

# MEMORANDUM

**To:** CalHFA Board Members

**Date:** January 3, 2006

**From:** Tom Hughes, General Counsel  
CALIFORNIA HOUSING FINANCE AGENCY

**Subject:** Bay Area Housing Plan - Resolution 06-02

Resolution 06-02 was inadvertently left out of the board package for the January 12, 2006 meeting. Resolution 06-02 authorizes a series of final loan commitments for the Bay Area Housing Plan.

Please review for the upcoming meeting. Thank you for your attention to this matter and our apologies for the delay.

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RESOLUTION 06-02

RESOLUTION AUTHORIZING A SERIES OF FINAL LOAN COMMITMENTS  
AND ONE OR MORE PRELIMINARY LOAN COMMITMENTS

WHEREAS, the California Department of Developmental Services ("DDS") has developed a plan to close the Agnews Developmental Center, and move its developmentally disabled residents into community housing settings located in nine Bay Area counties, and

WHEREAS, the State of California has enacted AB 2100, providing that DDS may approve a plan whereby, among other things, regional centers may provide for the development of community housing for the residents of the Agnews Developmental Center; and

WHEREAS, the Golden Gate Regional Center, the Regional Center of the East Bay, and the San Andreas Regional Center (collectively, the "Regional Centers") and DDS, have developed such a plan, known as the Bay Area Housing Plan ("BAHP"); and

WHEREAS, the BAHP contemplates that the Hallmark Group ("Hallmark") will be the initial developer of the housing provided for in such plan; and

WHEREAS, the California Housing Finance Agency ("Agency") has worked with the State of California, including DDS and the Department of Health Services, the Regional Centers, and Hallmark to develop a financing plan for the BAHP (the Financing Plan"), and

WHEREAS, the Financing Plan contemplates that a series of permanent loan commitments will be made to the initial developer of the housing contemplated by the BAHP, to permit the developer to obtain acquisition and construction financing for each of the individual homes being acquired by that developer; and

WHEREAS, on September 8, 2005, the Board approved a series of final loan commitments for a portion of the Financing Plan up to an aggregate amount of \$20,000,000, together with preliminary commitments for later portions of the Financing Plan up to an additional aggregate amount of \$80,000,000, subject to certain recommended terms and conditions; and

WHEREAS, the BAHP and the Financing Plan have been reviewed by Agency staff, which has prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending that (i) that the original amount of \$80,000,000 of preliminary loan commitments approved by the Board on September 8, 2005 be increased to a total of \$100,000,000; and (ii) up to \$25,000,000 of preliminary loan commitments previously approved be converted to final loan commitments, subject to certain recommended terms and conditions; and

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

5  
6           WHEREAS, the Board confirms that the Executive Director is delegated the  
7 authority to declare the official intent of the Agency to reimburse such prior expenditures for  
8 housing developed under the BAHP; and

9  
10           WHEREAS, based upon the recommendation of staff and due deliberation by the  
11 Board, the Board has determined that (i) the original amount of \$80,000,000 of preliminary  
12 loan commitments approved by the Board on September 8, 2005 be increased to a total of  
13 \$100,000,000; and (ii) up to \$25,000,000 of such preliminary commitments should be  
14 converted to final commitments to implement the second phase of the Financing Plan, subject  
15 to recommended terms and conditions; and

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17           WHEREAS, pursuant to this resolution, there will be a total of \$120,000,000 of  
18 BAHP loan commitments either finally and preliminarily approved , consisting of (i)  
19 \$45,000,000 of final commitments approved by the Board at both this meeting and the  
20 September 8, 2005 meeting; and (ii) an additional amount of \$75,000,000 of preliminary  
21 commitments remaining subject to further Board approval;

22  
23           NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California  
24 Housing Finance Agency as follows:

25           1. The Executive Director, or in his/her absence, either the Chief Deputy  
26 Director or the Director of Multifamily Programs of the Agency is hereby authorized, (i) to  
27 execute and deliver an additional series of final commitment letters in relation to the BAHP  
28 described above, in a form acceptable to the Agency, and subject to recommended terms and  
29 conditions set forth in the Staff Report, up to an aggregate amount of \$25,000,000.00 above  
30 and beyond the \$20,000,000 of final commitments approved by the Board on September 8,  
31 2005; and (ii) to execute and deliver preliminary loan commitments up to an aggregate  
32 amount of \$75,000,000, subject to further Board approval.

33  
34           2. The Executive Director may modify the terms and conditions of the final  
35 loan commitments provided for above, provided that major modifications, as defined below,  
36 must be submitted to this Board for approval. "Major modifications" as used herein means  
37 modifications which either (i) increase the total aggregate amount of any final loan  
38 commitments made pursuant to the Resolution by more than 7%; or (ii) modifications which  
39 in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy  
40 Director or the Director of Multifamily Programs of the Agency, adversely change the  
41 financial or public purpose aspects of the final commitment in a substantial way.

Resolution 06-02  
Page 2

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I hereby certify that this is a true and correct copy of Resolution 06-02 adopted at a duly constituted meeting of the Board of the Agency held on January 12, 2006, at Millbrae, California.

ATTEST: \_\_\_\_\_  
Secretary

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# **Financing Reports**

- **Recent Bond Sales and Swaps**
  - Multifamily Bonds
  - Single Family Bonds
  - SF Draw Down Bonds
- **Summary of 2005 Bond Financings**
- **Variable Rate Bonds and Swaps**

# Recent Bond Issues

<u>Date of Sale</u>	<u>Bond Series</u>	<u>\$ Amount</u>
10/27/05	Multifamily Housing Revenue Bonds 2005 Series CDE	\$123,185,000
12/07/05	Home Mortgage Revenue Bonds 2005 Series GH (partnership with CRHMFA Homebuyers Fund)	\$200,000,000
12/16/05	Single Family Draw Down Bonds 2005 B	\$224,000,000



# New Multifamily Bonds

- \$123.2 M MFHRB III, 2005 CDE
- All tax-exempt
- \$32 M issued as fixed rate bonds
- \$91.2 M issued as variable rate demand obligations
  - \$33.8 M swapped to fixed rate
  - Utilized prior anticipatory swaps
- Funding for 10 new projects

