



BOARD OF DIRECTORS

(AMENDED)

Thursday, March 8, 2007

Hyatt Regency Sacramento
1209 L Street
Sacramento, California
(916) 443-1234

10:00 a.m.

1. Roll Call.
2. Approval of the minutes of the January 18, 2007 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action relative to final loan commitment for the following project: (Laura Whittall-Scherfee)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>
07-004-N	Eureka Family Housing	Eureka/ Humboldt	50
Resolution 07-09			173

5. Update on Bay Area Housing Plan Financing. (Kathy Weremiuk/Edwin Gipson)
6. Discussion, recommendation and possible action regarding an augmentation of the 2006-2007 Operating Budget. (Jackie Riley)
Resolution 07-08.....195
7. Report of the Compensation Committee Chairman regarding the meeting of CalHFA's Compensation Committee. (John Courson)
8. Possible discussion and action by Board relating to the Compensation Committee's review and recommendations, if any, regarding (i) development of compensation policies and procedures; (ii) possible CalPERS contributions by the Agency in connection with exempt salaries; (iii) exempt salary ranges previously adopted by the Board; and (iv) the salary of the Executive Director previously adopted by the Board. (John Courson)

9. Progress report on development of CalHFA Five Year (2007-08 to 2011-12) Business Plan (Powerpoint presentations).
10. Reports 197
11. Discussion of other Board matters.
12. Public testimony: Discussion only of other matters to be brought to the Board's attention.

NOTES:

HOTEL PARKING: Parking is available as follows: (1) overnight self-parking for hotel guests is \$18.00 per night; valet parking is \$24.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 10, 2007, at the Burbank Airport Marriott Hotel & Convention Center, Burbank, California.

**BOARD OF DIRECTORS
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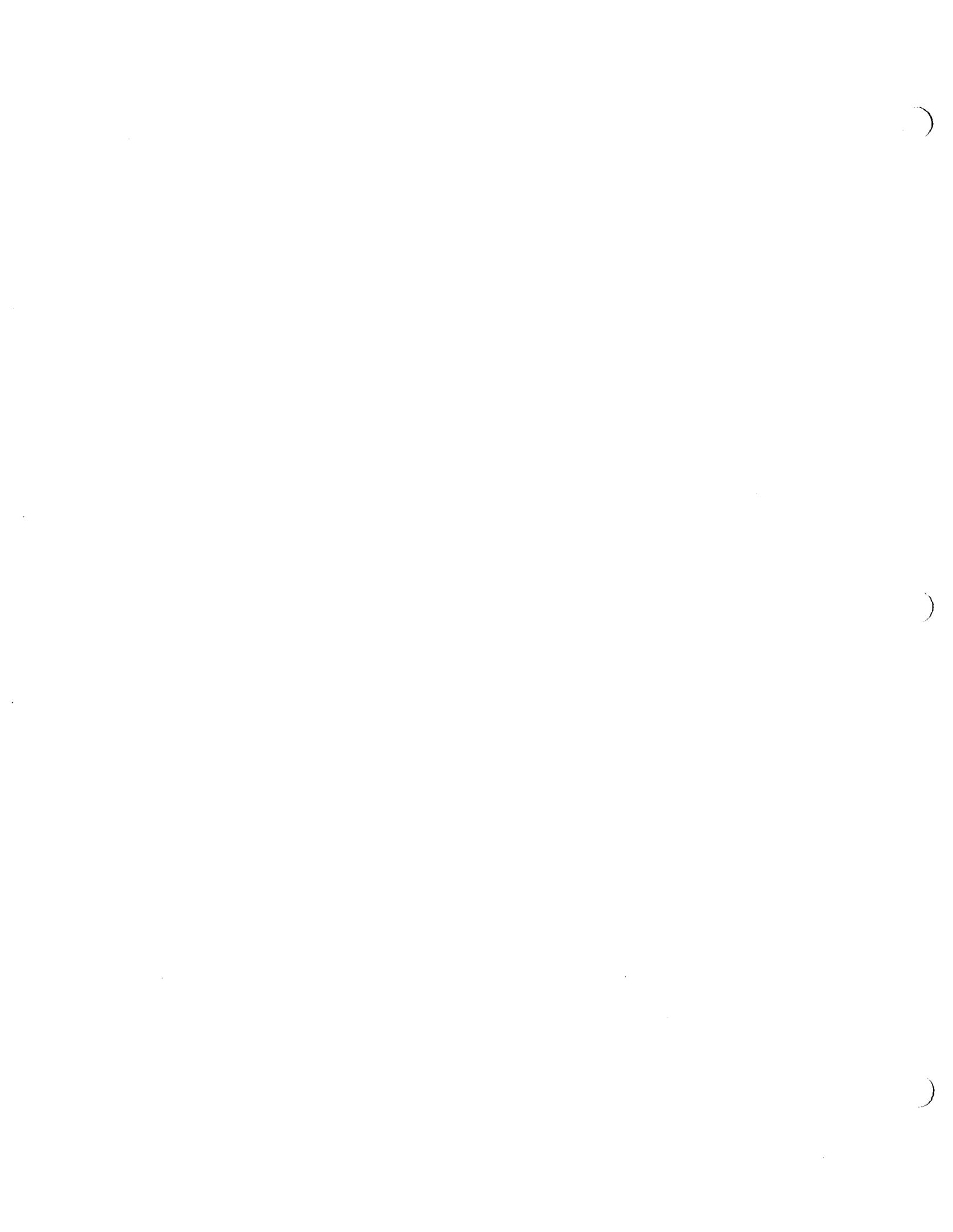
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CURRENT BOARD VACANCY

1 Governor's Appointee
1 Speaker of Assembly



CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Eureka Family Housing
Eureka, Humboldt County, CA
CalHFA # 07-004 A

SUMMARY

Eureka Family Housing is an existing portfolio loan and a troubled project in need of a workout. It is currently owned by the Housing Authority of the City of Eureka. The project failed HUD's Real Estate Assessment Center's ("REAC") inspection on January 23, 2007. If the project is not rehabbed to meet HUD's standards for safe, decent, and affordable housing, the project is at risk to lose its Section 8 subsidy funds.

This is a final commitment request for a tax-exempt Acquisition/Rehabilitation Loan in the amount of Three Million Three Hundred Seventy-Five Thousand Dollars (\$3,375,000), a tax-exempt Second Loan of One Million One Hundred Fifty Thousand Dollars (\$1,150,000), a Third Loan of Three Hundred Five Thousand Dollars (\$305,000) from Earned Surplus, and a tax-exempt Permanent First Loan in the amount of Nine Hundred Forty Thousand Dollars (\$940,000). Security for the loans will be a 50-unit family apartment complex known as Eureka Family Housing, located at 615 W. Hawthorne, 1112 E Street, and 735 P Street in Eureka.

Eureka California Family Housing, a limited partnership, whose managing general member is Eureka Family Housing LLC, with its sole member being Eureka Housing Development Corporation, will own the property. Eureka Housing Development Corporation will be the sponsor.

The project was constructed in 1980 and is an acquisition/rehabilitation of a one and two story, 50 unit walk-up townhouse family apartment complex located on three non-contiguous sites in Eureka. The project is 100% Section 8 and the initial 40-year term of its HAP contract will expire September 30, 2021. Fourteen (14) years remain on the existing HAP contract. The Borrower will seek a new HAP contract upon expiration. CalHFA loan terms and conditions may be modified by staff in the event that said approvals impact the transaction.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	\$3,375,000
Interest Rate	5.30%, variable
Term	12 Months, interest only
Financing	Tax-exempt
Second Mortgage	\$1,150,000
Interest Rate	5.30%
Term	14 years, fully amortized
Financing	Tax-exempt

Third Mortgage	\$305,000
Interest Rate	3.0%
Term	30 years, residual receipt
Financing	Earned Surplus

Permanent

First Mortgage	\$940,000
Interest Rate	5.30%
Term	30/15 year fixed, fully amortized *
Financing	Tax-exempt

Second Mortgage	\$1,150,000
Interest Rate	5.30%
Term	14 years, fully amortized
Financing	Tax-exempt

Third Mortgage	\$305,000
Interest Rate	3.0%
Term	30 years, residual receipt
Financing	Earned Surplus

*If the HUD Section 8 subsidy is extended past the remaining 14 year term, the loan term will remain at 30 years. Otherwise, the loan is due and payable when the subsidy expires.

CalHFA rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

A Redevelopment Agency rehabilitation and permanent loan of \$500,000, with a rate of 3.0% and a term of 40 years, payable only from residual receipts. A Housing Authority carry back loan of \$2,400,000, with a rate of 3.0% and a term of 55 years, payable only from residual receipts.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on January 8, 1981, for a term of 40 years. The HAP contract will expire on September 30, 2021. CalHFA is the Section 8 Contract Administrator.

Assignment of the HAP contract to the Borrower; any required modification to the HAP contract, and the general plan of financing, are all subject to the approval of the Department of Housing and Urban Development ("HUD").

On January 29, 2007, the borrower submitted its request to the San Francisco HUD office to approve the waiver of the current Section 8 rent limits to provide for the financing of needed rehabilitation. Section 8 rents would be increased 3.3% above normal limits. The San

Francisco HUD office is recommending approval of the increase to the HUD Washington Central Office. A condition of CalHFA commitment approval is HUD's approval of the Section 8 rent increase for the remaining term of the HAP contract.

The borrower will be required to seek and accept any renewals of the project based Section 8 contract.

PROJECT DESCRIPTION

Project Location

- The project is located in the northern portion of the City of Eureka, in Humboldt County.
- Highway 101 traverses north through Eureka and continues into Oregon, to Tillamook, and intersects with Highway 6 into Portland. Highway 299 travels east inland and conjuncts with Interstate 5 in Redding.
- Eureka is the county seat for Humboldt County. The two largest cities in the area are Eureka and Arcata. The two cities have contiguous boundaries adjacent to Arcata Bay, and combine to be the industrial, medical, financial, educational, governmental, commercial, and social center for the north coast of California.
- The sites are located at 735 P Street, 1112 E Street, and 615 W. Hawthorne Street in the northern section of the City of Eureka.
- All three sites are surrounded by single family and multifamily residential residences.
- The subject properties are located in an established area of Eureka. Commercial developments are located along major thoroughfares. The subject properties have average locations with respect to commercial services, thoroughfares, public transportation, and community services.
- The area is anticipated to experience limited growth in the foreseeable future.

