they'll be put up in temporary quarters nearby. And it

22 will be --

23 MR. MORRIS: Have they told you where they're

24 going to relocate these people?

25 MR. LISKA: Well, if they can get them -- if

1 there are relatives in the area or else a hotel or
2 something like that or social services -- somewhere,
3 where they can stay for a short period of time, until
4 their unit is back to being habitable again. But, again,
5 you're looking at appliances, cabinetry, that sort of
6 stuff. So they could be relatively fast, as far as
7 having them out of there and back.
8 MR. MORRIS: What happens if you don't have any
9 relatives in the area, and --
10 MR. LISKA: Then they're put up in a local
11 hotel/motel.
12 MR. MORRIS: And they've identified all those
13 properties, and where they're going to be relocated --
14 where these people are going to be taken out of their
15 units and put into some motel in Torrance?
16 MR. LISKA: I assume so. I can't speak on
17 behalf of the borrower. But it's part of their
18 relocation. They do have a relocation plan. It has to
19 be according to the uniform relocation standards and
20 everything else.
21 MR. WARREN: We generally monitor the
22 relocations plan. Because of certain issues surrounding
23 it, we don't enforce it, but we do ask the relocation
24 plan be set forth.
25 We normally don't get into identification of the

1 relocated facilities, but we expect them to comply with
2 it. So we can certainly get that better defined.
3 MR. MORRIS: It's better than taking out the
4 people and relocating them?
5 MR. WARREN: Right.
6 MR. MORRIS: I'd like to see a copy of the plan.
7 MR. WARREN: Sure, I'd be happy to forward that
8 to you.
9 MR. FRIEDMAN: Mr. Chairperson, on the same
10 topic, I know our folks had a similar concern that the
11 relocation budgets seems a little light considering the
12 extent of the work they'll be doing. So if we could get
13 a copy of the plan also, we'll have our folks take a look
14 at it.
15 MR. LISKA: A copy of the relocation plan?
16 MR. FRIEDMAN: The relocation plan.
17 CHAIRPERSON COURSON: When we get to the plan,
18 why don't we distribute that to the members of the Board,
19 so everybody can take a look it?
20 MR. WARREN: All right.
21 CHAIRPERSON COURSON: Mr. Carey?
22 MR. CAREY: I may have missed it. Do you have
23 the budget for relocation?
24 MR. WARREN: It's approximately 240,000 dollars,
25 I believe.

1 CHAIRPERSON COURSON: On page 154.

2 MR. CAREY: Yes. Thank you.

3 CHAIRPERSON COURSON: Other questions?

4 Mr. Shine?

5 MR. SHINE: Not a question but just a comment.

6 I am glad, given the scope of the work, that you have

7 Morley on the job because they really know their stuff.

8 CHAIRPERSON COURSON: Other questions on the

9 project? Comments?

10 *(No audible response was heard.)*

11 CHAIRPERSON COURSON: All right, is there a

12 motion to approve?

13 MS. WEIR: Move approval.

14 CHAIRPERSON COURSON: Okay, Ms. Weir.

15 MR. SHINE: Second.

16 CHAIRPERSON COURSON: And Mr. Shine seconds.

17 Any other discussion? Any comments from the

18 public?

19 *(No audible response was heard.)*

20 CHAIRPERSON COURSON: Seeing none, we'll call --

21 oh, I'm sorry, Mr. Morris?

22 MR. MORRIS: The only thing I'd like to do is --

23 I mean, you can go ahead and call the vote, but I'm going

24 to abstain until I get a chance to review the report.

25 And then if you get that to me later on, I don't know,

1 maybe just do a conference call to approve it. We don't
2 need to wait until another Board meeting or whatever, but
3 I would like to see the report because I am concerned
4 about the relocation, especially.
5 CHAIRPERSON COURSON: I'll ask counsel.
6 If we call the roll today and Mr. Morris
7 abstains, can he then, once he sees the report, record
8 his vote?
9 MR. HUGHES: I don't think we could do that per
10 a conference call. I think it would have to be in a
11 public meeting, or it would have to be reopened at the
12 next meeting.
13 MR. WARREN: Mr. Chairman, it might be
14 appropriate if it would help Mr. Morris' decision on
15 this, if the borrower addresses the components of the
16 plan in more specificity. And I think it's important
17 that we vote the project in today.
18 MR. MORRIS: Are they here?
19 MR. WARREN: Yes.
20 MR. MORRIS: Okay, great.
21 MS. MAEVA: Hi. Thanks for giving me an
22 opportunity to speak.
23 CHAIRPERSON COURSON: Could you introduce
24 yourself?
25 MS. MAEVA: Yes, I'm Makani Maeva with Allied

1 Pacific Development.

2 And by way of relocation, we have negotiated an
3 agreement with the Extended Stay America Hotel, which is
4 adjacent to the property. There's actually a fence,
5 which opens up to the parking lot of our property.