# New Single Family Bonds

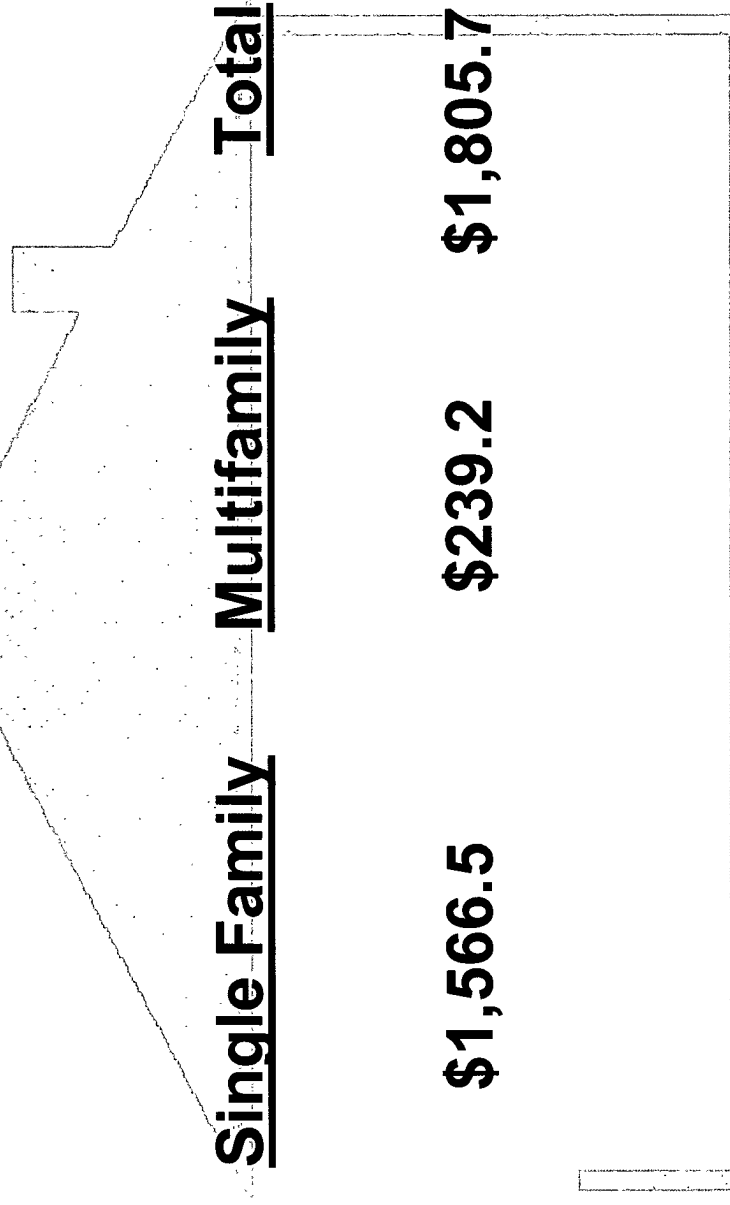
- \$200 M HMRB 2005 GH
- Proceeds for purchase of 780 new loans
- All Interest Only Plus (IOP) loans
- \$35 M tax-exempt refunding of CRHMFA Homebuyers Fund Authority (formerly Cal Rural Home Mortgage Finance Authority)
  - fund loans within CHF's jurisdiction
  - VRDO; swapped
- \$165 M tax-exempt
  - VRDO; swapped

# Single Family Draw Down Bonds

- \$224 M draw in December 2005
- \$165 M refunded on January 1, 2006
- Proceeds invested in a guaranteed investment contract
- Preserve CDLAC allocation & tax-exempt refunding authority
- Bonds backed by CalHFA G.O.
- Outstanding balance of \$868 million.

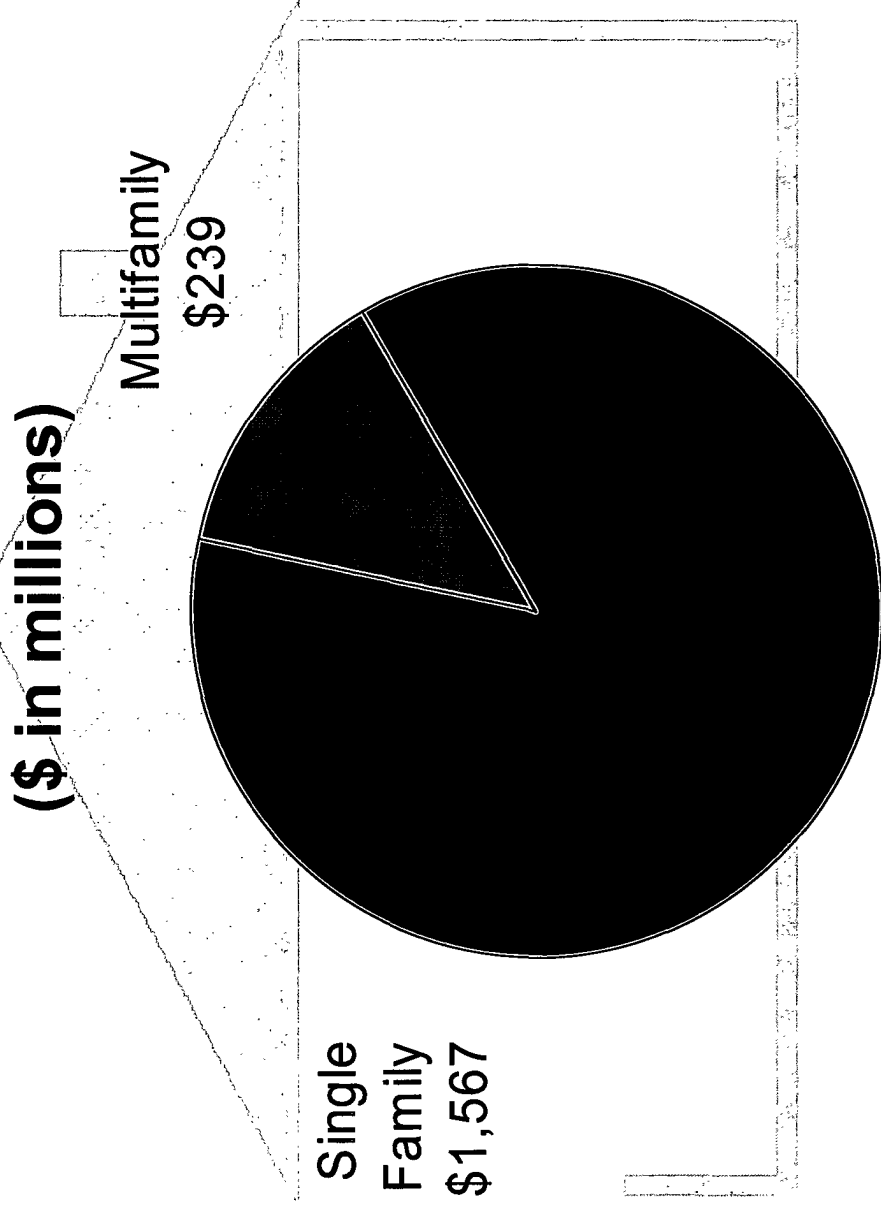
# 2005 Bond Financings

(\$ in Millions)