Site

- All three sites are irregular in shape and are 1.10 (735 P Street), 0.65 (1112 E Street), 0.56 (615 W. Hawthorne Street) acres respectively in size.
- The sites are zoned RM2500 and RM1000, and are legally conforming. The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- Each property was built in 1980 and the total 50-units comprise one and two story walk-up and townhouses consisting of 12 one bedrooms, 27 two bedrooms, and 11 three bedrooms. The basic structure consists of wood frame construction and wood siding on a concrete foundation with pitched composition asphalt and single-pane glass windows. Access for all the units is through exterior stairwells or a ground floor entrance. Each unit has wall mounted gas furnace heating.
- Thirty-five of the units are flat style, the remaining 15 units are townhouse, two bedroom, two bath units. Each unit includes sheet vinyl in the kitchen and bath areas and wall-to-wall carpet in the remaining areas, a garbage disposal, a gas range/oven, and a refrigerator. Each unit is equipped with washer and dryer hook-ups and individual hot water heaters.
- Exterior amenities are limited to landscaped common areas.

- The project includes 74 uncovered parking spaces. Street parking is also available.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in fair to average overall condition for a development of this type and in average condition when compared to other developments of similar type and age in the City of Eureka.
- The scope of rehabilitation work is as follows:
- **Shear Panel and Exterior Siding Replacement, \$1,150,000** – Removal and replacement of T1-11 siding with Hardi-Plank. Replace shear panel at siding replacements.
- **Building and common areas, \$904,000** – Parking area resurfacing (\$75,000), dual pane windows (\$180,000), Demolish building at E Street, build a new community building (\$120,000), exterior painting (\$117,000).
- **Residential Units, \$499,800** – Cabinets (\$126,000), carpet and vinyl flooring (\$60,000), paint interior (\$102,000), appliances, water heaters, and gas wall heaters (\$50,000)

The total amount of immediate rehabilitation is \$2,897,784 or \$57,955 per unit. Work is scheduled to commence no later than June 2007 and be completed within 12 months after commencement.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

The Eureka Housing Authority's Relocation Plan/Guide has been adopted from HUD's "HOME VI" program and addresses all relocation issues. The Housing Programs Compliance Officer for the Eureka Housing Authority will monitor compliance. The renovation will take place around the occupied units, with some temporary displacement (approximately 1-2 weeks) required. The borrower will make every effort to minimize the disruption to the project's family residents by relocating residents to a location within close proximity to the project. The borrower will comply with all state and federal regulations requiring temporary relocation, including assurance that all temporary relocation costs will be borne by the project and not by the tenant. The specific unit renovation such as window replacement, kitchen cabinets and carpeting and vinyl will require temporary displacement of the tenant. The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work, timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) consists of a three-mile radius from the subject properties in the northern portion of the city of Eureka. It is estimated that 80+% of the tenant population will be from this area. The estimated PMA population is 38,219 persons (2006) and is expected to

grow by 1.97% to 40,020 by 2011. There are 16,217 households within the PMA population, of which 50.2% are owners and 44.3 % are renters, and 5.5% are vacant.

Housing Supply and Demand

- The rental housing stock in the PMA is primarily comprised of average market rate apartments (1970-1980s) in good condition.
- Occupancy rate for market rate units as of December 2006 is 96.3%. LIHTC properties have an average occupancy rate of 100%, with waiting list ranging from six months to several years long.
- At the time of rehabilitation completion in 2008, there will be a projected total demand for 1,282 rental units targeting general households in the Eureka Market Area with incomes between 50% and 60% of AMI. Specifically, there will be a demand for 219 one bedroom, 574 two bedroom and 489 three bedroom units. Given this demand, the project would need to capture 3.9 percent of the income eligible renter households in the Primary Market Area.
- There are no new affordable or market rate housing currently planned within the PMA.

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy other than temporary displacement during the rehabilitation period.

ENVIRONMENTAL

An updated Phase I Environmental Assessment report was completed on January 12, 2007, by SHN Consulting Engineers and Geologists. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation is currently in process.

DEVELOPMENT TEAM

Borrower

Eureka California Family Housing, a limited partnership

- The non-profit Managing General Partner will be Eureka Family Housing LLC whose sole member is Eureka Housing Development Corporation, located in Eureka California.

Management Agent

Housing Authority of the City of Eureka

- The Housing Authority of the City of Eureka will manage the property. The Housing Authority of the City of Eureka has been in existence for 51 years providing affordable housing. Robert H. Morelli, Executive Director, who is certified as a Public Housing Manager (PHM), and is charged with the authority, responsibility and accountability of

the management system. The Housing Authority of the City of Eureka operates 198 units of Public Housing. In 1976, by Article 34 Referendum vote of the citizens of Eureka, the Housing Authority of the City of Eureka was given authority to produce 250 units of affordable housing within the Eureka city limits. The subject is part of this referendum authority.

- Presently, both the Housing Authority of the City of Eureka and the Housing Authority of the County of Humboldt administer the Section 8 Choice Voucher Program which is governed by Section 8 of the United States Housing Act of 1937, the Housing and Community Development Act of 1974, and the Quality Housing and Work Responsibility Act of 1998. In this program, staff administers 663 units for the Eureka program and 543 units for the Humboldt Count program.

Architect

Joan Briggs, JMB Architecture

- Since acquiring her license in 1985 to practice Architecture, Ms. Briggs has established a successful practice including public, commercial, residential and retail projects in Ventura, Los Angeles, San Louis Obispo, Sacramento, and Humboldt Counties.
- She is providing consulting services for the Eureka Housing Authority that include design studies, producing construction and procurement bid documents, and providing construction management.

Contractor

William Cosby Construction

- The firm is located in Eureka, California. The construction firm has previously done work with the Housing Authority of the City of Eureka.

1
2
3 RESOLUTION 07-09
4

5 RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT
6
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8 WHEREAS, the California Housing Finance Agency (the "Agency") has received
9 a loan application on behalf of Eureka California Family Housing, a limited partnership
10 (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to
11 provide financing for a multifamily housing development located in Eureka, Humboldt
12 County, California, to be known as Eureka Family Housing (the "Development"); and
13

14 WHEREAS, the loan application has been reviewed by Agency staff which
15 prepared a report presented to the Board on the meeting date recited below (the "Staff
16 Report"), recommending Board approval subject to certain recommended terms and
17 conditions; and
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19 WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as
20 the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior
21 expenditures for the Development with proceeds of a subsequent borrowing; and
22

23 WHEREAS, on January 17, 2007, the Executive Director exercised the authority
24 delegated to her under Resolution 94-10 to declare the official intent of the Agency to
25 reimburse such prior expenditures for the Development; and
26

27 WHEREAS, based upon the recommendation of staff and due deliberation by the
28 Board, the Board has determined that a final loan commitment be made for the
29 Development;
30

31 1. The Executive Director, or in his/her absence, either the Chief Deputy
32 Director or the Director of Multifamily Programs of the Agency is hereby authorized to
33 execute and deliver a final commitment letter, in a form acceptable to the Agency, and
34 subject to recommended terms and conditions set forth in the Staff Report, in relation to the
35 Development described above and as follows:
36

37 PROJECT	DEVELOPMENT NAME/	NUMBER	MORTGAGE
38 <u>NUMBER</u>	<u>LOCALITY</u>	<u>OF UNITS</u>	<u>AMOUNT</u>
40 07-004-A	Eureka Family Housing	50	\$3,375,000 1 st Mortgage
41			\$ 940,000 Permanent
42			\$1,150,000 2 nd Mortgage
43			\$ 305,000 3 rd Mortgage
44			

1 Resolution 07-09

2 Page 2

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5 2. The Executive Director may modify the terms and conditions of the loans or
6 loans as described in the Staff Report, provided that major modifications, as defined below,
7 must be submitted to this Board for approval. "Major modifications" as used herein means
8 modifications which either (i) increase the total aggregate amount of any loans made pursuant to
9 the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
10 Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
11 Programs of the Agency, adversely change the financial or public purpose aspects of the final
12 commitment in a substantial way.

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14 I hereby certify that this is a true and correct copy of Resolution 07-09 adopted at a duly
15 constituted meeting of the Board of the Agency held on March 8, 2007 at Sacramento,
16 California.

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ATTEST: _____
Secretary

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March 6, 2007

PRIVILEGED & CONFIDENTIAL

Mr. John A. Courson
Board Chairman
California Housing Finance Agency
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Sacramento, CA 95814

Re: Coalition of Concerned CalHFA Employees

Dear Mr. Courson:

I write to report to you on the outcome of my review conducted as a result of a memorandum that the California Housing and Financing Agency Board of Directors received. A copy of the memorandum is attached.

Background

On January 8, 2007, CalHFA retained my office after the CalHFA Board and others received a five-page memorandum dated January 3, 2007, purporting to be from "a group of long-term CalHFA employees calling ourselves a Coalition of Concerned CalHFA Employees (CCCE)." The memorandum discloses neither the identities nor the number of employees making up this coalition.

Despite the challenges inherent in reviewing and responding to anonymous charges, the Board, wishing to exercise due diligence to ensure the fairness and impartiality of its compensation process and decisions, directed me to conduct an independent inquiry into specific areas of concern raised in the CCCE memorandum.

The memorandum writer(s) set forth the following three areas of concern that the Board deemed warranted review:¹

1. Ms. Parker “was able to surreptitiously obtain a ‘friendly amendment’ to SB 257, well after the bill was introduced, adding . . . special salary enhancement language” (page 1 of the memorandum).
2. Ms. Parker allegedly promised Bruce Karatz, CEO of KB Home (one of CalHFA’s approved outside mortgage originators) that CalHFA would increase its purchase of KB Home mortgage loans if Mr. Karatz would influence Governor Gray Davis to reappoint Ms. Parker (pages 2-3 of the memorandum).
3. In fulfillment of the promised quid pro quo to Karatz, following Ms. Parker’s reappointment CalHFA purchased millions of dollars of underperforming or nonperforming KB Home mortgages (page 3 of the memorandum).

