



# BOARD OF DIRECTORS

*California Housing Finance Agency  
Board of Directors*

Thursday, November 15, 2007

Burbank Airport Marriott Hotel  
& Convention Center  
Burbank, California  
(818) 843-6000

10:30 a.m.

1. Roll Call.
2. Approval of the minutes of the September 12, 2007 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action regarding final loan commitments for the following projects: (Laura Whittall-Scherfee/Jim Morgan/Carr Kunze)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>
06-078-N	Rubicon Homes	Richmond/ Contra Costa	10
<b>Resolution 07-29 .....</b>			<b>151</b>
06-081-N	Alexis Apartments	San Francisco/ San Francisco	206
<b>Resolution 07-30.....</b>			<b>171</b>

5. Update on Bay Area Housing Plan. (Bob Deaner/Kathy Weremiuk)
6. Update on Mental Health Services Act Housing Program. (Bob Deaner/Kathy Weremiuk)

7. Discussion, recommendation and possible action regarding Multifamily Architectural Guidelines. (Bob Deaner/Terri Parker)  
**Resolution 07-31..... (HANDOUT)**
8. Report on capital markets and possible effects on bond insurers and swap counterparties. (Bruce Gilbertson)
9. Report on status of Homeownership loan portfolio. (Jerry Smart/Chuck McManus)
10. Report on the status to date of the new building strategic project. (Terri Parker/Steve Spears)
11. Report of the Chairman of the Audit Committee regarding Proposition 46 audit, audit of Housing Finance Fund, possible dissolution of Compensation Committee, changes to compensation process, and any other matters discussed at last meeting of the Audit Committee; and possible recommendations to and action by Board. (Jack Shine)
12. Reports .....193
13. Discussion of other Board matters.
14. Public testimony: Discussion only of other matters to be brought to the Board's attention.

**\*\*NOTES\*\***

**HOTEL PARKING:** Day Guest Parking Rate: Guests not registered with the hotel will receive discounted parking at \$7.00 inclusive of tax, per car, with no in and out privileges.

**FUTURE MEETING DATE:** Next CalHFA Board of Directors Meeting will be January 17, 2008, at The Westin, San Francisco Airport, Millbrae, California.

**STATE OF CALIFORNIA**  
**CALIFORNIA HOUSING FINANCE AGENCY**

--o0o--

**BOARD OF DIRECTORS**  
**PUBLIC MEETING**

--o0o--

**Burbank Airport Marriott Hotel & Convention Center**  
**2500 Hollywood Way**  
**Burbank, California**

**Wednesday, September 12, 2007**  
**9:39 a.m. to 1:40 p.m.**

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

11/15/2007

**Attest:**



--o0o--

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

---

**Yvonne K. Fenner & Associates**  
**Certified Shorthand Reporters**  
**2256 Murieta Way**  
**Sacramento, California 95822**  
**Phone 916.531.3422 Fax 916.457.8369**  
**yfennercsr@aol.com**

**ORIGINAL**

**STATE OF CALIFORNIA**  
**CALIFORNIA HOUSING FINANCE AGENCY**

--oOo--

**BOARD OF DIRECTORS**  
**PUBLIC MEETING**

--oOo--

**Burbank Airport Marriott Hotel & Convention Center**  
**2500 Hollywood Way**  
**Burbank, California**

**Wednesday, September 12, 2007**  
**9:39 a.m. to 1:40 p.m.**

--oOo--

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

---

**Yvonne K. Fenner & Associates**  
**Certified Shorthand Reporters**  
**2256 Murieta Way**  
**Sacramento, California 95822**  
**Phone 916.531.3422 Fax 916.457.8369**  
**yfennercsr@aol.com**

A P P E A R A N C E SDirectors Present:

JOHN A. COURSON, Chairperson  
President  
Central Pacific Mortgage

PETER N. CAREY  
President/CEO  
Self-Help Enterprises

EDWARD M. CZUKER  
President  
E.M.C. Financial Corporation

JEFF DAVI  
for Dale E. Bonner  
Secretary  
Business, Transportation and Housing Agency

CARLA I. JAVITS  
President  
REDF  
(formerly Roberts Enterprise Development Fund)

ELLIOTT MANDELL  
for LYNN L. JACOBS  
Director  
Department of Housing and Community Development

JOHN G. MORRIS  
President  
John Morris, Inc.

THERESA A. PARKER  
Executive Director  
California Housing Finance Agency

WILLIAM J. PAVAO  
for Bill Lockyer  
State Treasurer

JACK SHINE  
Chairman  
American Beauty Development Co.