6 The tenants have done the tour of the adjacent
7 property and are happy with the accommodations. There
8 are similar accommodations, studios that are fully
9 furnished. We've told them that it will be two to four
10 weeks that they need to be out of their units.

11 We've arranged movers and have estimates for
12 movers of packing and moving all of their items to a safe
13 and secure place. We have estimates for security and
14 storage facilities during the entire period of
15 renovations. And the tenants themselves have asked
16 whether or not they can go to some of their family
17 members. So I know that was what Jim was referencing,
18 the tenants would like to stay with their children,
19 instead of maybe going to the hotel.

20 The hotel is secure. It has a secure entry, a
21 24-hour staff. There's, you know, accessible units. And
22 so we are well-prepared for the rehabilitation. We have
23 worked on a schedule with the management company and the
24 contractor to really identify the length of time and to
25 specifically say Day 1, cabinets will be done; Day 2,

1 flooring; et cetera.

2 And so I think we are well prepared.

3 We have a relocation which we submitted with our

4 TCAC and CDLAC application. And so we have thought it

5 through thoroughly, I think.

6 And we've actually responded to several

7 questions from HUD on the same matter.

8 MR. MORRIS: So given that it's a rolling

9 accommodation, you'll be able to accommodate those that

10 want to stay in a hotel, but all will be able to relocate

11 in the hotel that's contiguous to this property?

12 MS. MAEVA: Yes, correct.

13 MR. MORRIS: Okay.

14 MS. MAEVA: We have 15 units reserved at the

15 Extended Stay, for the entire period of time, for the

16 whole twelve months. And the tenants will be notified

17 one month in advance of their need to move. And at

18 that time, they can option out of going to the hotel.

19 And so -- and we have some flexibility with Extended Stay

20 America. They're also going to be able to bring their

21 plants, and plant in the surrounding landscape. It's

22 well thought out.

23 The services van will come through Extended Stay

24 and pick them up on the same schedule that they're used

25 to.

1 And so I think we're prepared.

2 MR. MORRIS: Okay, great.

3 CHAIRPERSON COURSON: Mr. Friedman?

4 MR. FRIEDMAN: Will any of the work on the

5 common areas be disrupted to tenancy if you're not

6 working on their apartments?

7 MS. MAEVA: A portion of the downstairs common

8 area will be used to store their belongings. The

9 commercial kitchen will be out of operation for a period

10 of time, in which we're doing the foundation work on the

11 property. But the central common area in the downstairs

12 will still be available to them.

13 We've asked them if they would like to

14 reorganize some couches, and their billiards room will

15 remain open. So it will be impacted a bit; but they are

16 very excited for the renovations.

17 We've had four tenant meetings, and they've

18 given me lists and they have translators who give me

19 lists. The population is Korean and Chinese,

20 predominantly.

21 They're excited about it and willing to work

22 with us.

23 MR. FRIEDMAN: And you work on the plan with the

24 HUD folks as well?

25 MS. MAEVA: Correct.

1 MR. FRIEDMAN: Okay, thank you.

2 CHAIRPERSON COURSON: Other questions?

3 *(No audible response was heard.)*

4 CHAIRPERSON COURSON: Thank you.

5 There is a motion and it's been seconded to

6 approve the project.

7 Call the roll.

8 MS. OJIMA: Ms. Weir?

9 MR. WEIR: Yes.

10 MS. OJIMA: Mr. Bayuk?

11 MR. MORRIS: Yes.

12 MS. OJIMA: Mr. Carey?

13 MR. CAREY: Yes.

14 MS. OJIMA: Mr. Friedman?

15 MR. FRIEDMAN: Yes.

16 MS. OJIMA: Mr. Augustine?

17 MR. AUGUSTINE: Yes.

18 MS. OJIMA: Mr. Morris?

19 MR. MORRIS: Yes.

20 MS. OJIMA: Mr. Shine?

21 MR. SHINE: Yes.

22 MS. OJIMA: Mr. Courson?

23 CHAIRPERSON COURSON: Yes.

24 MS. OJIMA: Resolution 04-31 has been approved.

25 MS. PARKER: Mr. Chairman, could I just ask a

1 question and point of clarification?