SCOPE OF REVIEW

Over the past few weeks I have interviewed former and current CalHFA employees occupying various positions within the agency. None of the persons I interviewed admitted membership in or any familiarity with the CCCE. While no one interviewed specifically asked that I withhold their names, for purposes of this report I will not reveal the identities of all of those interviewed unless the Board deems full disclosure necessary. Three individuals who were key to providing significant background information, and whose identities will be evident, are Theresa Parker, Jerry Smart and Di Richardson.

In addition to the phone interviews, I also collaborated with Jerry Smart in generating and reviewing loan data against which to evaluate the claims made by the memorandum’s authors.

FINDINGS

1. **CCCE’s Charge That Theresa Parker Surreptitiously Inserted Eleventh-Hour Salary Enhancement Language Into SB 257.**

The writer or writers of the CCCE memorandum refer to Senate Bill 257, passed in September of last year, and state that “[Terri Parker] was able to surreptitiously obtain a ‘friendly amendment’ to SB 257, well after the bill was introduced, adding . . . special salary enhancement language” that would benefit her and her colleagues (page 1 of the memorandum).

¹ The memorandum contains other allegations which the Board did not deem appropriate for review, as the allegations are criticisms of the CalHFA Executive Director Theresa Parker and her staff (e.g., Ms. Parker pressured the board to raise her and others’ salaries, Ms. Parker has an emotionally immature, dysfunctional and vindictive management style, Ms. Parker and other key employees at CalHFA lack the necessary education, background and qualifications to do their jobs) which the Board could readily evaluate for itself in the course of working with Ms. Parker.

I interviewed CalHFA's Legislative Director Di Richardson about the background of SB 257. Ms. Richardson explained that before the enactment of SB 257, CalHFA's financing authority was limited to two categories of housing: (1) single-family homes and (2) multi-family rentals (such as apartment complexes). Neither of those housing categories fit the needs of California's special needs population. Such special needs individuals are often better served by different housing models, such as small group home settings or multiple patients in a single-family home.

In November 2004, the Legislature passed Proposition 63, the Mental Health Services Act, to provide increased funding and resources to special needs individuals. Prop 63 taxed California residents with incomes of over \$1 million, and authorized up to ten percent of the funds raised to be used for infrastructure costs which included supportive housing structures.

Darrell Steinberg, Chair of Prop 63's oversight committee, wanted to securitize those funds and use CalHFA's financing expertise for special needs housing. Two issues, however, needed to be addressed: First, CalHFA, while it had been doing increasing amounts of special needs lending for smaller deals, needed clarification of its authority before participating in larger deals. Second, because of the complexities of special needs housing, CalHFA would need relief from existing salary restrictions. Richardson told Steinberg that CalHFA was having a major problem with recruitment and retention because its salaries were not competitive.

Mr. Steinberg was between terms and not holding elected office at the time, so he recommended Wesley Chesbro, a Senate appointee to the Prop 63 committee who was familiar with the issues, to sponsor legislation. As the Legislature in 2006 was approaching the end of a two-year cycle, Steinberg and CalHFA needed to find an existing bill that was not being used. Senator Chesbro offered to let them use SB 257, an unused bill he had authored over a year before on mental health services that was "parked" in the second house.

Ms. Richardson and CalHFA's legal office provided to Senator Chesbro's staff the language for the bill, addressing both the special needs financing and the salary relief component. The Senator's staff recommended that SB 257, at least initially, include only the special needs financing component. Ms. Richardson, however, insisted that the salary relief language be included in the legislation from the beginning so that it was completely out in the open and no one could accuse them of doing anything at the last minute or, in her words, "of hiding the ball."

My on-line review of SB 257's complete bill history is consistent with Ms. Richardson's account and reveals the following:

As originally introduced by Senator Chesbro on February 15, 2005, SB 257 was intended to make certain changes to the Mental Health Services Act (California Welfare & Institutions Code section 5845). The bill was then placed on inactive status in June 2005.

A year later, in June 2006 (as a result of discussions between Mr. Steinberg, CalHFA and Senator Chesbro), SB 257 was removed from the inactive file. By amendment in the Assembly

on June 19, 2006, the bill's provisions relating to mental health were replaced by provisions relating to financing special needs housing to be included in the California Health & Safety Code.

Three days later, on June 22, 2006, the Assembly amended SB 257 to include salary relief language (shown below in italics) as follows:

LEGISLATIVE COUNSEL'S DIGEST

SB 257, as amended, Chesbro. Special needs housing.

* * *

Existing law requires the agency [CalHFA] to be administered by a board of directors, and requires the board to determine the compensation for the executive director of the agency. Existing law prohibits the compensation for the executive director to exceed the salary of the Secretary of the Business, Transportation and Housing Agency.

This bill would . . . require the board to determine the compensation for all key exempt management, as prescribed, and would remove the limitation on the executive director's compensation as it relates to the salary of the Secretary of the Business, Transportation and Housing Agency.

* * *

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

* * *

(b) Financing special needs housing, as well as efficiently leveraging other funds available for this purpose, is complex and involves significant financial risks. CalHFA has the management, financial, and legal expertise to structure the transactions and to manage these risks over a long term. The ability of CalHFA to effectively and efficiently provide this special needs financing requires amendments to the agency's statutes, including clear authority for the agency to issue bonds to raise capital for tax-exempt and taxable loans to finance special needs projects.

(c) The provision of additional financing through CalHFA provides significant advantages to the state. CalHFA is financially independent from the State of California. Its bond obligations are not a debt or liability of the state, nor does it require a pledge of

the full faith and credit of the state. CalHFA is a self-supporting entity, and raises all of its capital from private investors through the issuance of bonds.

(d) CalHFA's high quality credit rating depends in significant part on ratings agency and investor confidence in the ability of the management of the agency. Credit ratings agencies evaluate the expertise and effectiveness of CalHFA management in connection with the agency's issuer credit rating. CalHFA's current issuer rating specifically recognizes that CalHFA has experienced significant difficulty in attracting and retaining key management personnel as a result of compensation that is significantly less than is offered by other comparable housing finance agencies. The continued ability of the agency to meet its duties to bondholders, to maintain its high credit rating, and to manage the risk of complex real estate finance transactions such as those contemplated in this act, depends substantially on the ability of the agency to attract and retain key executive management over the long term.

(e) CalHFA must operate as a professional, self-supporting financial institution. Each fiscal year, the CalHFA Board of Directors (board) of the agency enacts a business plan, including an operating budget containing salaries. This act enables the board to attract and retain key personnel by clarifying the board's authority to establish compensation for key executive and management positions. This compensation will be competitive with that of other comparable state and local housing finance entities, according to salary survey methodology reviewed by the Department of Personnel Administration.

SEC. 2. Section 50909 of the Health and Safety Code is amended to read:

50909. (a) Notwithstanding Sections 19816 and 19825 of the Government Code, *the compensation of key exempt management, including the executive director, the chief deputy director, the general counsel, the director of financing, the director of homeownership programs, the director of multifamily programs, the director of insurance and the financial risk management director shall be established by the board in the agency's annual budget, in amounts which are reasonably necessary, in the discretion of the board, to attract and hold a person of superior qualifications. To determine the compensation for the positions described in this section, the agency shall conduct salary surveys of both of the following:*

(1) Other state and local housing finance agencies that are most comparable to CalHFA.

(2) Other relevant labor pools.

(b) The Department of Personnel Administration shall review the methodology used in these salary surveys.

On August 7, 2005, SB 257 was amended in the Assembly with the above salary relief language left unchanged.

On August 21, 2006, SB 257 was again amended, with some slight changes to the salary relief language.

On August 23, 2006, SB 257 passed the Assembly.

On August 30, 2006, SB 257 passed the Senate.

On September 7, 2006, SB 257 was enrolled to the Governor, and on September 29, 2006, Governor Schwarzenegger approved the legislation. The Secretary of State chaptered SB 257 the same day.

As is evident in the above legislative history, the salary relief provisions of SB 257 were inserted on June 22, 2006, two days after the bill was gutted of its mental health provisions and amended to provide for state financing of special needs housing. The salary language referred to by the CCCE memorandum authors was in the bill from June 22, 2006 until the bill's passage three months later by both houses and the Governor. During that three-month time frame (6/22/06 to 9/29/06) the bill was read and reread, was referred back to committee several times, and was amended in various particulars.

Finding: The background and legislative history of SB 257 fail to reveal any "surreptitious" or last minute insertion of salary enhancement language in SB 257 favoring CalHFA's executive director or other key employees.²

2. The CCCE's Charge That Theresa Parker Promised Bruce Karatz That CalHFA Would Increase Its Purchase of KB Home's Mortgage Loan Products If Mr. Karatz Used His Influence With Governor Gray Davis To Ensure Ms. Parker's Reappointment.

I interviewed Executive Director Terri Parker about the CCCE memorandum's claim that she promised KB Home CEO Bruce Karatz that CalHFA would buy more KB Home mortgage loans if Mr. Karatz would influence Governor Davis to reappoint Ms. Parker.

Ms. Parker denies knowing or ever having met Bruce Karatz. She has never spoken to him in person or by phone. She does not know what he looks like. She has no reason to believe that Mr. Karatz knows her. Ms. Parker denies ever telling Mr. Karatz or anyone else, whether associated with KB Home or not, that she would increase CalHFA's purchase of KB Home

² The CCCE memorandum writers' assertion that the salary relief language was inserted into SB 257 "well after SB 257 was introduced" is technically correct, but only because SB 257 as originally introduced back in February 2005 was an entirely different bill addressing an entirely different subject. The bill was placed on inactive status in June 2005, remained inactive for a year and would never have been used. Senator Chesbro offered the unused bill to Mr. Steinberg and CalHFA so they could turn it into legislation for special needs housing. Within days of modifying the bill for that purpose in June 2006, the salary relief provisions were included.

mortgage loans if Mr. Karatz would influence the Governor to reappoint her. Ms. Parker does not know what relationship, if any, Mr. Karatz has or ever had with Governor Davis.³

Ms. Parker's term was up in 2003, and for her to continue serving as Executive Director, Governor Davis needed to reappoint her. Ms. Parker acknowledges calling CalHFA's various stakeholders and asking them to write letters to the Governor on her behalf. She is "pretty sure" she asked Larry Gotlieb, KB Home's Vice President for Government and Public Affairs, to write a letter of support, but again, she denies making any statements to Gotlieb that could be construed as promising business or favors from CalHFA in exchange for such a letter.