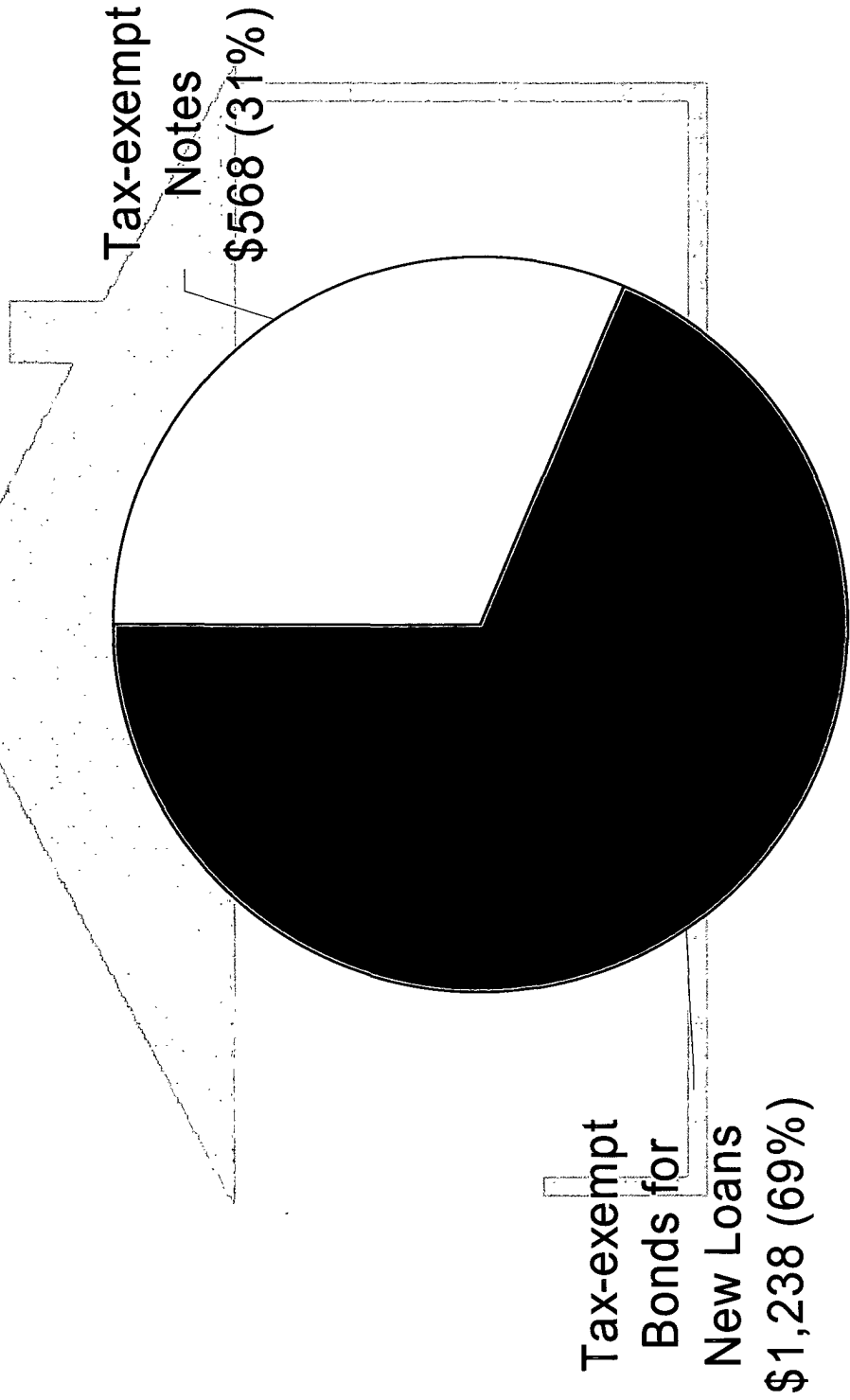


All 2005 bonds were issued as tax-exempt bonds.

# CalHFA Bonds 2005 Calendar Year



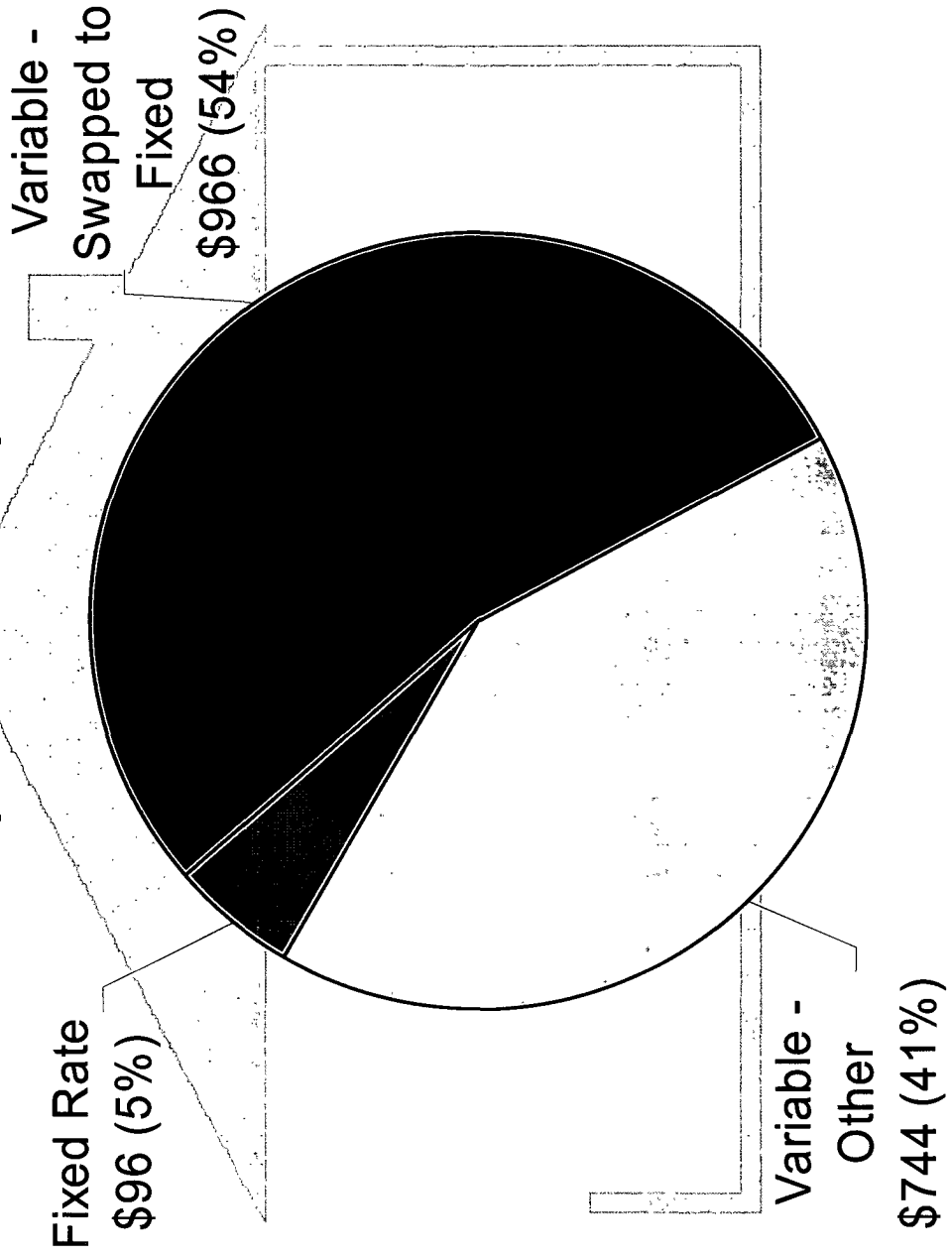
# CalHFA Tax-exempt and Taxable Bonds Issued in Calendar Year 2005 (\$ in millions)