2 Mr. Morris, do you wish staff to send you the

3 relocation plan?

4 MR. MORRIS: Yes.

5 MS. PARKER: Okay. I just want to make sure.

6 MR. LISKA: Yes, I will do that.

7 CHAIRPERSON COURSON: Thank you.

8 And thank you for your explanation. I think

9 that was very helpful.

10 MS. MAEVA: Thank you.

11 CHAIRPERSON COURSON: All right, let's move to

12 the Northland Village Project.

13 --o0o--

14 **Item 4. Resolution 04-32 (Northland Village)**

15 MR. WARREN: Mr. Chairman, Northland Village is

16 a 144-unit existing project in Sacramento. It has

17 project-based Section 8. The request today is for an

18 acquisition loan in the amount of 12,750,000 dollars,

19 which is comprised of two pieces: The CalHFA component,

20 which is $8,125,000, again, 4 percent, two years, with

21 interest payable monthly; and the Prop. 46 component,

22 which is approximately 30 percent of the acquisition

23 price, of $3,825,000, at 3 percent, two years interest

24 deferred.

25 CalHFA will not be doing the permanent financing

1 on this loan. There is a commitment in place from
2 U.S. Bank, which we reviewed. And it seems to me in all
3 of our financing requirements, what the Agency plans on
4 doing, upon your approval, is to go through an
5 acquisition scenario in January of next year. And
6 subsequent to that, after the acquisition of bonds and
7 MHP funds, the Agency's loan and the Prop. 46 loan will
8 be retired later on in the year.
9 A couple of components. The MHP money has been
10 applied for. It has not been received. At or about the
11 time that we would go forward with the acquisition is the
12 time we would find out if the MHP money has been awarded.
13 We've looked at the self-scoring, which has
14 been done by the borrowers. They score very well. So we
15 do have a lot of confidence that the MHP money would be
16 there.
17 In the event that it is not awarded, then the
18 Agency has run through a couple of alternative exit
19 strategies. But the way the Prop. 46 program works is
20 that during the two-year period, if the permanent
21 financing does not come forth as planned, then during
22 that two-year period, the borrowers reapply for MHP or
23 could seek some alternative ways to finance it.
24 And a couple of ways to do it, would be
25 9 percent credits, which is always problematic from a

1 demand standpoint, but it's possible; and the last
2 backstop proposal would be a bond and credit structure,
3 in which the Agency acts as a lender, a permanent lender,
4 and would leave the Prop. 46 money in the transaction as
5 a soft second, along with 4 percent equity.
6 In running those numbers, it is doable. It's a
7 little bit on the thin side; but it is possible. But
8 I think in the intent and spirit of Prop. 46, given the
9 commands that are being set forth by the sellers and the
10 time frame, we think it's an appropriate risk for the
11 Agency to take.
12 So we will not be doing the rehabilitation as
13 is planned right now. We will hold the project within
14 this period of time while the permanent financing is
15 obtained.
16 But, Jim, why don't you take a couple minutes
17 and run through the project?
18 MR. LISKA: This is an aerial of the project,
19 the overview.
20 This project is a combination of -- it's
21 144 units. 44 units are flats, and they're all two
22 bedrooms, walk-up. And then we have 100 that are
23 townhouses. And as you can see, it's an irregular
24 formation of the site, but it is nicely laid out, given
25 the pattern and the facilities.

1 Looking around the project, this is an active
2 redevelopment area located six miles northeast of
3 downtown Sacramento. And the surrounding area here is
4 residential, multifamily on these sides.
5 Over here is a light industrial distribution,
6 what have you.
7 This is Highway 80.
8 On the other side is -- along here you have
9 commercial; and over here are some more apartments.
10 As indicated, here is a typical elevation. And
11 the borrower is contemplating spending quite a bit of
12 money for rehabilitation.
13 Here's a typical kitchen interior. And here's
14 a view of the pool area. And the clubhouse is right off,
15 to the left here.
16 As far as competitive projects in the area,
17 there are two other low-income housing tax credit
18 projects in the area. One is called Village Park
19 Apartments. It's a family project, 50, 60 percent. It's
20 two-bedroom, three-bedroom, four-bedroom, which is pretty
21 comparable to ours. It has a waiting list and fairly
22 good occupancy.
23 The other is Taylor Terrace, which is located
24 about a half a mile away. And it's a 40-60 percent.
25 It's another family project, one-bedroom, two-bedroom,