Finding: There is no evidence to substantiate the charge that Ms. Parker promised KB Home or any other CalHFA stakeholder favorable treatment in exchange for supporting her reappointment to Executive Director.

3. The CCCE's Charge That CalHFA, Pursuant To A *Quid Pro Quo* Understanding Between Ms. Parker and Bruce Karatz, Increased Its Purchases Of KB Home's Substandard Mortgage Loan Products.

The CCCE memorandum writer(s) imply that Ms. Parker's influence peddling with Mr. Karatz can be shown by the increase in CalHFA's purchase of KB Home mortgage loan products – products that CalHFA knew to be substandard – following Ms. Parker's reappointment to Executive Director. The CCCE does not directly define what it means by "substandard" but seems to equate "substandard" with "underperforming or non-performing" mortgage loans (pages 2-3 of the memorandum).

Theresa Parker denies being able to covertly control or influence any of CalHFA's employees in the purchase of KB Home mortgages. None of the CalHFA employees I interviewed could recount an instance where Ms. Parker had tried to influence them to do more business with KB Home.

CalHFA's Homeownership Program Chief, Jerry Smart, explained in interview that CalHFA has done business with KB Home for many years. KB Home was a "lower end" builder (that is, built cheaper homes), so buyers of homes in KB Home projects were a natural fit for CalHFA's program levels in terms of income and purchase price. Mr. Smart points out that CalHFA never performed the underwriting on KB Home mortgage loans. KB Home did its own underwriting and CalHFA simply reviewed the loans for compliance with the agency's borrower eligibility standards (e.g., income level, credit scores, debt ratios, appraisal analysis, etc.).

Mr. Smart generated a series of spreadsheets on CalHFA's loan portfolio to see if we could detect any trends suggestive of the charges being made by CCCE.

First, Mr. Smart tracked the total volume of loans that CalHFA purchased from KB Home or its related companies, broken down by year, from 1983 (when CalHFA first began to

³ Ms. Parker says she is willing to submit to a polygraph examination.

do business with KB Home) to the present. Mr. Smart's data show that KB Home mortgages, as a percentage of total mortgage loans purchased by CalHFA, peaked in volume in the early to mid-1990s, topping out in 1995 at 12.73% of CalHFA's total mortgage loan purchases. After 1995, the percentage of loans CalHFA purchased from KB Home steadily declined until 2006 when CalHFA purchased no KB Home mortgage loans.⁴ (See Enclosures 1 and 2.)

Next, Mr. Smart tracked the number of loan delinquencies each year to see whether KB Home mortgage loans underperformed relative to CalHFA's entire portfolio of loans. The data fail to support a conclusion. In 1994 and 1995, of CalHFA's loans that were delinquent, 13.33% and 9.68% of the delinquent loans for those years, respectively, were KB Home-originated loans. Yet the number of delinquent loans (15 delinquencies, 2 of which were KB Home loans in 1994; and 31 delinquencies, 3 of which were KB Home loans in 1995) is too small to be statistically significant.

More significantly, in the years 2003 and following (*i.e.*, the period after Ms. Parker's reappointment when the CCCE claims that CalHFA was knowingly purchasing substandard KB Home product), the rate of KB Home loan delinquencies compared to total delinquencies in CalHFA's loan portfolio is small (2.24% in 2003, 1.13% in 2004; 0% in 2005). (See Enclosures 1 and 3.)

Finding: There is no evidence showing an increase in CalHFA's purchases of KB Home mortgage loans following Ms. Parker's reappointment, nor is there evidence that KB Home's mortgage loans were substandard, or nonperforming, or underperforming, compared to other loans purchased by CalHFA.

This concludes my report and findings. Thank you for providing me the opportunity to assist you and please do not hesitate to call me if you have any questions or need further information.

Very truly yours,

SEYFARTH SHAW LLP

Mark H. Van Brussel

MHV:ln
Encls.

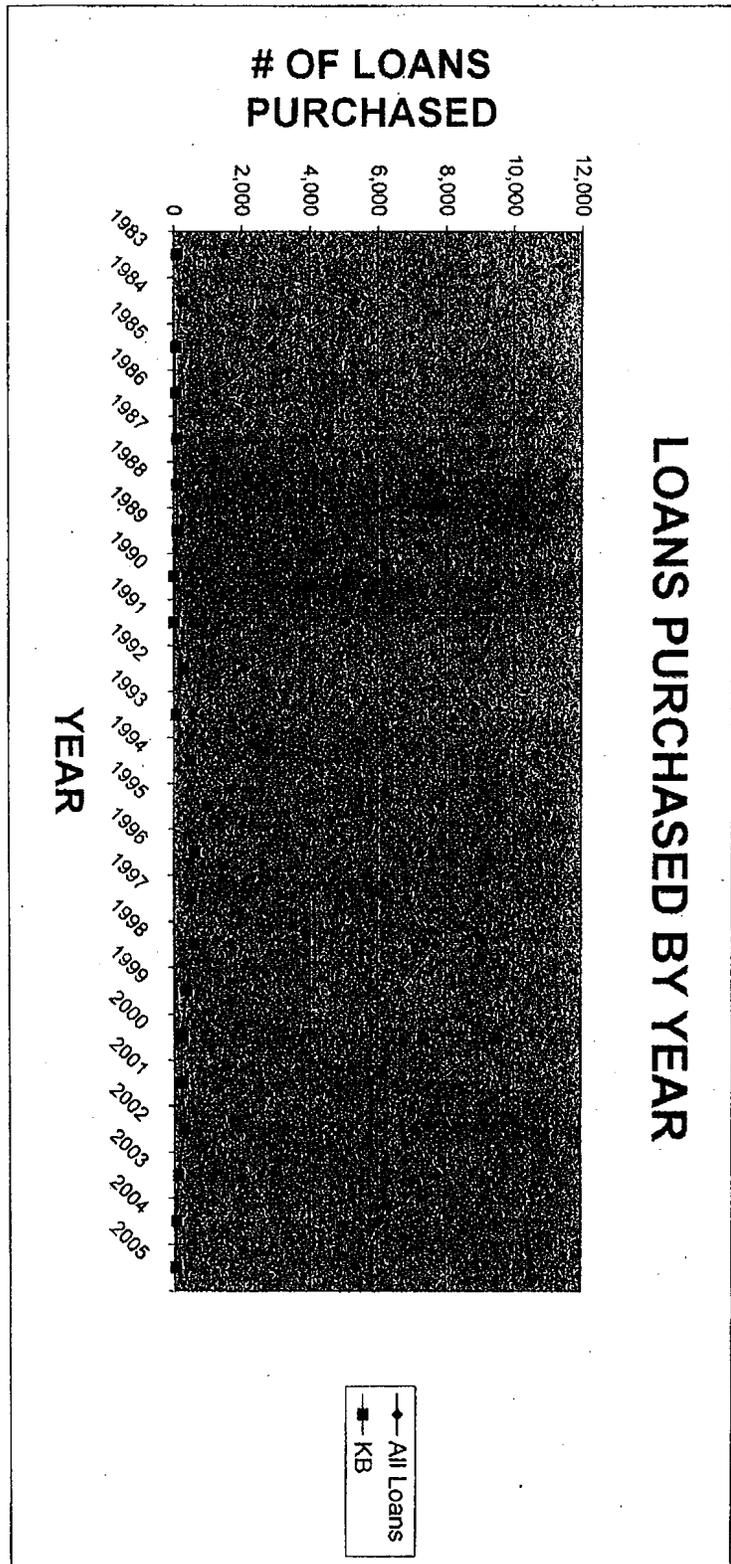
⁴ The only exception to the steady downward trend in purchases of KB Home mortgage loans was in 2002, when CalHFA purchased 318 KB Home mortgages on entry-level homes that KB Home had built at the old Mather Air Force Base. As a result of the Mather development, 4.5% of the loans CalHFA bought in 2002 were KB Home loans. In 2003, that percentage declined to 1.59%.