--o0o--

CalHFA Staff Present:

MARGARET ALVAREZ  
Director  
Asset Management

SANDY CASEY-HEROLD  
Staff Counsel IV

BRUCE D. GILBERTSON  
Director of Finance

EDWIN C. GIPSON, II  
Chief  
Multifamily Programs

THOMAS C. HUGHES  
General Counsel

JIM LISKA  
Loan Officer  
Asset Management

JIM MORGAN  
Loan Officer  
M/F Programs

JOJO OJIMA  
Office of the General Counsel

L. STEVEN SPEARS  
Chief Deputy Director

RUTH VAKILI  
Loan Officer  
M/F Programs

KATHY WEREMIUK  
Special Lending Programs Manager

LAURA WHITTALL-SCHERFEE  
Chief  
Multifamily Programs

-o0o--

**Speakers from the Public:**

JANE LACISTE, M.A.  
Chief, Special Projects, Systems of Care  
California Department of Mental Health

Gustavo Lamanna  
Attorney at Law  
Kane, Ballmer & Berkman

KIMBERLY MCKAY  
Vice President, Development  
Related California

GERALD A. PORTER  
Chairman  
Cresa Partners

--o0o--

Table of Contents

<u>Item</u>	<u>Page</u>
1. Roll Call . . . . .	8
2. Approval of the minutes of the August 9, 2007 Board of Directors meeting . . . . .	9
Motion . . . . .	10
Vote . . . . .	11
3. Chairman/Executive Director Comments . . . . .	11
4. Discussion, recommendation and possible action regarding final loan commitments for the following projects:	
07-002-A/N La Vista Apartments Concord/Contra Costa Resolution 07-23 . . . . .	19
Motion . . . . .	31
Vote . . . . .	37
07-007-A/N Ridgewood Apartments Sacramento/Sacramento La Loma Apartments Rancho Cordova/Sacramento Resolution 07-24 . . . . .	37
Motion . . . . .	49
Vote . . . . .	49
07-009-A/S Casa de Las Hermanitas Apartments Los Angeles/Los Angeles Resolution 07-25 . . . . .	50
Motion . . . . .	56
Vote . . . . .	56
5. Discussion, recommendation and possible action regarding a loan increase from the original loan commitment for the following project:	
04-012-N Lion Creek Phase II Oakland/Alameda Resolution 07-26 . . . . .	57
Motion . . . . .	64
Vote . . . . .	65

**Table of Contents, continued**

<u>Item</u>	<u>Page</u>
6. Report of the Chairman of the Audit Committee regarding the review by outside counsel of issues relating to contracting authority and letters to the Board, and discussion and possible action by Board regarding the review . . . . .	67
7. Closed session under Government Code section 11126(a)(1) to hear complaints or charges against an employee . . . . . (none)	88
8. Discussion and possible action to repeal Resolution 06-16 and to dissolve the Compensation Committee (referred to Audit Committee) . . . . .	83
9. Discussion, recommendation and possible action to modify the salary caps for the position of Director of Multifamily Programs and Director of Homeownership Programs	
Resolution 07-21 . . . . .	88
Motion . . . . .	95
Vote . . . . .	97
10. Closed session to consider the appointment of a Director of Multifamily Programs . . . . .	98
11. Discussion, recommendation and possible action to appoint a Director of Multifamily Programs, and to set the compensation for such position	
Resolution 07-22 . . . . .	98
Motion . . . . .	99
Vote . . . . .	101
12. Discussion, recommendation and possible action regarding the Agency's administration of the Mental Health Services Act Housing Program	
Resolution 07-27 . . . . .	109
Motion . . . . .	129
Vote . . . . .	130
13. Update on Bay Area Housing Plan Financing .	131

**Table of Contents, continued**

<u>Item</u>	<u>Page</u>
14. Discussion, recommendation and possible action regarding the amendment of Agency Resolution No. 06-06 authorizing the issuance of the Agency's bonds, short and long-term credit facilities, and related financial agreements and contracts of services for the purpose of financing loans in connection with the Bay Area Housing Plan	
Resolution 07-28 . . . . .	131
Motion . . . . .	133
Vote . . . . .	133
15. Report to Board on status to date of the new building strategic project, and possible action regarding such project . . . . .	102
16. Report on Agency's homeownership subordinate lending requirements . . . . .	134
17. Reports . . . . .	147
18. Discussion of other Board matters . . . . .	148
19. Public testimony . . . . .	148
Adjournment . . . . .	148
Reporter's Certificate . . . . .	149