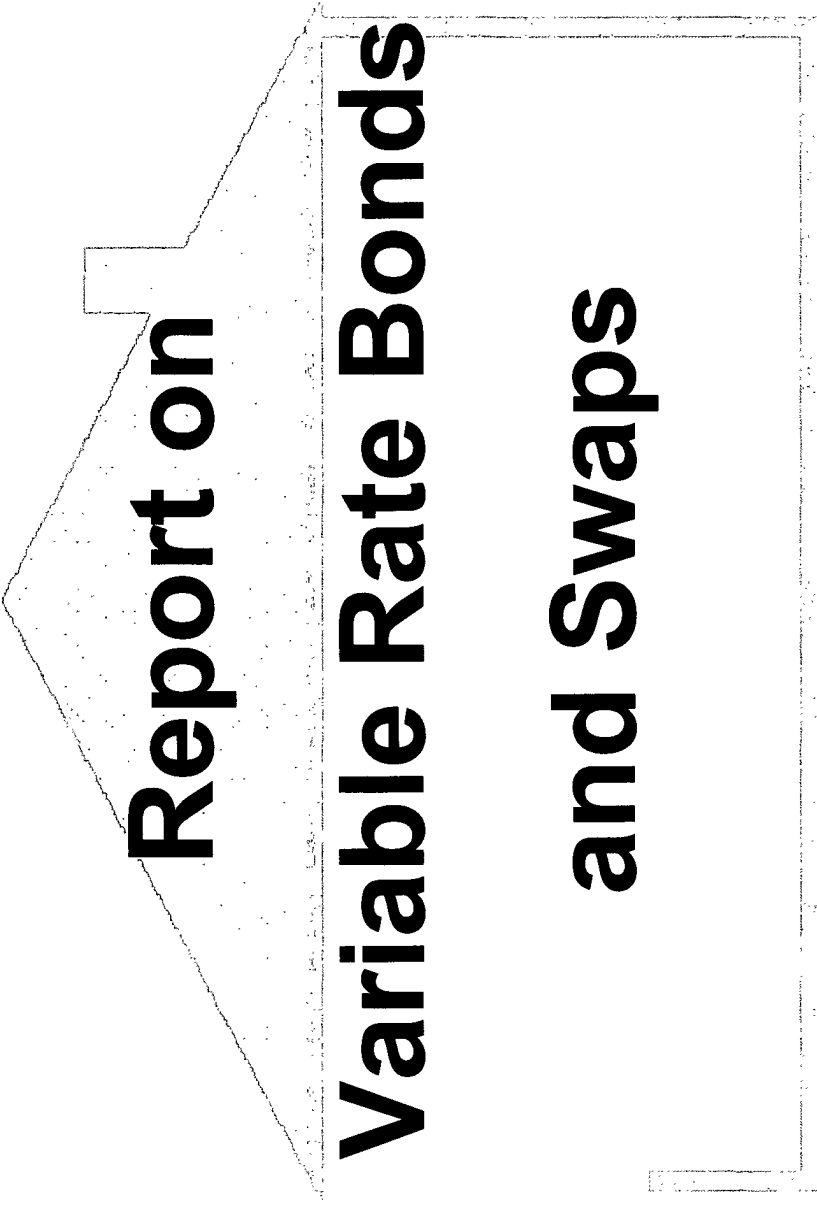
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# CalHFA Fixed Rate and Variable Rate Bonds Issued in Calendar Year 2005

(\$ in millions)



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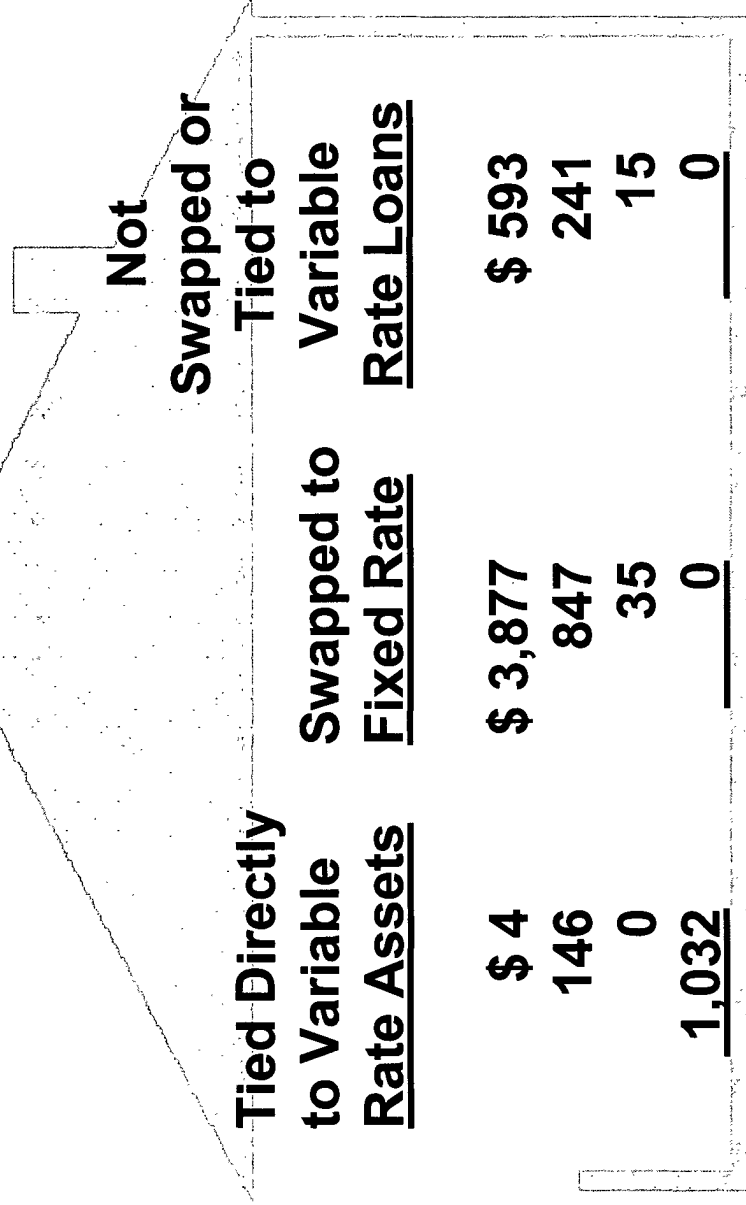


**Report on  
Variable Rate Bonds  
and Swaps**



# Variable Rate Debt as of Dec. 31, 2005

(\$ in Millions)



	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Swapped to Variable Rate Loans	Total Variable Rate Debt
HMRB	\$ 4	\$ 3,877	\$ 593	\$ 4,474
MHRB	146	847	241	1,234
HPB	0	35	15	50
DDB	<u>1,032</u>	<u>0</u>	<u>0</u>	<u>1,032</u>
<b>TOTALS</b>	<b>\$1,182</b>	<b>\$ 4,759</b>	<b>\$ 849</b>	<b>\$ 6,790</b>