1 three-bedroom. And that is comparable to our subject,
2 too, as far as the same type of amenities, what have you.
3 As far as the rehabilitation, the borrower is
4 contemplating 3,631,392 dollars, which includes a
5 contingency, or approximately $25,000-plus a unit.
6 A large portion of the exterior work, there was
7 found to be termite damage. So we do have that
8 correction. That will be taken care of.
9 This project also, there's asbestos, lead-based
10 paint, some mold, and water intrusion. So these are all
11 elements that have to be addressed. And I think the
12 borrower has done due diligence, as far as looking at
13 what needs to be done and we have an adequate budget for
14 it. It's an older project, built again, you know, in the
15 1960s. The most recent, the seller purchased it in 1999,
16 to be specific. And even though some renovation was done
17 at that time, the project still needs some exterior
18 because of the wood siding, and what have you, fix-up.
19 The interiors are very nice, very well done.
20 The families that are occupying these units right now are
21 very well versed, as far as keeping their units up and
22 maintaining them and really taking care of them.
23 Some of the work that will be done, in addition
24 to the extensive termite that we talked about, are the
25 siding, painting, roofs, driveway, window replacement,

1 single-pane to dual-pane, plumbing, hot water. The
2 borrower is contemplating redoing the community room, the
3 office maintenance, and bringing it up to be more
4 competitive with the market. Electrical, cabinetry in
5 the units, appliances and just doing -- dressing up the
6 landscaping, which is a little tired-looking.
7 As far as relocation, some relocation will take
8 place, again, as there's interior. The borrower is
9 contemplating that it will only take maybe a week or less
10 in order to do the interiors. And we will have a
11 temporary relocation plan that was mentioned in the
12 previous project, the same type of scenario as outlined.
13 And we can provide that also to you also at your
14 convenience.
15 Again, there's -- it's a strong market. The
16 project is 100 percent occupied right now and there's a
17 demand for it.
18 With that, I'll turn it back over to Linn.
19 MR. WARREN: Thank you, Jim.
20 The sponsor of this particular project is Domus
21 Development. Domus is being lead by two individuals that
22 we've had a fair amount of experience with, Meea Kang,
23 who is with A.F. Evans; and Tawnya Faulkner, who is here
24 today, who is with Thomas Safran and Associates. So both
25 have a fair amount of development experience.

1 The non-profit general partner will be HCA. And
2 we first were introduced to HCA when they were general
3 partner for a number of projects with Thomas Safran. So
4 in the event that the Agency is in this project for a
5 longer period of time, we're comfortable with that.
6 The property manager is PAM Development.
7 They're an established property management company in
8 Stockton. And they're very involved in both conventional
9 and affordable housing projects.
10 So with that, we would like to recommend
11 approval and be happy to answer any questions.
12 CHAIRPERSON COURSON: Questions? Discussions?
13 Mr. Friedman?
14 MR. FRIEDMAN: Sort of the same questions. An
15 observation about relocation. If you've got lead-based
16 paint, mold and mildew, it seems like a short temporary
17 relocation may be optimistic. So sort of the same issues
18 as the last one.
19 MR. LISKA: We will provide that relocation
20 plan.
21 MR. WARREN: What we can do, Mr. Friedman, is
22 we'll revisit the relocation budget. If necessary, we'll
23 augment it appropriately. So we'll note that and take
24 care of it.
25 CHAIRPERSON COURSON: Yes, Mr. Carey?

1 MR. CAREY: Is there lead-based paint in the
2 project, or is that part of the management plan?
3 MR. LISKA: There is lead-based paint in the
4 project. It's been identified. Again, this project was
5 built prior to 1978. And there's also asbestos
6 identified in the project, and precautions have to be
7 taken.
8 I would assume that they have an operations
9 maintenance plan already in force for ongoing
10 maintenance; but that we will ask to see it and monitor
11 it.
12 As far as mold, the moisture mitigation,
13 obviously, if we are involved, we'll be looking to an
14 environmental hygienist to look at the appropriate --
15 what has to be done, as far as cleanup during the
16 rehabilitation process and monitoring thereafter, so we
17 get a completion.
18 MR. WARREN: And I think -- let me make an
19 important point here, Mr. Carey, is that as an
20 acquisition financer only, we do examine these; but we do
21 not engage in the same level of due diligence as if we
22 were the permanent lender. We don't do that. I want to
23 be perfectly clear with the Board on that. If we're
24 doing a permanent loan, we'd have much greater detail.
25 That's not the intent of 46. So that's not going to be

1 the same as other projects.