--o0o--

1 BE IT REMEMBERED that on Wednesday, September 12,  
2 2007, commencing at the hour of 9:39 a.m., at the Burbank  
3 Airport Marriott Hotel and Convention Center, Gala and  
4 Celebration Conference Rooms, 2500 Hollywood Way, Burbank,  
5 California, before me, YVONNE K. FENNER, CSR #10909, RPR,  
6 the following proceedings were held:

7 --o0o--

8 CHAIRPERSON COURSON: Good morning. I will call  
9 the meeting to order. I'm sorry we're running about ten  
10 minutes late, but between -- since we're in Southern  
11 California and the opportunity to have beauty shots taken  
12 of members of the Board for the annual report and tie-ups  
13 on the freeways, we must be in Southern California. So we  
14 are ready to start the meeting, and we'll do that with  
15 calling the roll.

16 --o0o--

17 **Item 1. Roll Call**

18 MS. OJIMA: Thank you. Mr. Davi for Mr. Bonner.

19 MR. DAVI: Here.

20 MS. OJIMA: Mr. Carey.

21 MR. CAREY: Here.

22 MS. OJIMA: Mr. Czuker.

23 MR. CZUKER: Here.

24 MS. OJIMA: Ms. Galante.

25 (No response.)

## Board of Directors Meeting - September 12, 2007

1 MS. OJIMA: Mr. Mandell for --  
2 MR. MANDELL: Here.  
3 MS. OJIMA: -- Ms. Jacobs.  
4 MR. MANDELL: Here.  
5 MS. OJIMA: Thank you. Ms. Javits.  
6 MS. JAVITS: Here.  
7 MS. OJIMA: Mr. Pavao for Mr. Lockyer.  
8 MR. PAVAO: Here.  
9 MS. OJIMA: Mr. Morris.  
10 MR. MORRIS: Here.  
11 MS. OJIMA: Mr. Shine.  
12 MR. SHINE: Here.  
13 MS. OJIMA: Ms. Bryant.  
14 (No response.)  
15 MS. OJIMA: Mr. Genest?  
16 (No response.)  
17 MS. OJIMA: Ms. Parker.  
18 MS. PARKER: Here.  
19 MS. OJIMA: Mr. Courson.  
20 CHAIRPERSON COURSON: Here.  
21 MS. OJIMA: We have a quorum.  
22 CHAIRPERSON COURSON: Thank you.  
23 --o0o--  
24 **Item 2. Approval of the minutes of the August 9, 2007**  
25 **Board of Directors meeting**

1           CHAIRPERSON COURSON: The first order of business  
2 today is the approval of the minutes of our meeting on  
3 August the 9th, which was held in Sacramento. Those are  
4 in your binder. Is there a motion to approve the  
5 minutes?

6           MR. PAVAO: So moved.

7           CHAIRPERSON COURSON: Mr. Pavao moves. Is there  
8 a second?

9           MS. JAVITS: Second.

10          CHAIRPERSON COURSON: Ms. Javits seconds.

11          Call the roll.

12          MR. SHINE: Before you call the roll --

13          CHAIRPERSON COURSON: Yes, I'm sorry.

14          MR. SHINE: I'd like to make one minor correction  
15 on page 31, line 15. The word "conversant" should be  
16 "conversing." That's my little saying, so.

17          MS. PARKER: See how thorough our Board members  
18 read their verbatim Board minutes.

19          MR. SHINE: Thank you, Mr. Chairman.

20          CHAIRPERSON COURSON: I really don't know what to  
21 say, Mr. Shine. That's impressive.

22          MR. SHINE: Thank you.

23          CHAIRPERSON COURSON: Okay. If there is no  
24 objection from the maker of the motion or the second, we  
25 will make that change.



1           CHAIRPERSON COURSON: I'll make just a few very  
2 brief comments this morning. As you can see, we have a  
3 very long agenda. And our plan is to move through  
4 thoughtfully, not try to rush, make sure we have a lot of  
5 discussion on items of great importance to CalHFA to  
6 discuss today, and we plan to do that in the normal  
7 course of business.

8           We will at -- we have a candidate for the  
9 Director of Multifamily position who will be joining us  
10 later in the meeting, and when he does join us, and for  
11 the purpose of the Board meeting him and interviewing  
12 him, we will recess into a closed session. And then we  
13 will reconvene in open session to consider the hiring of  
14 that candidate. So when that time comes, which I imagine  
15 will be probably around 11:15 to 11:30, we'll move  
16 through. Then it should be about the right time on our  
17 agenda. We will try to accommodate him, however, when we  
18 get to that point.