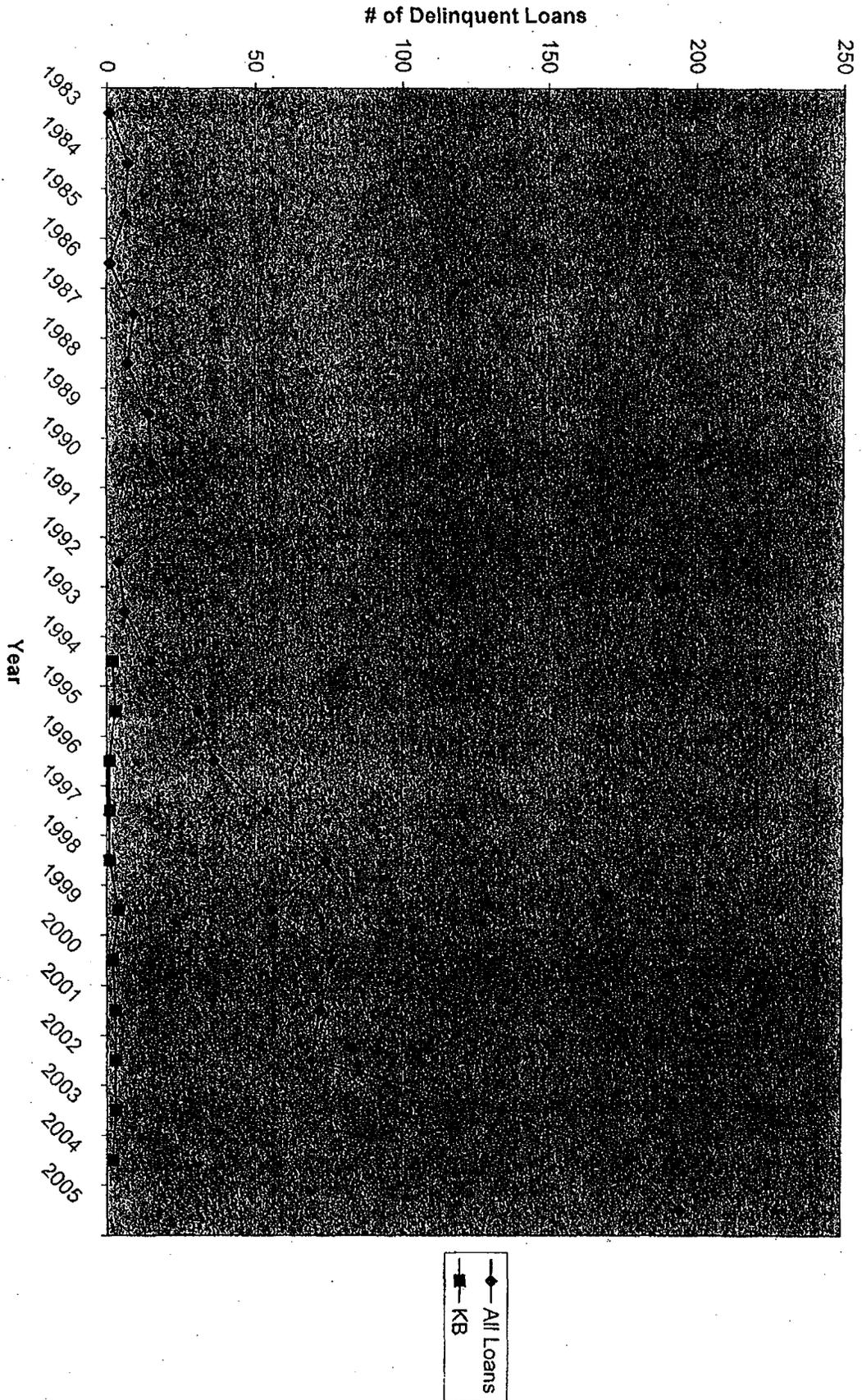
Loans Purchased by Year			
Year	All Loans	KB	Comparison
1983	1,480	83	5.61%
1984	5,326	266	4.98%
1985	2,885	66	2.29%
1986	1,232	61	4.95%
1987	4,536	96	2.12%
1988	4,933	91	1.84%
1989	7,370	117	1.59%
1990	5,481	144	0.26%
1991	5,045	22	0.44%
1992	2,074	290	13.98%
1993	543	77	14.18%
1994	4,829	491	10.17%
1995	7,863	1,001	12.73%
1996	7,262	620	8.54%
1997	6,838	489	7.15%
1998	7,701	593	7.70%
1999	6,637	374	5.64%
2000	9,548	226	2.37%
2001	7,569	219	2.89%
2002	7,072	318	4.50%
2003	7,750	123	1.59%
2004	6,014	54	0.90%
2005	5,327	23	0.43%
	125,315	5,713	4.56%

Active Loans by Year Purchased			
All Loans	KB	Comparison	
37	1	2.70%	
198	2	1.01%	
107	2	1.87%	
70	6	8.57%	
178	5	2.81%	
128		0.00%	
252	2	0.79%	
248	1	0.40%	
233	2	0.86%	
117	6	5.13%	
47	4	8.51%	
363	16	4.41%	
386	27	6.99%	
548	21	3.83%	
596	24	4.03%	
1,211	49	4.05%	
1,048	23	2.19%	
743	11	1.48%	
1,185	20	1.69%	
1,738	43	2.47%	
3,556	55	1.55%	
4,011	39	0.97%	
4,977	22	0.44%	
	381	1.73%	
	21,977		

Delinquent Loans by Year Purchased			
All Loans	KB	Comparison	
1			
7			
6			
1			
9			
7			
14			
15			
28			
4			
6			
15	2	13.33%	
31	3	9.68%	
36	1	2.78%	
54	1	1.85%	
74	1	1.35%	
56	4	7.14%	
76	2	2.63%	
72	3	4.17%	
69	3	4.35%	
134	3	2.24%	
177	2	1.13%	
195		0.00%	
	25	2.30%	
	1087		

Loans Paid in Full by Year Purchased			
All Loans	KB	Comparison	
1,443	82	5.68%	
5,128	263	5.13%	
2,778	64	2.30%	
1,162	55	4.73%	
4,358	91	2.09%	
4,805	91	1.89%	
7,118	115	1.62%	
5,233	13	0.25%	
4,812	20	0.42%	
1,957	284	14.51%	
496	73	14.72%	
4,466	475	10.64%	
7,477	974	13.03%	
6,714	599	8.92%	
6,242	465	7.45%	
6,490	544	8.38%	
5,589	351	6.28%	
8,805	215	2.44%	
6,384	199	3.12%	
5,334	275	5.16%	
4,194	68	1.62%	
2,003	15	0.75%	
350	1	0.29%	
	5332	5.16%	
	103,338		





Delinquent Loans by Year Purchased

MEMORANDUM

To: Board of Directors

Date: 3-08-07

From: Tom Hughes, General Counsel
CALIFORNIA HOUSING FINANCE AGENCY

Subject: March 2, 2007 Anonymous Memo

On March 5, 2007, the Agency received a copy of an anonymous memo dated March 2, 2007, relating to executive compensation, and purporting to be from a group called Coalition of Concerned CalHFA Employees. The memo's distribution list indicates that it was sent to all Board members.

Board member John Morris called me on March 6, 2007, and I asked that I relay a message to Board members at the March 8, 2007 meeting. Mr. Morris is requesting that the Board have the audit committee review the allegations made in that memo. The matter is not on the March 8, 2007 agenda, and was received too late to place it on the agenda for action. The Board may elect to place it on an agenda for a later meeting.

March 5, 2007

CALIFORNIA HOUSING FINANCE AGENCY
2006/07
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 2005-06</u>	<u>Adopted 2006-07</u>	<u>Amended 2006-07</u>	<u>Proposed 2006-07</u>
PERSONAL SERVICES				
Authorized Salaries	\$15,734	\$18,570	\$886	\$19,456
Estimated Salary Savings		(928)		(928)
Staff Benefits	4,993	5,292	200	\$5,492
TOTALS, Personal Services	<u>\$20,727</u>	<u>\$22,934</u>	<u>\$1,086</u>	<u>\$24,020</u>
OPERATING EXPENSES AND EQUIPMENT				
General Expense	770	750	0	750
Communications	619	660	0	660
Travel	496	502	0	502
Training	143	155	0	155
Facilities Operation	2,652	2,885	0	2,885
Consulting & Professional Services	5,152	6,062	0	6,062
*Central Admin. Serv.	1,230	1,428	0	1,428
Information Technology	954	830	0	830
Equipment	439	450	0	450
TOTALS, Operating Expenses and Equipment	<u>\$12,455</u>	<u>\$13,722</u>	<u>\$0</u>	<u>\$13,722</u>
TOTALS, EXPENDITURES	<u>\$33,182</u>	<u>\$36,656</u>	<u>\$1,086</u>	<u>\$37,742</u>

* 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.

March 5, 2007

CALIFORNIA HOUSING FINANCE AGENCY
2006/07
CalHFA FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 2005-06</u>	<u>Adopted 2006-07</u>	<u>Amended 2006-07</u>	<u>Proposed 2006-07</u>
PERSONAL SERVICES				
Authorized Salaries	\$15,244	\$17,748	\$828	\$18,576
Estimated Salary Savings		(887)		(887)
Staff Benefits	4,772	5,058	186	\$5,244
TOTALS, Personal Services	<u>\$20,016</u>	<u>\$21,919</u>	<u>\$1,014</u>	<u>\$22,933</u>
OPERATING EXPENSES AND EQUIPMENT				
General Expense	754	725	0	725
Communications	605	637	0	637
Travel	467	472	0	472
Training	130	135	0	135
Facilities Operation	2,574	2,794	0	2,794
Consulting & Professional Services	4,550	5,797	0	5,797
*Central Admin. Serv.	736	1,355	0	1,355
Information Technology	922	800	0	800
Equipment	439	400	0	400
TOTALS, Operating Expenses and Equipment	<u>\$11,177</u>	<u>\$13,115</u>	<u>\$0</u>	<u>\$13,115</u>
TOTALS, EXPENDITURES	<u><u>\$31,193</u></u>	<u><u>\$35,034</u></u>	<u><u>\$1,014</u></u>	<u><u>\$36,048</u></u>

* 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.

March 5, 2007

CALIFORNIA HOUSING FINANCE AGENCY
2006/07

MIS FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	<u>Actual 2005-06</u>	<u>Adopted 2006-07</u>	<u>Amended 2006-07</u>	<u>Proposed 2006-07</u>
PERSONAL SERVICES				
Authorized Salaries	\$489	\$822	\$58	\$880
Estimated Salary Savings		(41)		(41)
Staff Benefits	222	234	14	\$248
TOTALS, Personal Services	<u>\$711</u>	<u>\$1,015</u>	<u>\$72</u>	<u>\$1,087</u>
OPERATING EXPENSES AND EQUIPMENT				
General Expense	17	25	0	25
Communications	14	23	0	23
Travel	29	30	0	30
Training	13	20	0	20
Facilities Operation	77	91	0	91
Consulting & Professional Services	601	265	0	265
*Central Admin. Serv.	494	73	0	73
Information Technology	32	30	0	30
Equipment	0	50	0	50
TOTALS, Operating Expenses and Equipment	<u>\$1,277</u>	<u>\$607</u>	<u>\$0</u>	<u>\$607</u>
TOTALS, EXPENDITURES	<u><u>\$1,988</u></u>	<u><u>\$1,622</u></u>	<u><u>\$72</u></u>	<u><u>\$1,694</u></u>

* 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.

RESOLUTION 07-08

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RESOLUTION APPROVING REVISED 2006-2007 OPERATING BUDGET

WHEREAS, the Board of Directors of the California Housing Finance Agency (the "Board") has previously approved the 2006-2007 operating budget of the California Housing Finance Agency; and

WHEREAS, the Board has reviewed proposed amendments and revisions to the 2006-2007 operating budget of the Agency,

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

1. The revised and amended 2006-2007 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 07-08 adopted at a duly constituted meeting of the Board of Directors of the Agency held on March 8, 2007, at Sacramento, California.