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# Types of Variable Rate Debt

(\$ in Millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Bonds
HMRB	\$ 168	\$ 1,265	\$ 3,041	\$ 4,474
MHRB	500	0	734	1,234
HPB	0	0	50	50
DDB	<u>0</u>	<u>1,032</u>	<u>0</u>	<u>1,032</u>
<b>TOTALS</b>	<b>\$ 668</b>	<b>\$ 2,297</b>	<b>\$ 3,825</b>	<b>\$ 6,790</b>

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# Net Variable Rate Debt

(\$ in Millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
Short average life* \$	95	\$412	\$507
Long average life	<u>216</u>	<u>126</u>	<u>342</u>
<b>TOTALS</b>	<b>\$311</b>	<b>\$538</b>	<b>\$849</b>

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

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# Fixed Payer Interest Rate Swaps

(\$ in Millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
<b>HMRB</b>	\$2,926	\$1,010	\$3,936
<b>MHRB</b>	847	0	847
<b>HPB</b>	<u>35</u>	<u>0</u>	<u>35</u>
<b>TOTALS</b>	<b>\$3,808</b>	<b>\$1,010</b>	<b>\$4,818</b>

# HOMEOWNERSHIP PROGRAMS

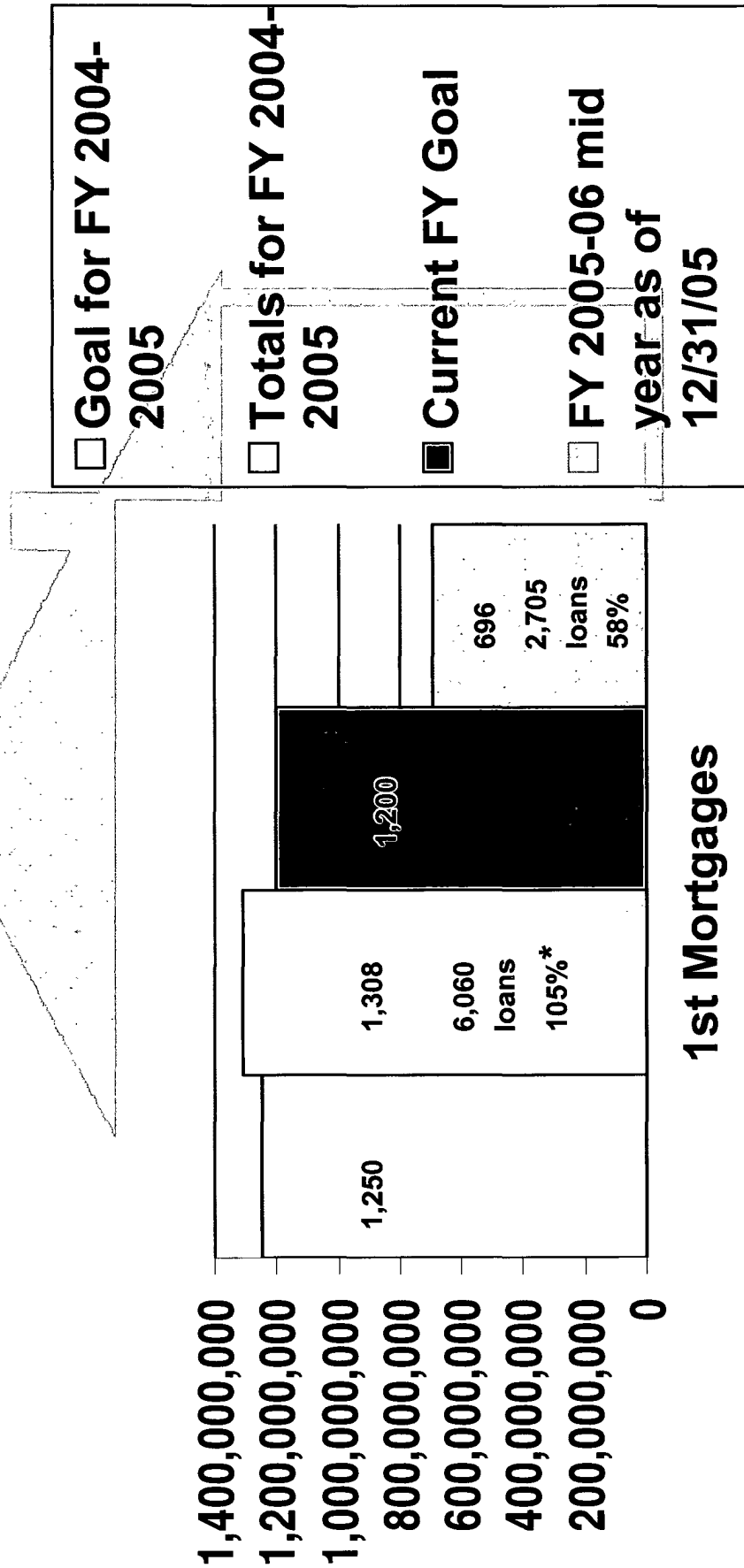
**Jerry Smart**  
**Homeownership Programs Chief**