2 CHAIRPERSON COURSON: And, in fact, correct

3 me -- and we're not doing a rehabilitation loan?

4 MR. WARREN: We are not.

5 MR. LISKA: That's right.

6 MR. WARREN: That is correct.

7 CHAIRPERSON COURSON: Mr. Morris?

8 MR. MORRIS: Just looking at the pictures, there

9 doesn't appear to be a lot of common area. So I think I

10 imagine a lot of the asbestos and mold, these are

11 actually in the units, I would imagine?

12 MR. LISKA: That is correct.

13 MR. MORRIS: Right. And I think you're assuming

14 a week relocation per unit? Is that what the relocation

15 plan assumed? Because I would agree that if you've got

16 asbestos and mold in these units, it's probably going to

17 take --

18 MR. LISKA: It's whether -- it can be

19 encapsulated or how it's going to be has made or touched

20 or whatever has to be done on the unit.

21 MR. MORRIS: Correct.

22 MR. LISKA: Again, we have not paid a lot of

23 attention to that because we're -- in this situation,

24 we're more the accommodator as far as doing the

25 acquisition loan.

1 And to reiterate what Linn indicated, that if we
2 were going to be involved as a permanent long-time lender
3 on this project, we would have a lot more due diligence
4 and what has to be done with the timing and making sure
5 that our risk is minimized and that our mortgage is
6 secured.
7 MR. MORRIS: But I still think that -- that's
8 not the issue. The issue is that there's a relocation
9 plan somewhere, which I haven't seen, which has the
10 assumption that people are going to be out of their units
11 for about a week.
12 MR. LISKA: Okay. I indicated I would --
13 MR. MORRIS: Okay, and now we know there's
14 asbestos, we know there's mold, we know there's
15 lead-based paint. I haven't seen a plan. I would assume
16 a week is probably optimistic. Granted, we're not doing
17 permanent financing on this; but that's really not the
18 issue. We're going to be involved in this project from a
19 financial sense. And I'd like to see that.
20 MR. LISKA: Oh, I thought I indicated I would
21 provide that plan to you.
22 MR. MORRIS: Right, before we vote, I'd like to
23 see it.
24 MS. PARKER: Is the sponsor here?
25 MR. WARREN: We will be happy to have the

1 sponsor address it.

2 MR. MORRIS: Okay.

3 MR. WARREN: We'd be happy to.

4 MS. FALKNER: Hello. Tawnya Falkner with Domus

5 Development.

6 We do, in fact, have a relocation plan that was

7 required to be submitted with the MHP application that

8 went in about a month ago.

9 We did identify approximately a week there. We

10 had a full P and A done to assess the amount of work that

11 needed to be carried out.

12 There is some lead and asbestos, given the age

13 of the building. The asbestos is popcorn on the ceiling,

14 so that would be changed out. And the lead is in the

15 window sills. So we would be changing out all of the

16 window sills.

17 Given the nature of the work, it would be pretty

18 much popping out all the windows, containing the asbestos

19 that's in the popcorn on the ceiling, and have it

20 encapsulated. And the rest of the rehab on the interiors

21 would be changing out with the cabinetry, just the face

22 frames and doing more cosmetics.

23 So based upon our experience, we've done quite a

24 few rehabs in the past. But we actually felt really

25 comfortable that it was plus or minus a week. And given

1 vacancies, you could swap people out. So we did actually
2 take that into account. We contacted three of the hotels
3 in the area and had very similar conversations, like the
4 prior applicant had discussed and figured out their
5 monthly -- or excuse me, daily versus weekly rates and
6 all of that was identified in the plan.
7 We can certainly provide that to you. But we
8 did take all of those into consideration, including
9 per diem food allowances and things like that.
10 MR. MORRIS: And where's the mold in the
11 building?
12 MS. FALKNER: Actually, there wasn't really any
13 mold, except for a very nominal amount where water damage
14 had occurred in one place. So we don't have any --
15 MR. MORRIS: It was just one isolated place --
16 MS. FALKNER: Yes, correct.
17 MR. MORRIS: It wasn't a major problem
18 throughout the building?
19 MS. FALKNER: Exactly. And most of our work
20 is occurring on the exterior of the building, adding
21 additional community space, because the community
22 facilities are quite small for 144 units, and we're doing
23 quite a bit to improve the amenities and landscaping and
24 such.
25 CHAIRPERSON COURSON: Other questions of the

1 sponsor?