ATTEST: _____
Secretary

California Housing Finance Agency

Fiscal Years 2007/08 to 2011/12
Five-Year Business Plan
Concept Proposal

CalHFASM

Affordable Housing is our Business

CalHFA BUSINESS PLAN FY 2007/2008

- Overview of Special Programs Loan Initiatives
 - Production Goals for Homeownership
 - Production Goals for Mortgage Insurance
 - Production Goals for Multifamily Rental
 - Production Goals for Other Lending Programs
 - Asset Management Goals and Initiatives
 - Other Considerations
-

**CalHFA BUSINESS PLAN FY 2007/2008
SPECIAL PROGRAMS LOAN INITIATIVES
PRODUCTION LEVELS**

	HAT FUNDED PROGRAMS	GO BOND FUNDED PROGRAMS	PROPOSITION 63	TOTAL
Single Family Programs:				
Down Payment Assistance	\$ 30,700,000	\$ 47,800,000		\$ 78,500,000
SHBAP	1,300,000			\$ 1,300,000
Multifamily Programs:				
Residual Gap Loan Program	10,000,000			\$ 10,000,000
MHSA Housing / Special Needs			115,000,000	\$ 115,000,000
Asset Management:				
Portfolio Assistance	10,000,000			\$ 10,000,000
Special Lending:				
Habitat for Humanity	5,000,000			\$ 5,000,000
HELP	15,000,000			\$ 15,000,000
RDLP		40,000,000		\$ 40,000,000
Total	\$ 72,000,000	\$ 87,800,000	\$ 115,000,000	\$ 274,800,000

Homeownership Production Goals/Initiatives

- \$1.5 billion level of First Mortgage Production
 - Add a mortgage-backed securities platform for *interest only PLUSSM* product
 - Partner with Department of Veterans Affairs for “Year of the Vet Homeownership Program”
 - Procure and implement Homeownership automated business solution
-

Mortgage Insurance Production Goals/Initiatives

- Business plan targets are \$900 million for new insurance
- Continue to protect borrows with HomeOpeners[®] mortgage protection programs with CalHFA Conventional Loans
- Actively manage insured risks in declining market with increased delinquencies
- Complete detailed review of loan loss reserves
- Complete a ten-year capital adequacy model to support the Mortgage Insurance planning process

*"HomeOpeners" is a registered trademark of Genworth Mortgage Holdings, LLC.

Multifamily Production Goals/Initiatives

- Production Goals:
 - Construction \$ 60m
 - Permanent \$ 30m
 - BAHP \$ 25m
 - Multifamily Competitiveness Initiative
 - Interest rates, loan fees and processing
 - Architectural Review
 - MHSA Homelessness Initiative
-

Other Lending Production Goals/Initiatives

- Fund \$15 million of HELP Program Loans
 - \$5 million for Habitat for Humanity Loan Purchase program
 - Changes to Residential Development Loan Program
 - Increase funding to \$40 million annually
 - Increase loan term from 4 years to 5 years
 - Increase maximum loan to localities from \$4 million to \$5 million
 - Include construction expenses as eligible use, with a limit of \$2 million for this purpose
-

Asset Management Goals/Initiatives

- Portfolio preservation to extend affordability for tenants and rehabilitate physical structures
 - Review of prepayment policies for legal, financial and public benefit ramifications
 - Create operating subsidy program as part of the MHSA housing initiative
-

Other Considerations

- New Building Initiative
 - Other Strategic Initiatives
 - Fiscal Services Automation Project
 - Homeownership Automation Project
 - Business Continuity Management
 - Document Management
-

Financing Reports

- Update on Draw Down Bonds Program
- Variable Rate Bonds and Swaps

Draw Down Bonds

- **\$40.5 M outstanding**
 - **Refunded \$584.6 into long-term single family bonds**
 - **Preserves tax-exempt bond authority**
 - **Issued as variable rate bonds**
 - **Privately placed**
-

Report on Variable Rate Bonds and Swaps

Variable Rate Debt as of February 21, 2007

(\$ in Millions)

	Tied Directly to Variable <u>Rate Assets</u>	Swapped to <u>Fixed Rate</u>	Not Swapped or Tied to Variable <u>Rate Loans</u>	Total Variable <u>Rate Debt</u>
HMRB	\$ 2	\$ 3,747	\$ 454	\$ 4,203
MHRB	244	847	76	1,167
HPB	0	35	76	111
DDB	<u>40</u>	<u>0</u>	<u>0</u>	<u>40</u>
TOTALS	\$286	\$ 4,629	\$ 606	\$ 5,521

Types of Variable Rate Debt

(\$ in Millions)

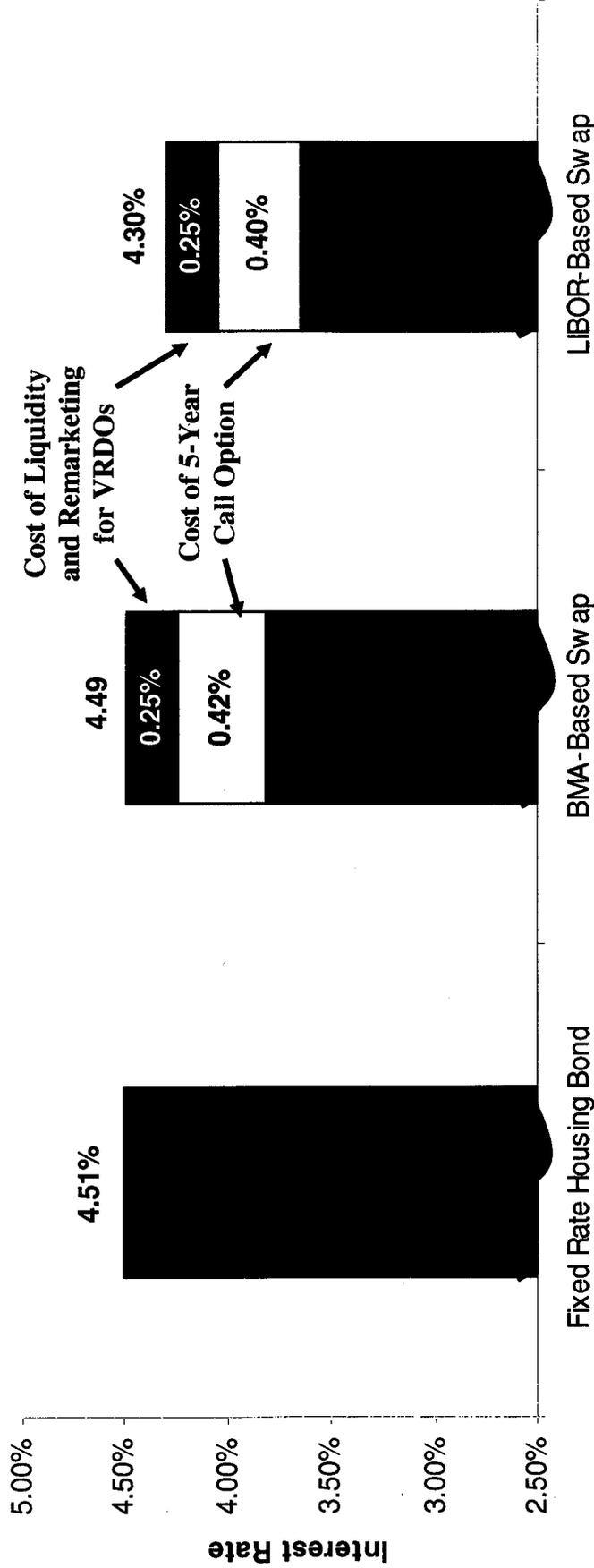
	Auction Rate & Similar <u>Securities</u>	Indexed Rate <u>Bonds</u>	Variable Rate Demand <u>Obligations</u>	Total Variable <u>Rate Bonds</u>
HMRB	\$ 159	\$ 954	\$ 3,091	\$ 4,204
MHRB	415	0	751	1,166
HPB	0	0	111	111
DDB	<u>0</u>	<u>40</u>	<u>0</u>	<u>40</u>
TOTALS	\$ 574	\$ 994	\$ 3,953	\$ 5,521

Fixed Payer Interest Rate Swaps

(\$ in Millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$3,057	\$771	\$3,828
MHRB	847	0	847
HPB	<u>35</u>	<u>0</u>	<u>35</u>
TOTALS	\$3,939	\$771	\$4,710

Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed) (All Rates as of February 20, 2007)



BMA-Based Swap: BMA Index x 101%

LIBOR-Based Swap: 64% LIBOR + 25 bps

State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: 7 March 2007

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

Subject: Legislative Report

The deadline for introducing bills was just over a week ago. We have had a couple of technical problems that prohibited us from accessing our bill tracking service, so I'm still in the process of reviewing and sorting bills and gathering information from authors and sponsors. Below you will find a preliminary list of several bills I think may be of interest to you.

You will notice that several of the bills noted below would affect the Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C), the \$2.85 billion general obligation bond approved this past November finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks. Some of those programs will require additional legislation before they can be implemented, and several vehicles have been introduced for that purpose.

As always, if you have any questions, please feel free to contact me at 916.324.0801.

Bonds

AB 600 (Garcia) Housing and Emergency Shelter Trust Fund Act of 2006: mobilehome parks: conversion to resident ownership. (1-02/21/2007)
Status: Pending committee assignment.

Summary:

This bill would set forth the intent of the Legislature to enact legislation to appropriate a portion of the bond funds made available for expenditure under the Housing and Emergency Shelter Trust Fund Act of 2006 to fund grants to assist in the conversion of rental mobilehome parks to resident ownership.

AB 1053 (Nunez) Housing and Emergency Shelter Trust Fund Act of 2006: expenditure. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill would set forth the intent of the Legislature that funds derived

under the bond act be expended in a specified manner for certain specified purposes.

AB 1091 (Bass) Housing and Emergency Shelter Trust Fund Act of 2006. (I-02/23/2007)

Status: Pending committee assignment.

Summary:

This bill would require the Department of Housing and Community Development to establish guidelines for the distribution of funds made available under the bond act, based on certain criteria relating to availability of local matching and other funds, community need for the proposed project, meeting, or exceeding certain affordable housing requirements, and other factors.

AB 1129 (Arambula) Rural regional affordable housing trust. (I-02/23/2007)

Status: Pending committee assignment.

Summary:

This bill would define a rural regional affordable housing trust as an entity of regional government that (1) is established as a joint powers authority; (2) has a voluntary membership consisting of not less than 2 rural counties, and the cities within those counties, and not less than 2 councils of governments serving the area of the 2 counties; (3) is established for the purpose of receiving and administering federal, state, local, and private financial resources made available to the trust to fund the development of affordable housing projects in jurisdictions that are members of the trust; and (4) has demonstrable, ongoing sources of dedicated revenue, including taxes, fees, loan repayments, and private contributions.