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# CalHFA Homeownership

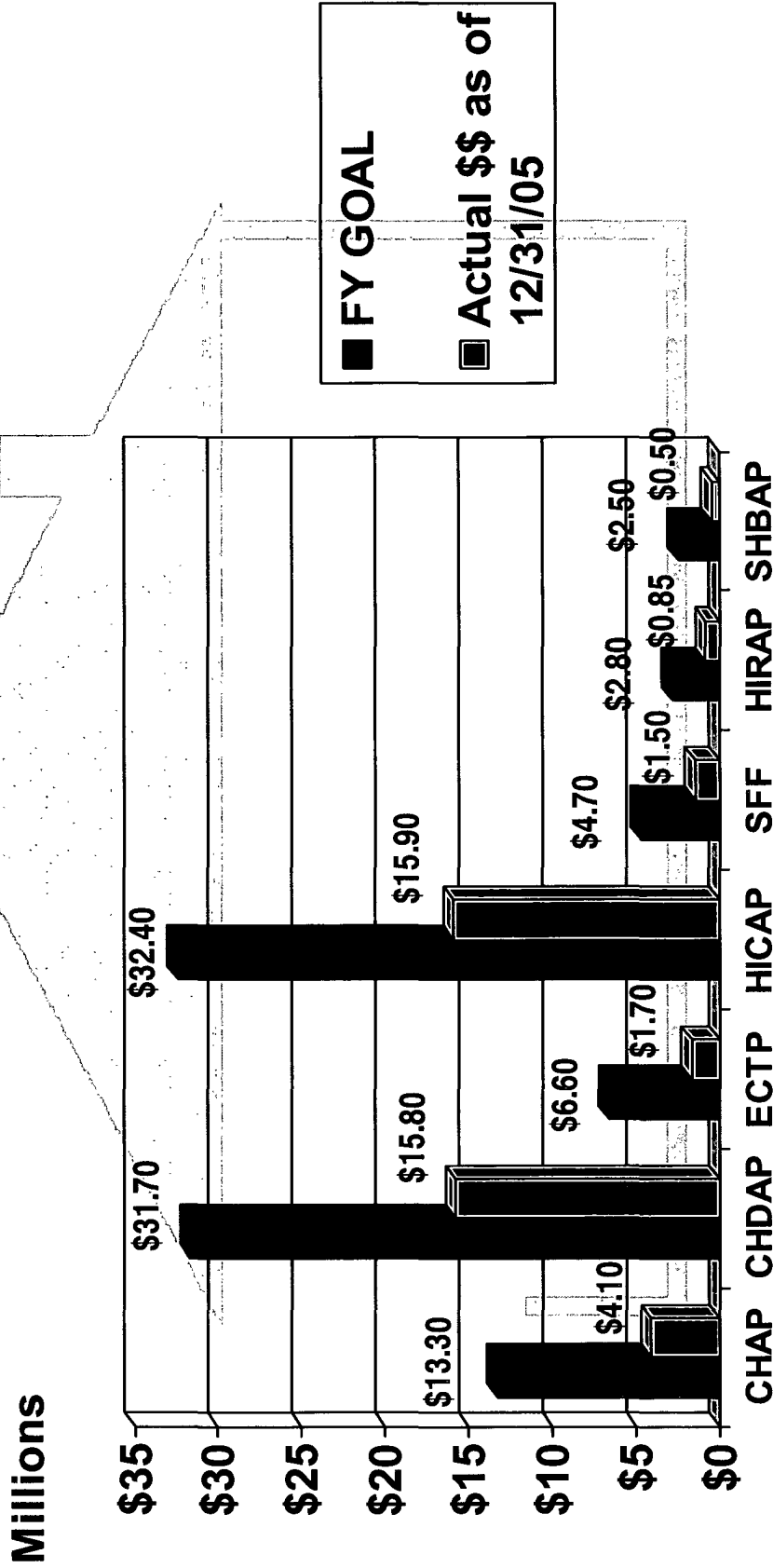
2005-2006 YTD First Mortgage Production vs Annual Goal Comparison  
(in millions)



\*Percent of FY goal

# CalHFA Homeownership

2005-2006 YTD Production vs Annual Goal Comparison  
Down Payment Assistance Programs



# Homeownership Programs

## Mid-Year Report

- 2,705 first-time homebuyer families served
  - 957 *interest only* Plus loans (35%)
  - 1,748 30 Year loans (65%)
- 22% loans on new construction housing
- 78% loans on resale housing
- 53% loans in high cost areas
- 66% loans made to minorities
- 43% low income families (MRB/CDLAC definition)
- 78% of all first mortgages loans utilized CalHFA subordinate financing



# Homeownership Programs Mid-Year Report

- \$40.0M down payment assistance & closing cost
  - 4,012 subordinate loans and grants
- Provided outreach efforts at 63 conferences, home-buyer fairs, workshops and special speaking events
- Provided 35 lender training seminars
- Approved 231 local assistance programs for AHPP
  - Localities have provided over \$16.4 m assistance to 226 CalHFA homebuyers

# Continuing and New Initiatives

- Completion of the Homeownership Loan Origination Project
- Introduction of a 40 Year 100% Conventional Loan Product
- Target Lender Outreach to CalHFA Producing Loan Officers
- Provide Support to Implementation of the Residential Development Loan Program (RDLP)
- Significantly Increase Loan Production in the Coming Fiscal Year

# Mortgage Insurance

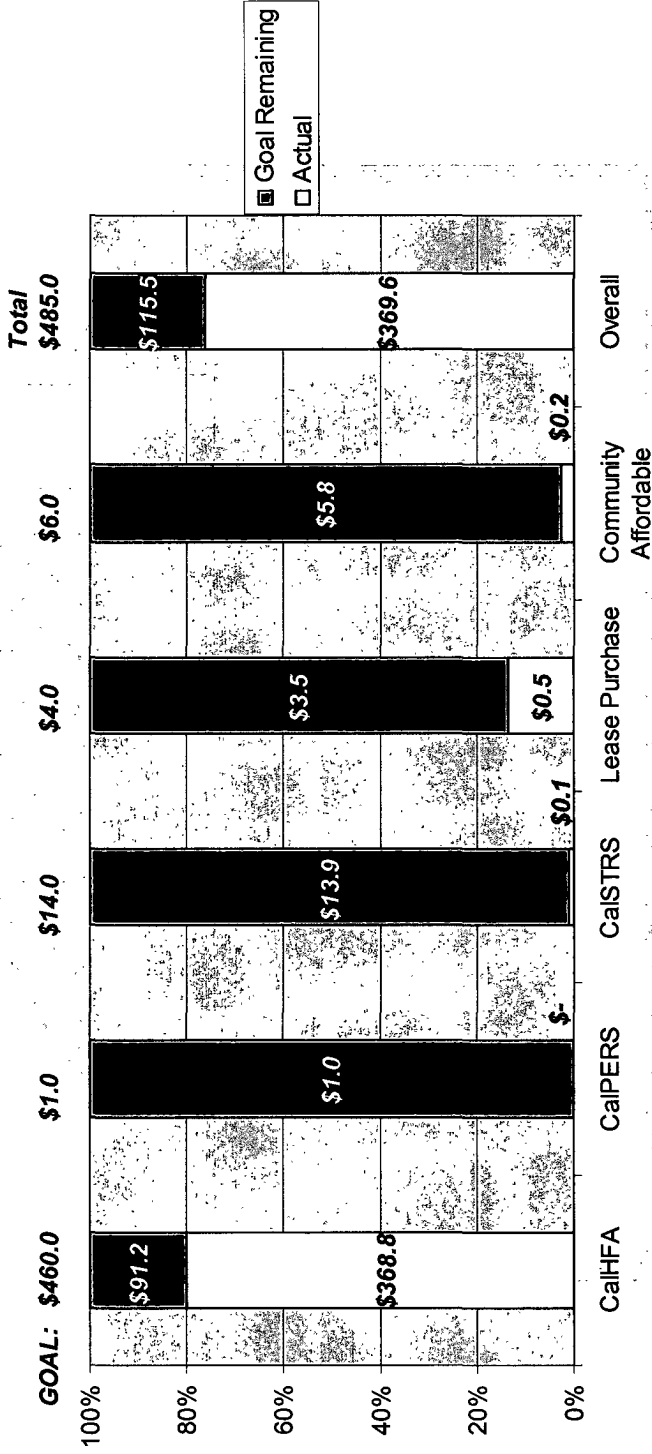
January 12, 2006

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# FY2005-06 New Insurance Written