19           Having said that, I have no further comments, and  
20 I'll turn it over to the Executive Director Terri Parker.

21           MS. PARKER: Okay. A couple things that I wanted  
22 to provide information for the Board. I wanted to let  
23 you all know that we plan to, in the future at future  
24 Board meetings, come back to you and follow up on a  
25 discussion from the Board meeting last month and put some

1 time aside to talk about what's happening in the mortgage  
2 market and perhaps have the opportunity to bring in some  
3 of our partners, either from the mortgage community or  
4 the rating community, swap advisors to kind of sort of  
5 chat with you all about what they see is going on and how  
6 CalHFA fits into some of the aspects of the impact on the  
7 marketplace in California specifically.

8           There has -- continues to be discussion in the  
9 Legislature and in California per se about what can be  
10 done for those homebuyers caught in the subprime squeeze.  
11 To date, we have played a role with continuing to provide  
12 education for the Legislature, the Governor, anyone who  
13 essentially is looking for information on what the impact  
14 might be of subprime market on California. I think that  
15 there's a tremendous concern about the impact of  
16 foreclosures on the California economy, and we are  
17 continuing to evaluate what is happening by some of our  
18 sister state HFAs in other states of programs that they  
19 are beginning to implement to see whether they may be  
20 models that could be replicated in California.

21           We also have had some internal discussions among  
22 many of my colleagues, here sitting at the table, of  
23 talking about trying to get support within the executive  
24 branch on the FHA reforms, and we have submitted a  
25 proposal for consideration by the administration on

1 weighing in and essentially using that as a tool to help  
2 with the current mortgage situation, in particularly our  
3 aspect of the mortgage market, the first-time homebuyers.

4 We need to essentially look at the ability to use  
5 FHA more than we have. It hasn't been a particularly  
6 strong vehicle in California because of loan limits, but  
7 we -- so we are using that. That is at least one path  
8 that we are taking to show leadership on this issue  
9 around the state.

10 I wanted to let you all know that we made some  
11 changes in our -- one of our down payment assistance  
12 programs, our HiCAP program, that you all are aware of.  
13 It's a down payment assistance program that we developed  
14 six or seven years ago to really help us do lending in  
15 underserved areas. We started out doing it in three  
16 counties, primarily in Northern California, but we spread  
17 out and we cover Orange, Santa Clara -- I'm not going to  
18 list them all.

19 But we have been tracking that program very  
20 closely because of the amount of limited housing  
21 assistance trust funds that we have, and we have  
22 discovered -- or we know in our management of it -- that  
23 we have really brought up the statistics of serving in  
24 Santa Clara County and San Diego County to the point that  
25 we are now serving Santa Clara County over 200 percent of

1 what per capita would be and San Diego County of almost  
2 180 percent of what per capita would be. Meanwhile, we  
3 are under-serving Los Angeles, where we are today, with  
4 only about 14 percent of where the -- what their capita  
5 is, which is 28 percent.

6 So we, staff, have made changes so that we are no  
7 longer offering those programs in those two counties.  
8 There's -- Di and I were asked to come and talk with one  
9 of the legislative members from that particular area.  
10 And part of the reason why I bring this up is that you  
11 all may see where they're to be contacted. We have a  
12 full analysis and evaluation of what all we have given as  
13 the basis for this consistent with what we have had as  
14 guidelines. But we felt that given those limited  
15 resources, that it was our obligation to try to make sure  
16 that we were moving into areas where we are at least  
17 serving on a per capita basis.

18 The last thing I want to just bring to your  
19 attention is that we made some changes internally within  
20 CalHFA to recognize programmatic demands on us and also  
21 to try to be as efficient and effective as we can with  
22 our staff resources. We have done a reorganization.  
23 Many of you are aware that we have two chiefs in our  
24 Homeownership branch. We're still lacking a director.  
25 Gerry Smart has been our No. 2 in leading the staff for

1 quite some time now. And we have a vacancy since one of  
2 our prior colleagues, Ken Williams, left, who was over  
3 Special Lending.