2 MR. BAYUK: Has U.S. Bank committed their loan

3 through?

4 MR. FALKNER: It has gone through full

5 underwriting and commitment, and it isn't just a

6 preliminary commitment. It does have normal caveats for

7 tax credits and MHP because it's predicated upon the

8 financial scenario. But it is a full commitment.

9 MR. WARREN: But it has cleared their credit

10 committee and that was a condition of us going forward.

11 MS. FALKNER: Yes, and we also have a full

12 commitment from GMAC as well. Both banks have

13 underwritten it.

14 CHAIRPERSON COURSON: Other questions for this

15 sponsor?

16 *(No audible response was heard.)*

17 CHAIRPERSON COURSON: Other questions on the

18 project?

19 *(No audible response was heard.)*

20 CHAIRPERSON COURSON: Is there a motion?

21 MR. AUGUSTINE: I'll move it.

22 CHAIRPERSON COURSON: Mr. Augustine moves to

23 approve.

24 Is there a second?

25 MS. WEIR: Second.

1 CHAIRPERSON COURSON: Ms. Weir seconds.

2 Is there any other comment? Any comments from

3 anyone in the public?

4 *(No audible response was heard.)*

5 CHAIRPERSON COURSON: Okay, we'll call the roll.

6 MS. OJIMA: Thank you.

7 Ms. Weir?

8 MS. WEIR: Yes.

9 MS. OJIMA: Mr. Bayuk?

10 MR. BAYUK: Yes.

11 MS. OJIMA: Mr. Carey?

12 MR. CAREY: Yes.

13 MS. OJIMA: Mr. Friedman?

14 MR. FRIEDMAN: Yes.

15 MS. OJIMA: Mr. Augustine?

16 MR. AUGUSTINE: Yes.

17 MS. OJIMA: Mr. Morris?

18 MR. MORRIS: Yes.

19 MS. OJIMA: Mr. Shine?

20 MR. SHINE: Yes.

21 MS. OJIMA: Mr. Courson?

22 CHAIRPERSON COURSON: Yes.

23 MS. OJIMA: Resolution 04-32 has been approved.

24 MR. WARREN: Thank you, Mr. Chairman.

25 CHAIRPERSON COURSON: Okay, thank you very much.

1 I appreciate it from all your staff.

2 Yes, Mr. Morris?

3 MR. MORRIS: One thing, too. Just in future

4 packages, it might be helpful if we could include site

5 plans just because when we're reading it, sometimes it's

6 just a lot easier when you see the site plan.

7 CHAIRPERSON COURSON: That is a good suggestion.

8 Thank you.

9 Any other comments on the presentations?

10 --o0o--

11 **Item 6: Reports**

12 CHAIRPERSON COURSON: If not, Bruce Gilbertson

13 is here for the next tab in our Board book where our

14 reports are on some of our bond activity. I'd just ask

15 Bruce -- obviously not to go through in substantial

16 detail, but at least walk through the reports that are

17 there and maybe give us a briefing on the activity.

18 Is that a site plan, Bruce?

19 MR. GILBERTSON: Yes.

20 Here we go.

21 Good morning, Mr. Chairman, Members of the

22 Board. I will keep my comments brief today.

23 But there are four Board reports related to the

24 financing activities of the Agency in your binder this

25 morning. Two of them regarding recent bond transactions

1 that we entered into. There is a variable-rate bonds and
2 swaps report that has been a report that we include in
3 every Board binder. And then there's an annual
4 investment report as well.
5 The two bond financings that I wanted to
6 discuss, the first is the housing -- it's actually
7 "housing program bonds." I see there's a typo there,
8 "housing purchase bonds." These are loans we closed on
9 November 4th. It was 50 million dollars. This is a new
10 form of indenture that we have created, that will give
11 us a great deal of flexibility for a wide variety of both
12 single-family and multifamily types of non-traditional
13 loans. This indenture is backed by the Agency's general
14 obligation.
15 We issued 50 million dollars, all tax exempt,
16 as variable-rate demand obligations and swapped out
17 70 percent of those bonds.
18 The proceeds of the bonds were used to purchase
19 downpayment assistance loans that the Agency had
20 previously originated under both the CHAP Program and the
21 HiCAP Program. Those loan programs have deferred
22 interest, simple interest of 5 percent that have deferred
23 payment for the life of the loan.
24 The multifamily bonds, 152 million dollars we
25 actually closed that financing yesterday. These were for