For 7/1/2005 through 12/27/2005

## New Insurance Written (\$ in Millions)



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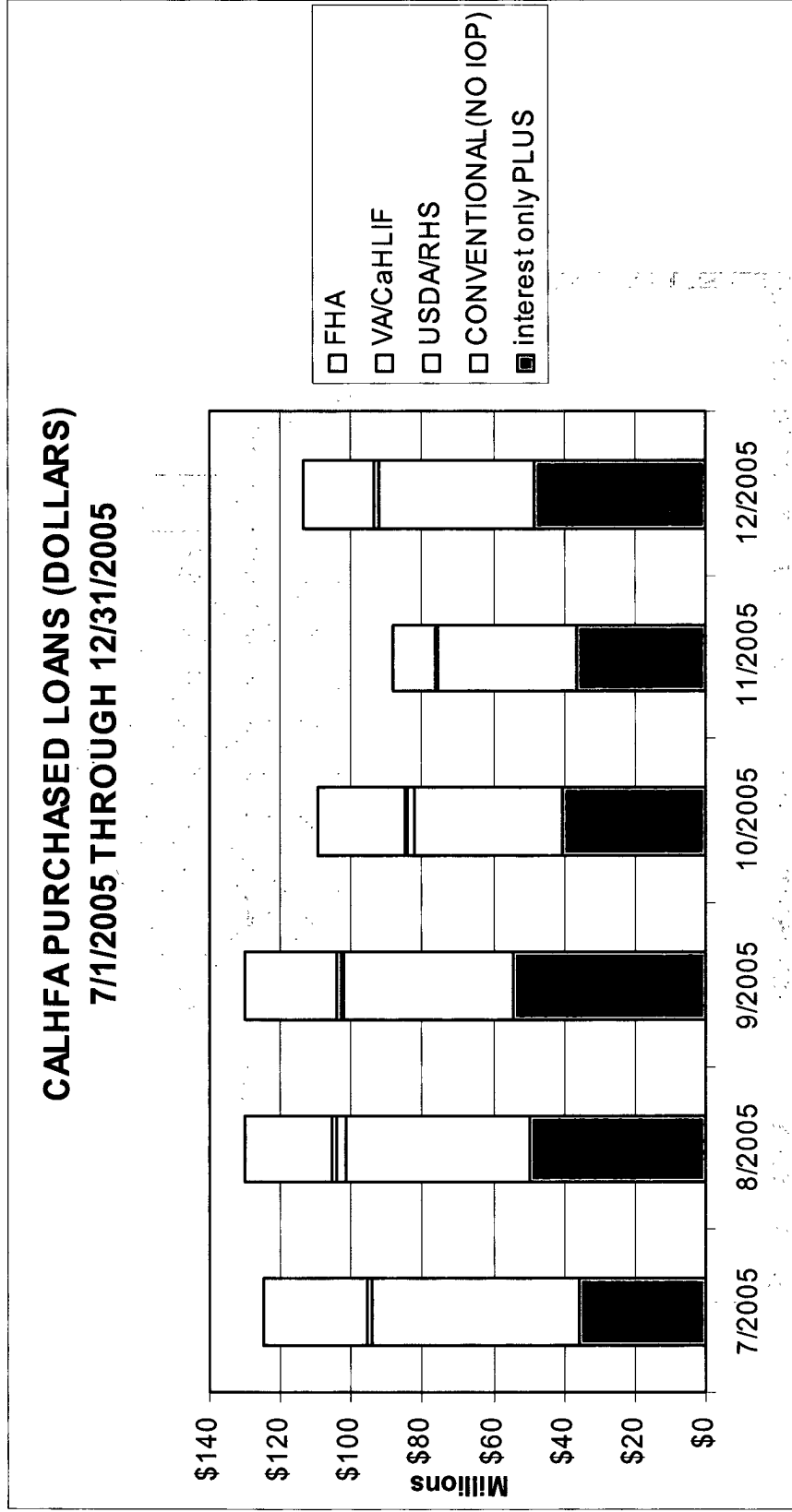
## 2005-06 Objectives

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- \$460M goal for CalHFA loans
- Integrated Technology
- Homeownership Business & Product Development
  - HomeOpeners<sup>®</sup>
  - *interest only PLUS*<sup>SM</sup>

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*interest only PLUS<sup>SM</sup> Performance*



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# MULTIFAMILY PROGRAMS

Beverly Fretz-Brown  
Interim Director, Multifamily Programs

Mid – Year Update  
Fiscal Year 2005 - 06



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# **Multifamily and Special Lending Programs: Mid-Year Accomplishments**

## **Multifamily Lending**

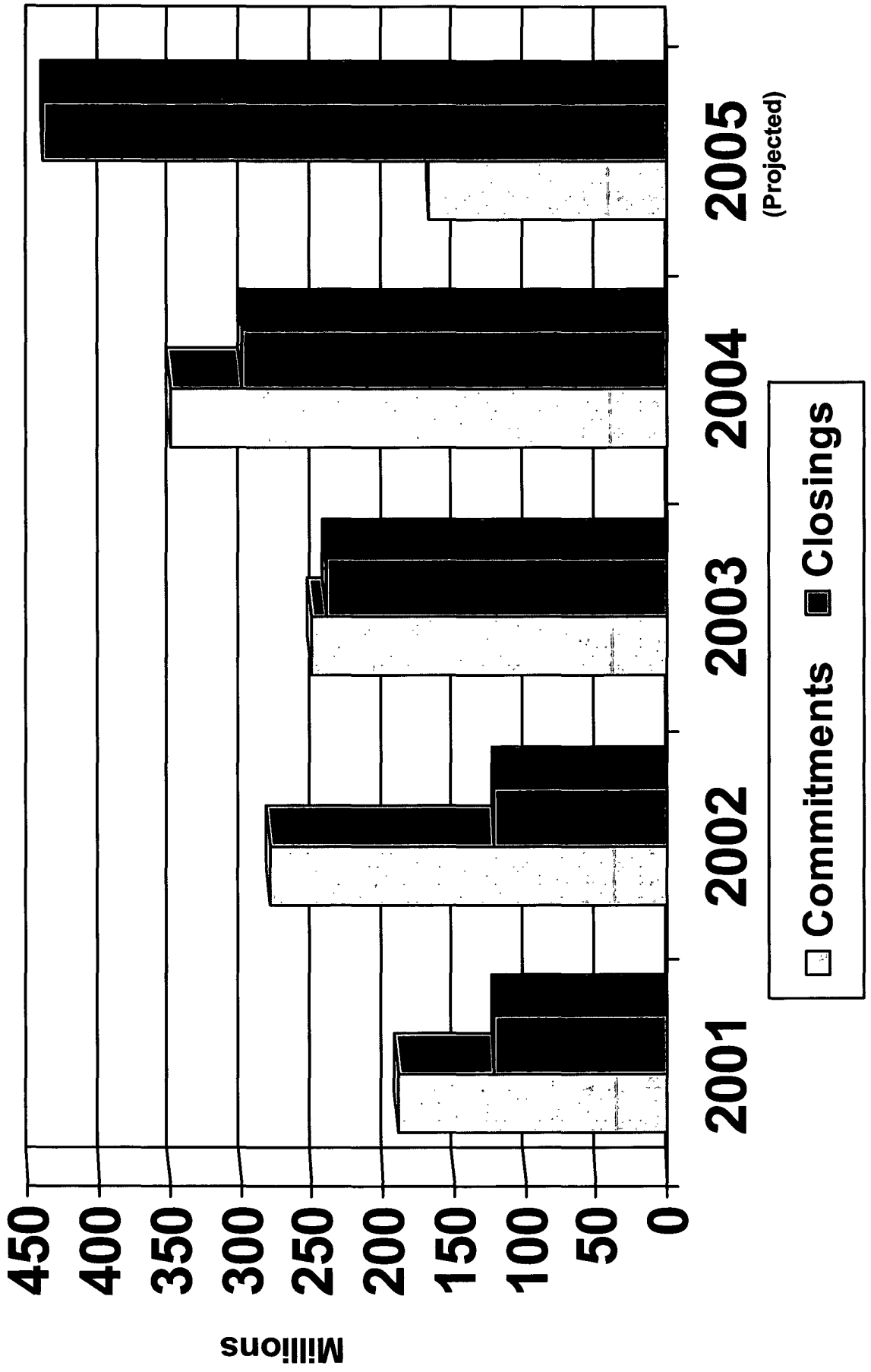
**Processed \$469 million in CalHFA financing:**