4 And what we decided was that we really needed to  
5 Go, and to better serve some of our programs, to  
6 consolidate Special Lending on the Multifamily side,  
7 particularly the HELP program, the RDLP program, and  
8 bring Doug and his staff and his resources over and  
9 combine them with the Special Lending programs in  
10 Homeownership to essentially make a full menu. So it --  
11 we've moved Doug physically and his folks. He's on board  
12 and he's doing just a great job, so we think that that's  
13 a good improvement in our administration.

14 We've also added some additional depth to the  
15 staff in Legal by hiring Victor James as our No. 2 there  
16 to help Tom, who's been working on a number of thorny  
17 legal issues, to make sure that the legal staff is well  
18 represented and we have broader recruitment efforts to  
19 keep the day-to-day legal stuff moving along.

20 We have announced today to many of you, you can  
21 congratulate her, that we have asked that Kathy Weremiuk,  
22 to get her promotion in place to lead with the  
23 implementation of the MSHA Prop 63 program, and Kathy,  
24 along with continuing to do her duties as in the Bay Area  
25 Housing Program, will be the Multifamily Director of

1 Special Lending. And she will continue to report to  
2 Edwin, but it is a stronger position for her, recognizing  
3 the additional work required to get that program going  
4 and implemented, which we will be talking about later.

5 We've also been working on a team that's going to  
6 be working on the MSHA Lending Program. It's from Asset  
7 Management, our Financial Services folks, Multifamily,  
8 Legal, everyone to get that program and the staff in  
9 place to be ready to go when we start getting those  
10 applications.

11 So with that, Mr. Chairman, that concludes my  
12 report and remarks. We are continuing to look at  
13 ourselves internally and continue to try to keep the  
14 trains on time and serve the Agency.

15 CHAIRPERSON COURSON: Questions of the Executive  
16 Director?

17 MR. DAVI: Mr. Chairman, could I just make a  
18 comment?

19 As one of the three regulators that has been  
20 brought up on several hearings over the past six months  
21 over the subprime issue and the issue of nontraditional  
22 loans, I just want to make a comment and thank Terri for  
23 all of her work and for CalHFA's involvement in the  
24 interdepartmental working group on nontraditional loans  
25 that was formed earlier this year.

1           It includes HCD, Department of Corporations, my  
2 department, and the Department of Financial Institutions  
3 as well as CalHFA, which your participation in that has  
4 been instrumental in helping us to do the town halls and  
5 do the outreach that we're doing, trying to help the  
6 people that are in trouble, providing counseling and look  
7 at some of the options that are out there and actually  
8 make sure we don't do something that would be a mistake  
9 and have far worse impact. So I want to thank you for  
10 that involvement and, Terri, for your support and help.

11           CHAIRPERSON COURSON: Thank you.

12           Actually, Terri and I had a conversation in the  
13 Governor's Office early that week regarding this, and one  
14 of the things that they are trying to do is put together  
15 a public outreach through the Governor's Office in terms  
16 of getting borrowers to see their lenders, the  
17 opportunities that are out there.

18           And actually as of this morning, we found that  
19 we'd worked yesterday, a sort in the box already put  
20 together PSAs and public announcements that we're going  
21 to send over -- that have been used in other states that  
22 we're going to send over to the Governor's Office, and  
23 hopefully they can have this and be ready to move even  
24 faster. So working together with the other regulators  
25 and so on, I think that we could certainly supply them

1 with what they need to get the word out to the public.

2 Other questions of the Executive Director?

3 Seeing none, then our first business agenda item  
4 is we have four projects, and I'll turn it over to Laura.

5 --oOo--

6 **Item 4. Resolution 07-23, La Vista Apartments**

7 MS. WHITTALL-SCHERFEE: Okay. What we thought we  
8 would do this morning is we thought we would start with a  
9 discussion of the buyer/seller relationship, the  
10 unrelated parties relationship, that's present in the  
11 first three deals. You'll see and you probably noticed  
12 when you were reading it that there is -- that AIMCO is  
13 omnipresent in each of these three deals.

14 We have been working very, very closely with Stan  
15 Dirks and with Orrick to make sure that these are  
16 considered unrelated parties. And we thought that the  
17 best way to start this discussion today was, before we  
18 went into the discussion on the projects, was to ask Stan  
19 to come forward and just make sure that everybody was  
20 comfortable with how that unrelated parties relationship  
21 works.

22 So at this point I'm going to ask Stan to come  
23 forth and explain in a little greater detail than I'm  
24 capable of how the unrelated parties on each of these  
25 three transactions work.

1 MR. DIRKS: Thank you. My name is Stan Dirks,  
2 D-i-r-k-s. I'm with the law firm of Orrick, Herrington  
3 and Sutcliffe.