1 some refunding projects. We did some economic refundings
2 of loans that we had financed several years ago, and it
3 included 12 new projects that this Board approved during
4 the July and September Board meetings.
5 I'm not going to spend a lot of time on this
6 report this morning in consideration of some of the other
7 things that I know the Board wants to discuss. But this
8 is the variable-rate bonds report. I think the point
9 here is that we have 7.9 billion dollars of bonds
10 outstanding. Nearly 6.3 billion dollars of the bonds are
11 now in variable rate form, and that represents 80 percent
12 of our outstanding debt.
13 All of the bonds, variable-rate bonds, are
14 swapped or tied to floating-rate assets, with the
15 exception of 1.2 billion dollars.
16 We continued to predominantly use variable-rate
17 demand obligations and indexed rate bonds, when we issue
18 our variable-rate debt.
19 I will continue through some of these.
20 Certainly I want to entertain any questions.
21 These are slides that we've been over before. If any of
22 you were at the August all-day Board session, we went
23 into a great level of detail regarding the Swap
24 Strategies, the benefits and risks of those strategies.
25 I want to get to the last report, which is the

1 annual investment report. In 1995, the Board adopted a
2 policy regarding investments of the Agency, and asked
3 that we report to the Board on a periodic basis. And
4 what we have done over the years, is to report at the end
5 of the State's fiscal year, which is June 30th. So as of
6 that date, the Agency had 9.7 billion dollars of assets.
7 42 percent of those assets were considered to be
8 investments, not mortgages. And that's the 4 billion
9 dollars shown on this slide.
10 Our investment strategy is predominantly to use
11 investment agreements and the State Treasurer's
12 investment pool. You can see there's nearly an equal
13 split. We do also have a handful of securities, some of
14 those we created ourselves, and some money market and
15 other deposits.
16 Of the 4 billion dollars shown on this slide,
17 1.1 billion dollars was used to pay debt service on
18 August 1st, 2004. And of the 4 billion dollars,
19 $3.5 billion of these investments are held under the lien
20 and individual bond indentures for debt service, required
21 reserves and for the origination -- or as original or
22 recycled proceeds available to fund new loans.
23 The last couple slides I have, just show the
24 investment agreements and the ratings of the underlying
25 providers. Everything by Moody's is rated AA or better,

1 with nearly half of the balances held under investment
2 agreements being rated AAA; and a very similar story when
3 we look at the S & P ratings.
4 Are there any questions the Board may have
5 regarding those reports?
6 CHAIRPERSON COURSON: Obviously, all this is
7 in great detail in our books, and Bruce would be happy if
8 any Board members, at their leisure, call and have
9 additional information or explanation.
10 MS. PARKER: Maybe it would be a good time, too,
11 Mr. Chairman, to talk about that Bruce and I are
12 continuing our discussions on the Board education
13 seminars for the Board next year. We had a list of the
14 number of ideas. We'll be working those into the Board
15 calendar. And we may even look to add an additional
16 session, if appropriate, given the amount of projects
17 that Mr. Warren brings to us. So we want to let you know
18 that we are continuing to work on and expect to be
19 incorporating different Board education seminars
20 throughout the coming year.
21 CHAIRPERSON COURSON: Right. As you know, one
22 of the things we've talked about over the last year is
23 the intention to continue to do that. I think those of
24 us who had the opportunity in August and those who had
25 the opportunity of going forward, it's really a way to

1 sit back without the crush of the projects and so on and
2 take a look at some of the operations of the Agency,
3 which we are fiduciaries for. And we'll look forward to
4 that.
5 --o0o--
6 **Item 7: Discussion of other Board matters/reports**
7 CHAIRPERSON COURSON: Is there any other
8 business from the Board?
9 *(No audible response was heard.)*
10 --o0o--
11 **Item 8: Public Testimony**
12 CHAIRPERSON COURSON: Is there any public
13 testimony?
14 *(No audible response was heard.)*
15 CHAIRPERSON COURSON: Okay, seeing none, then we
16 will take a very short two- or three-minute recess, and
17 we'll move into executive session.
18 Counsel, I believe at this point, too, that we
19 do not need a scribe for this part.
20 THE COURT REPORTER: Okay, great. Thanks.
21 *(The public session concluded at 10:55 a.m.)*
22 --o0o--
23 **Item 5: Closed session**
24 *(The Board met in closed session.)*
25 --o0o--

REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

In witness whereof, I have hereunto set my hand on 24th day of November 2004.