- \$120 million in new commitments**
- \$300 million in loan closings**
- \$ 49 million in application review**

**Affecting 3,840 households**



# Multifamily Loan Program Activity



**MULTIFAMILY PROGRAMS ACTIVITY**  
**as of December 31, 2005**  
(in millions)

**MULTIFAMILY PROGRAMS**

	<b>FY 2005/06 Bus. Plan Goal</b>	<b>FY 2005/06 YTD Committed</b>	<b>FY 2005/06 YTD Closings</b>	<b>Estimated Closings by 6/30/06</b>	<b>Estimated Committed Loans by 6/30/06</b>
Total Loans	\$285.0	\$119.9	\$299.6	\$440.0	\$168.0
Construction Loans	170.0	65.4	114.4	168.0	84.7
Permanent Loans/Loan to Lender/Acq-Rehab	110.0	50.6	175.2	259.8	79.2
Preservation Opportunity Program (Prop 46)	0.0	1.8	0.0	2.8	2.8
HAT	5.0	2.1	10.0	9.4	1.3
<b>Total Multifamily Programs</b>	<b>\$285.0</b>	<b>\$119.9</b>	<b>\$299.6</b>	<b>\$440.0</b>	<b>\$168.0</b>
<b>Total Units</b>	n/a	757	2,640	3,700	1,148
<b>Total Projects</b>	n/a	12	31	57	16

# Mid-Year Accomplishments

## Special Lending Programs

Bay Area Housing Plan – unique partnerships in place for capital and services to replace Agnews Development Center

HELP funds 10 localities, committing \$10 million for 1,141 housing units  
(cumulatively 18,000 units and 94 localities)

Small loan program revived with two business loans for 22 homeownership and 50 multifamily units

# Mid-Year Accomplishments

## Special Lending Programs

Habitat for Humanity Loan Purchase Program launched  
with \$5 million allocation

Governor's Homeless Initiative: partnership between  
CalHFA, State Mental Health, and Housing and  
Community Development to fund housing for the  
homeless

**MULTIFAMILY PROGRAMS ACTIVITY**  
**as of December 31, 2005**  
(in millions)

<b>Special Lending Programs</b>	<b>FY 2005/06 Bus. Plan Goal</b>	<b>FY 2005/06 YTD Committed</b>	<b>FY 2005/06 YTD Closings</b>	<b>Estimated Closings by 6/30/06</b>	<b>Estimated Committed Loans by 6/30/06</b>
Bay Area Housing Plan (Agnews)	50.0	20.0	0.0	0.0	65.0
HELP	20.0	10.0	0.0	0.0	20.0
Small Loan Program	4.0	0.0	0.0	0.6	0.6
Community Development Funding Initiative					
- Habitat Loan Purchase Program (\$10.0)	5.0	0.0	0.0	5.0	5.0
- Tax Increment Loan Program (\$5.0)	10.0	0.0	0.0	0.0	0.0
Residential Development Lending Program	40.0	0.0	0.0	0.0	15.0
<b>Special Lending Programs Total</b>	<b>\$ 129.0</b>	<b>\$ 30.0</b>	<b>\$ -</b>	<b>\$ 5.6</b>	<b>\$ 105.6</b>
<b>GRAND TOTAL ALL MULTIFAMILY PROGRAMS</b>	<b>\$ 414.0</b>	<b>\$ 149.9</b>	<b>\$ 299.6</b>	<b>\$ 445.6</b>	<b>\$ 273.6</b>

## **Mid-Year Progress**

### **Administrative Advances**

Universal application drafted for CalHFA, CA Debt Limit Allocation Committee, CA Tax Credit Committee, and Housing and Community Development

Technology: new database software for multifamily loans and reporting

Architectural Processing Requirements Manual undergoing detailed review and updating

## **Mid-Year Progress**

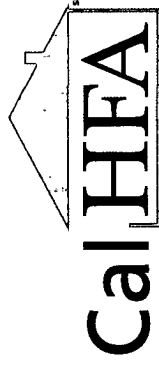
### **Lending Programs**

**Residential Development Loan Program ready to launch in 1<sup>st</sup> quarter 2006: financing for new homeownership in infill and redevelopment areas**

**Housing for mentally ill homeless: application to be released in January 2006 for Governor's Homeless Initiative with CalHFA, HCD, and Mental Health funds**

# **Asset Management**

**CalHFA Mid-Year  
Business Plan Update  
Fiscal Year 2005-2006**



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# 2005-2010 Business Plan Concepts

- Restructuring of Section 8 Portfolio
  - Eminent Domain:
    - Imperial Terrace, 50 u., LA taken for freeway construction
  - Pay offs through OAHF (formerly OHMAR):
    - E. 35<sup>th</sup> Street, 48 u., Palmdale
    - Rumrill, 61 u., San Pablo
  - In-house refinances of Section 8 projects (new buyers, new loan proceeds):
    - Baywood, 77 u., Oakland
    - Flower Park, 199 u., Santa Ana
    - Morse Court, 35 u., Sunnyvale
    - Redwood Court, 27 u., Redwood City
  - In-place refinances of Section 8 projects (existing borrower) – still being reviewed for feasibility

# 2005-2010 Business Plan Concepts

- REO Sales Plan
  - Developed and implemented a sales policy for REO properties
  - Re-market properties beginning January 2006
- Capital Improvement Loan Program
  - HAT funds loaned (non-Section 8) - \$4M annual allocation:
    - \$518,000, Gravenstein, 42 u. family, Santa Rosa
  - HUD Earned Surplus funds loaned (Section 8) - \$53M held by agency:
    - \$4.5 M, Flower Park, 199 u. family, Santa Ana (also new agency loan, new buyers)
    - \$512,000, Golden Acres, 46 u. elderly, San Diego
    - \$298,000, Mono Hilltop, 60 u. elderly, Fresno
- Staffing
  - Increased staff by 20%, 5 positions filled.