AB 1231 (Garcia) Infill development: incentive grants. (I-02/23/2007)

Status: Pending committee assignment.

Summary:

This bill would require the Department of Housing and Community Development to use funds allocated from the Regional Planning, Housing, and Infill Incentive Account to make infrastructure grants for construction or acquisition of capital assets to qualifying cities, counties, and cities and counties. The bill would require the grants to be used for infrastructure that is directly related to, and integral to facilitating the development of, identified infill housing projects. The bill would require the department to issue periodic Notices of Funding Availability specifying per-project limits and the competitive criteria upon which projects shall be selected. The bill would require projects to conform to certain criteria in order to be eligible for funding.

AB 1460 (Saldana) Multifamily Housing Program: project prioritization. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

With regard to the Multifamily Housing Program (MHP), this bill would require HCD to award reasonable priority points for projects to prioritize sustainable building methods established in accordance with certain criteria listed under state regulations relating to federal and state low-income housing tax credits. The bill would require the department to award the specified priority points, as modified under the bill, to qualified projects funded with the funds made available under the 2006 bond act for expenditure under the Multifamily Housing Program. This bill contains other existing laws.

AB 1493 (Saldana) Affordable Housing Innovation Fund: housing trust fund. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill would require the sum of \$20,000,000 from the funds in the Affordable Housing Innovation Fund to be used for the purposes of making matching grants under the Local Housing Trust Fund Matching Grant Program to cities and counties, or a city and county, and existing charitable nonprofit organizations that have created, funded, and operated housing trust funds prior to January 1, 2003.

AB 1536 (Smyth) Parks: Housing and Emergency Shelter Trust Fund Act of 2006. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill would declare the intent of the Legislature to enact legislation requiring the Department of Parks and Recreation to be the agency authorized to administer the housing-related parks grants in urban, suburban, and rural areas, and to be authorized to administer the grants for park creation, development, or rehabilitation to encourage infill development, pursuant to the bond act.

AB 1675 (Nunez) Transit-Oriented Development Implementation Program. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill, in its current form, would make a technical, nonsubstantive change to the Transit-Oriented Development Implementation Program.

SB 46 (Perata) Housing and Emergency Shelter Trust Fund Act of 2006. (1-12/22/2006)
Status: Pending committee assignment.

Summary:

This bill, in its current form, would make technical, nonsubstantive changes to the bond act.

SB 668 (Torlakson) School Employee and Teacher Housing Pilot Program. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill would set forth legislative declarations relating to the intent of the Legislature to establish a pilot program to develop a housing program to build affordable housing for teachers and staff in primary schools, junior high schools, middle schools, high schools, and community colleges by using underutilized state, school district, and community college district property and creative and innovative development and financing methods.

SB 753 (Correa) Affordable Housing Innovation Fund: Mobilehome Park Purchase Fund. (1-02/23/2007)
Status: Pending committee assignment.

Summary:

This bill would transfer an unspecified sum from the Affordable Housing Innovation Fund to the Mobilehome Park Purchase Fund to provide loans to qualified nonprofit housing sponsors, resident organizations, or low-income residents for the purpose of preserving affordable housing in mobilehome parks.

Downpayment Assistance

AB 1422 (Davis) Home Downpayment Assistance Agency. (1-02/23/2007)
Status: Pending committee assignment

Summary:

. This bill would establish the Home Downpayment Assistance Agency in state government for the purpose of administering a program that solicits non-tax-deductible contributions from private interests to fund downpayment assistance grants for grant applicants under the program. The bill would require the agency to develop criteria for approving grant applications that include certain, listed requirements. The bill would require the agency to award the grants on a first-come-first-served basis, subject to a specified set of priorities that give first priority to first responders and school teachers seeking downpayment assistance to purchase a home in the community in which the grant applicant is employed or has been offered employment. The bill would authorize the agency to contract out for consulting services and for the performance of

the fund solicitation function and routine administrative tasks.

Misc

SB 385

(Machado) Nontraditional mortgage products. (1-02/21/2007)

Status: Referred to Senate Com. on B., F. & I.

Summary:

This bill would require the Commissioner of Financial Institutions to issue regulations applying that guidance to all state regulated financial institutions and to issue emergency regulations in that regard. The bill would also require the Commissioner of Real Estate and the Commissioner of Corporations to adopt regulations or rules applying the guidance to real estate brokers and licensees, respectively, and would require those commissioners to adopt emergency regulations or rules in that regard. The bill would require the Secretary of Business, Transportation and Housing to ensure these commissioners adopt those regulations or rules in a consistent manner.

**BAY AREA HOUSING PLAN
SCHEDULE OF PROPERTIES**

Property Address	Board Comm. 09/01/05	Board Comm. 01/08/06	Board Comm. 11/09/06	RC Equity	Anticipated RC Equity	Agency Status	Approval Date	Estimated Acquisition Date	NPO RC	CC&F% Status	Tax Property Type	Purchase Price	Rehab Estimate	Reserve Addl Collateral
Board Approval Amounts	\$ 20,000,000	\$ 25,000,000	\$ 25,000,000											
Agency Commitments														
1 1529 Eden, San Jose	\$ 1,821,000	\$ 1,821,000			\$ 26,803	4.2 Approval	06/16/06	06/24/06	BAHC-SARC	EXP	FTM Duplex	\$ 875,000	\$ 364,624	\$ 91,050
2 1320 Baywood, San Jose	\$ 2,008,000	\$ 2,008,000			\$ 26,856	4.2 Approval	06/26/06	07/06/06	BAHC-SARC	EXP	962 Med 5	\$ 925,000	\$ 415,941	\$ 100,400
3 227 Prague, San Mateo	\$ 1,689,000	\$ 1,689,000			\$ 175,674	4.2 Approval	07/03/06	07/10/06	WBHC-GGRC	Tax	SRH 3	\$ 771,000	\$ 367,325	\$ 84,450
4 5508 Jasmine, Castro Valley	\$ 1,694,000	\$ 1,694,000			\$ 198,425	4.2 Approval	07/17/06	07/26/06	HCEB-RCEB	xx	SRH 4	\$ 805,000	\$ 332,235	\$ 84,700
5 506 & 508 Northlake Dr., San Jose	\$ 1,837,000	\$ 1,837,000			\$ 33,774	4.2 Approval	07/17/06	07/24/06	BAHC-SARC	EXP	FTM Duplex	\$ 820,000	\$ 425,486	\$ 91,850
6 625 & 627 Vasona, Los Gatos	\$ 1,806,000	\$ 1,806,000			\$ 26,975	4.2 Approval	07/26/06	07/28/06	BAHC-SARC	EXP	FTM Duplex	\$ 860,000	\$ 352,527	\$ 90,300
7 629 & 631 Vasona, Los Gatos	\$ 1,819,000	\$ 1,819,000			\$ 26,975	4.2 Approval	07/26/06	07/28/06	BAHC-SARC	EXP	FTM Duplex	\$ 860,000	\$ 356,456	\$ 90,950
8 637 & 639 Vasona, Los Gatos	\$ 1,803,000	\$ 1,803,000			\$ 26,975	4.2 Approval	07/26/06	07/28/06	BAHC-SARC	EXP	FTM Duplex	\$ 860,000	\$ 349,959	\$ 90,150
9 1720 Pierce St., San Mateo	\$ 1,660,000	\$ 1,660,000			\$ 146,674	4.2 Approval	08/07/06	08/17/06	WBHC-GGRC	Tax	SRH 3	\$ 775,000	\$ 335,701	\$ 83,000
10 2508 Regent Road, Livermore	\$ 1,756,000	\$ 1,756,000			\$ 27,900	4.2 Approval	09/15/06	09/25/06	HCEB-RCEB	EXP	962 Med 5	\$ 865,000	\$ 342,172	\$ 87,800
11 4865 Wellington Park, San Jose	\$ 1,585,000	\$ 1,585,000			\$ 56,324	4.2 Approval	09/28/06	10/02/06	BAHC-SARC	Tax	SRH3	\$ 792,000	\$ 298,575	\$ 79,250
12 21763 Shadysprings Rd, Castro Vall	\$ 980,000	\$ 980,000			\$ 120,235	4.2 Approval	09/28/06	10/03/06	HCEB-RCEB	x	SRH3	\$ 680,000	\$ 323,655	\$ 75,100
13 633 Vanessa, San Mateo	\$ 1,692,000	\$ 1,692,000			\$ 176,674	4.2 Approval	10/04/06	10/11/06	WBHC-GGRC	x	SRH3	\$ 750,000	\$ 368,074	\$ 84,600
14 32744 Olympiad Court, Union City	\$ 1,713,000	\$ 1,713,000			\$ 168,324	4.2 Approval	10/18/06	10/24/06	BAHC-SARC	x	SRH3	\$ 880,000	\$ 374,234	\$ 84,850
15 2334 Oak Flat Road, San Jose	\$ 1,697,000	\$ 1,697,000			\$ 53,441	4.2 Approval	10/18/06	10/24/06	BAHC-SARC	x	SRH3	\$ 749,950	\$ 708,041	\$ 104,300
16 14239 Mulberry, Los Gatos	\$ 2,086,000	\$ 2,086,000		\$ 400,000	\$ 132,674	4.2 Approval	11/02/06	11/06/06	WBHC-GGRC	x	SRH3	\$ 785,000	\$ 681,853	\$ 103,550
17 1446 Flora, San Jose	\$ 2,071,000	\$ 2,071,000		\$ 400,000	\$ 206,874	4.2 Approval	11/06/06	11/09/06	WBHC-GGRC	x	SRH3	\$ 850,000	\$ 309,948	\$ 86,000
18 1112 Sunnyside Drive, S SF	\$ 1,646,000	\$ 1,646,000			\$ 27,562	4.2 Approval	11/08/06	11/10/06	WBHC-GGRC	Tax	962 Med 4	\$ 788,888	\$ 470,550	\$ 95,700
19 740 Palm Ave, S SF	\$ 1,720,000	\$ 1,720,000			\$ 184,235	4.2 Approval	11/14/06	11/17/06	HCEB-RCEB	EXP	962 Med 5	\$ 719,000	\$ 338,097	\$ 76,800
20 860 Edna, San Mateo	\$ 1,914,000	\$ 1,914,000			\$ 152,235	4.2 Approval	11/15/06	11/20/06	HCEB-RCEB	EXP	962 Med 5	\$ 705,000	\$ 279,308	\$ 76,700
21 1169 Sand Beach Place, Alameda	\$ 1,576,000	\$ 1,576,000			\$ 117,235	4.2 approval	11/29/06	12/04/06	HCEB-RCEB	x	SRH4	\$ 750,000	\$ 369,203	\$ 74,950
22 24615 Patricia Court, Hayward	\$ 1,534,000	\$ 1,534,000												
23 32724 Fairfield Street, Union City	\$ 1,499,000	\$ 1,499,000		\$ 800,000	\$ 2,189,815									
Total Approvals	\$ 20,000,000	\$ 20,128,000	\$ -	\$ 800,000	\$ 2,189,815									
Commitment Used - by Bd approval date	\$ 20,000,000	\$ 20,128,000	\$ -											
Unused Commitment - by Bd approval date	\$ -	\$ -	\$ 25,000,000											
110% Contingency Factor	\$ -	\$ -	\$ 4,012,800											
Commitment Available	\$ -	\$ 859,200	\$ 25,000,000											
Pending Acquisitions			CalHFA Comm	RC Equity	Proposed Equity									
24 2630 Medina, San Bruno			\$ 1,739,000		\$ 81,000			03/27/07	WBHC-GGRC	TBD	962 Med 5	\$ 1,250,000	\$ 30,000	\$ 80,000
25 10536 N. Foothill, Cupertino			\$ 1,600,000		\$ 8,000			12/01/06	BAHC-SARC	TBD	FTM Duplex	\$ 1,229,814	\$ 75,000	\$ 80,000
26 10506 N. Foothill, Cupertino			\$ 1,600,000		\$ 70,000			12/01/06	BAHC-SARC	TBD	FTM Duplex	\$ 1,303,645	\$ 75,000	\$ 80,000
27 10516 N. Foothill, Cupertino			\$ 1,600,000		\$ 210,000			12/01/06	BAHC-SARC	TBD	FTM Duplex	\$ 1,288,816	\$ 75,000	\$ 74,500
28 10526 N. Foothill, Cupertino			\$ 1,600,000		\$ 330,000			12/15/06	BAHC-SARC	TBD	FTM Duplex	\$ 790,000	\$ 200,000	\$ 81,750
29 205 Ginger, Morgan Hill			\$ 1,490,000		\$ 81,000			05/11/07	BAHC-SARC	TBD	SRH4	\$ 939,900	\$ 200,000	\$ 74,500
30 19175 Taylor, Morgan Hill			\$ 1,635,000		\$ 8,000			05/11/07	BAHC-SARC	TBD	962 Med 5	\$ 949,000	\$ 200,000	\$ 81,750
31 2654 Chablis Way, Livermore			\$ 1,810,000		\$ 368,000			09/25/06	HCEB-RCEB	xx	962 Med 5	\$ 870,000	\$ 363,436	\$ 90,500
32 5486 Yale Drive			\$ 1,450,000		\$ 70,000			12/15/06	WBHC-GGRC	x	SRH3	\$ 798,000	\$ 407,109	\$ 72,500
33 15470 La Alameda, Morgan Hill			\$ 1,935,000		\$ 210,000			01/09/07	BAHC-SARC	x	962 Med 5	\$ 887,500	\$ 654,931	\$ 96,750
34 15134 Charmeran Ave, San Jose			\$ 1,935,000		\$ 330,000			01/18/07	BAHC-SARC	x	962 Med 5	\$ 829,900	\$ 359,122	\$ 96,750
35 649 Empey Way, San Jose			\$ 1,450,000		\$ 435,000			02/15/06	BAHC-SARC	x	SRH3	\$ 790,000	\$ 400,000	\$ 72,500
36 1602 Constantino, San Jose			\$ 1,450,000		\$ 205,000			02/12/07	BAHC-SARC	x	SRH3	\$ 869,000	\$ 400,000	\$ 72,500
37 1908 Otis Drive, Alameda			\$ 1,450,000		\$ 205,000			03/20/07	WBHC-GGRC	x	SRH3	\$ 744,000	\$ 357,531	\$ 72,500
All Current Approvals and Pending Acquisitions														
Pending Approvals	\$ -	\$ -	\$ 22,744,000		\$ 1,707,000			Aug-06	7.80%					
110% Contingency Factor	\$ -	\$ -	\$ 25,018,400					Sep-06	7.50%					
Total of Commitments and Pending Acquisitions								Oct-06	7.40%					
Total approvals	\$ 40,128,000	\$ 40,128,000	\$ 40,128,000					Nov-06	7.45%					
Total Approvals & Pending Acquisitions	\$ 40,128,000	\$ 40,128,000	\$ 62,872,000					Mar-07	7.30%					
110% Contingency Factor	\$ -	\$ -	\$ 66,159,200					CalHFA Tax -Exempt Rate						
Available Commitment	\$ -	\$ -	\$ 840,800					Aug-06	6.30%					
								Sep-06	6.00%					
								Oct-06	5.90%					
								Nov-06	5.95%					
								Mar-07	5.90%					