Daniel P. Feldhaus

DANIEL P. FELDHAUS
CSR #6949, RDR, CRR

California Housing Finance Agency
Meeting of Board of Directors
November 18, 2004
Millbrae, CA

Supplemental Minutes

After the conclusion of the open portion of the meeting, the Board went into closed session to receive advice from counsel relating to the litigation described in item 5 of the agenda. At the conclusion of the closed session, Board member Morris asked the Chair to re-open the meeting to make an additional statement under agenda item 7, "Discussion of other Board matters". The Chair thereupon re-opened the public record.

Mr. Morris referred to the findings of the California Performance Review concerning the uses of excess or surplus state land. Mr. Morris suggested that the Agency consider encouraging the State to make excess or surplus state land available for the development of affordable housing. Mr. Morris asked the Agency staff to look into the issue. No action was taken.

The meeting was thereupon adjourned.

Thomas C. Hughes
Secretary of the Board of Directors

State of California

MEMORANDUM

To: CalHFA Board of Directors **Date:** December 29, 2004

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

Subject: Request to Amend 2004/2005 Current Year Budget

The California Housing Finance Agency (CalHFA) is requesting to amend the 2004/05 current year budget by $3,000,000. The CalHFA Board adopted a $32,577,000 budget for fiscal year 2004/05 in May of this year. With the additional $3,000,000 augmentation, the total authorized budget for 2004/05 will be $35,577,000. The areas to be augmented are Consulting and Professional Services, and Personal Services.

The line item of Consulting Services needs to be augmented by $2,500,000 in order for the Agency to pay legal fees for its two major lawsuits. One of these lawsuits resulted in a subsequent court trial. When the budget was created last spring, the Agency felt that there was a good chance for a summary judgment rather than a trial lasting 10 weeks. Therefore, not enough resources were allotted to litigate the court case. In addition, the Agency has experienced cost over runs to rehabilitate space in the Senator Hotel. Several Sacramento City building code sections have changed, thus necessitating the expenditure of an additional $250,000. Further, the Financing Division is entering into a contract ($125,000) to study CalHFA's allocation of financial resources. It is anticipated that the information from the study will be invaluable in preparing the business plan for 2005/06.

Lastly, the rest of the augmentation ($125,000) will be to support the line item Personal Services for the additional costs of health benefits and retirement that have been passed along to departments by the Department of Finance. These costs were not known at the time of our May Board meeting.

In summary, the expenditures for the 2004/05 current year budget are analyzed monthly and the Agency is on track with its spending at the mid point of the year with the exceptions noted above. In projecting expenses throughout the last half of the fiscal year, these unexpected expenses cannot be absorbed within the current resources allocated without substantially jeopardizing daily operations of the Agency. However, as the Agency only expends what is actually needed to operate its business, if there is an opportunity to absorb some of these additional expenditures within existing resources, it is the Agency's practice to do so.

Therefore, I am requesting your support of this amendment.

RESOLUTION 05-07

RESOLUTION APPROVING REVISED 2004-2005 OPERATING BUDGET

WHEREAS, the Board of Directors of the California Housing Finance Agency (the "Board") has previously approved the 2004-2005 operating budget of the California Housing Finance Agency; and

WHEREAS, the Board has reviewed proposed amendments and revisions to the 2004-2005 operating budget of the Agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The revised and amended 2004-2005 operating budget of the California Housing Finance Agency, as attached hereto, is hereby approved.

I hereby certify that this is a true and correct copy of Resolution 05-07 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 13, 2005, at Millbrae, California.

ATTEST: _____
Secretary

January 13, 2005

AMENDED
CALIFORNIA HOUSING FINANCE AGENCY
2004/05
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 03/04	Adopted 04/05	Amended 04/05	Proposed 04/05
PERSONAL SERVICES				
Authorized Salaries	$13,709	$17,356		$17,356
Estimated Salary Savings		(868)		(868)
Staff Benefits	**4,273**	**4,122**	**125**	**4,247**
TOTALS, Personal Services	$17,982	$20,611	$125	$20,736
OPERATING EXPENSES AND EQUIPMENT				
General Expense	817	750		750
Communications	661	600		600
Travel	424	400		400
Training	173	140		140
Facilities Operation	2,176	2,602		2,602
Consulting & Professional Services	**4,556**	**4,797**	**2,875**	**7,672**
*Central Admin. Serv.	817	1,427		1,427
Information Technology	805	750		750
Equipment	592	500		500
Operating Expenses and Equipment	$11,021	$11,966	$2,875	$14,841
TOTALS, EXPENDITURES	$29,003	$32,577	$3,000	$35,577

* 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.