BAHP: Post-Closing

Units	Address	RC	Status	Loan Amount	Permit Submitted	Pre-Hard Cost Submitted	Construction Start	Construction Completion
1	Eden	SARC	Pre-Hard Cost Review	\$ 1,821,000.00	11/29/2006	2/16/2007	Pending	
1	Northlake	SARC	Pre-Hard Cost Review	\$ 1,837,000.00	11/29/2006	2/16/2007	Pending	
1	Baywood	SARC	Permitting	\$ 2,008,000.00	11/22/2006	2/22/2007	Pending	
3	Vasonas	SARC	Permitting	\$ 5,428,000.00	12/12/2006			
1	Jasmine	RCEB	Pending HOA approval	\$ 1,694,000.00	12/14/2006			
1	Shadyspring	RCEB	Permitting	\$ 1,502,000.00	1/4/2007			
1	Wellington Park	SARC	Design	\$ 1,585,000.00	3/23/2007			
1	Vanessa	GGRC	Permitting	\$ 1,692,000.00	1/30/2007			
1	Mulberry	SARC	Manufacturer Bidding	\$ 2,086,000.00	TBD			
1	Olympiad	RCEB	Permitting	\$ 1,713,000.00	1/4/2007			
1	Oak Flat Rd	SARC	Permitting	\$ 1,697,000.00	1/5/2007			
1	Flora Ave	SARC	Manufacturer Bidding	\$ 2,071,000.00	TBD			
1	Sunnyside Dr.	GGRC	Permitting	\$ 1,646,000.00	1/31/2007			
1	Palm Ave	GGRC	Permitting	\$ 1,720,000.00	1/31/2007			
1	Sand Beach	RCEB	Permitting	\$ 1,576,000.00	1/4/2007			
1	Edna	GGRC	Permitting	\$ 1,914,000.00	1/31/2007			
1	Patricia	RCEB	Design	\$ 1,534,000.00	4/4/2007			
1	Fairfield	RCEB	Permitting	\$ 1,499,000.00	2/25/2007			
1	Pierce	GGRC	Permitting	\$ 1,660,000.00	12/28/2007			
1	Prague	GGRC	Design	\$ 1,689,000.00	3/23/2007			
1	Regent	RCEB	Permitting	\$ 1,756,000.00	12/8/2006			
23	Total			\$ 40,128,000.00				

Blue = Projected

CalHFA's Preliminary Salary Structure Established by Compensation Committee on 1/19/2007

Grade	Position(s)	Salary Range			Midpoint Increase	Min-to-Max Spread	Notes
		Minimum	Midpoint	Maximum			
1	Executive Director	\$150,000	\$200,000	\$250,000 <i>2101</i>	11.1%	67%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. Max syncs with WW custom TCC 75th percentile.
2	Chief Deputy Director Dir. of Financing Dir. of Multifamily Programs Dir. of Homeownership	\$140,000	\$180,000	\$220,000 <i>900</i> <i>1071</i>	12.5%	57%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$135K to \$225K)
3	General Counsel Dir. of Mortgage Insurance	\$130,000	\$160,000	\$190,000 <i>1701</i>	28.0%	46%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$120K to \$200K)
4	Chief Information Officer Risk Manager	\$100,000	\$125,000	\$150,000 <i>1311</i> <i>1371</i> <i>500</i>	25.0%	50%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$94K to \$156K)
5	Dir. of Legislation	\$75,000	\$100,000	\$125,000 <i>1051</i>	N/A	67%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies.

Grade: encompasses positions of similar level

Salary Range: incumbent's salary may fall anywhere within the range, depending on such factors as experience, time in position and current salary in relation to the range

Midpoint: point around which a fully experienced, "good" performer might be paid. Often aligned with market reference point (e.g., market 50th percentile salary)

Midpoint Increase: percentage increase from one grade midpoint to the next grade midpoint

Min-to-Max Spread: percentage increase from minimum to maximum of a salary range. The spread often increases for higher grade levels

CalHFA Compensation Committee Recommendations

1/18/2007

Position	Current Salary	Proposed Salary			New Salary Realignment
		Minimum	Midpoint	Maximum	
Executive Director	\$ 138,338	\$ 150,000	\$ 200,000	\$ 250,000	\$ 200,000
Chief Deputy Director	\$ 148,500	\$ 140,000	\$ 180,000	\$ 220,000	\$ 175,000
Dir. Of Financing	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 170,000
Dir. Of Multifamily	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000
Dir. Homeownership	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000
General Counsel	\$ 130,664	\$ 130,000	\$ 160,000	\$ 190,000	\$ 170,000
Dir. Of Mortgage Insurance	\$ 145,000	\$ 130,000	\$ 160,000	\$ 190,000	\$ 160,000
Chief Information Officer	\$ 110,277	\$ 100,000	\$ 125,000	\$ 150,000	\$ 125,000
Risk Manager	\$ 115,680	\$ 100,000	\$ 125,000	\$ 150,000	\$ 137,500
Dir of Legislation	\$ 85,404	\$ 75,000	\$ 100,000	\$ 125,000	\$ 95,500