4 The unrelated parties question is a tax issue.  
5 And the bottom line is that for bonds to be issued to  
6 acquire and rehabilitate a project, the buyer of the  
7 project, the entity for whom the bonds are issued, must  
8 be unrelated to the seller of the project. And that --  
9 the two parties, two entities, in this case usually  
10 limited partnerships, are unrelated if a majority of  
11 their ownership is distinct and separate, is different.

12 So you can have -- stated the other way, you  
13 cannot have the same group of parties or entities or  
14 ultimate owners having a majority interest of both the  
15 buyer and the seller. This -- the ownership relationship  
16 is not simply a matter of looking at the names of the  
17 partnerships and seeing that they're different. You have  
18 to delve into who owns the partnerships and what each  
19 interest is of each of those partners.

20 Because the rule is applied not only to capital  
21 interests, that is to say if the partnership were  
22 liquidated today who would get what, but also profits  
23 interest, that is, over the next 20, 30 years who's going  
24 to get what. So each partnership agreement needs to be  
25 parsed through to see which entities have which interests

1 and how they relate to, if at all, any of the entities  
2 that -- entities or persons who are owners of the buyer.

3 So again, the buyer must be unrelated to the  
4 seller. We've done the due diligence to look through  
5 these documents as they currently exist, the partnership  
6 agreements, and we'll keep track of it as we're going  
7 forward to make sure things don't shift and change and  
8 things don't change. But the seller of the project and  
9 the buyer of the project must be unrelated parties in  
10 that the relationship test is a majority ownership test.

11 I'd be happy to answer questions. I'm sure I've  
12 used jargon that's not necessarily familiar.

13 CHAIRPERSON COURSON: Are there questions?

14 Obviously, in reading it I was -- noted that the  
15 three were interrelated and thought it would be  
16 appropriate before we look at that to make sure we  
17 understand the relationships.

18 MR. DIRKS: So in each of these cases, for  
19 example, AIMCO cannot have a majority interest of both  
20 the seller and the buyer. And their interest on at least  
21 one of those sides has to be a minority interest, and in  
22 some cases it's almost a trivial interest. But they  
23 are -- even though they exist on both sides of the  
24 transaction, that's okay as long as they and their  
25 relationships and so on don't have majority interest on

1 both sides.

2 CHAIRPERSON COURSON: Mr. Pavao.

3 MR. DIRKS: That's simply the tax question.  
4 Public policy issues are not governed by the same  
5 instances.

6 CHAIRPERSON COURSON: Mr. Pavao.

7 MR. PAVAO: So in these instances, is AIMCO going  
8 to be the GP in both the seller and buyer ownership?

9 MS. WHITTALL-SCHERFEE: Well, we have -- on La  
10 Vista, what they're going to end up being is be both.  
11 They're part of the seller structure, and they're going  
12 to be the co-general partner and developer on La Vista.

13 On the other two projects, they will be only the  
14 investor. They're the seller, and they're the investor  
15 on the two projects that you'll hear about, Ridgewood La  
16 Loma and Casa de las Hermanitas.

17 MR. DIRKS: In all those she says they are the  
18 seller. It may be that they're just the general partner  
19 of the seller.

20 MS. WHITTALL-SCHERFEE: True.

21 MR. DIRKS: So be very careful about what  
22 interests you're talking about.

23 MR. PAVAO: And the question you're answering is  
24 or speaking to is their ownership interest --

25 MR. DIRKS: Yes.

1 MR. PAVAO: -- as a general partner is minimal.

2 MR. DIRKS: Right.

3 CHAIRPERSON COURSON: Mr. Shine.

4 MR. SHINE: Question. Just glancing through, am  
5 I clear that what's going on here is a purchase,  
6 refinance and rehabilitation?

7 MS. WHITTALL-SCHERFEE: It's a sale.

8 MR. SHINE: Sale. And the sale from one hand to  
9 another will generate around \$6 million between the three  
10 projects, acquisition costs?

11 MS. WHITTALL-SCHERFEE: But the ownership is  
12 going to change on the other two projects.

13 MR. SHINE: I understand that part.

14 CHAIRPERSON COURSON: Mr. Czucker --

15 MR. SHINE: How long --

16 CHAIRPERSON COURSON: I'm sorry.

17 MR. SHINE: How long have they had those  
18 projects, these folks?

19 MS. WHITTALL-SCHERFEE: These are --  
20 approximately 1980.

21 MR. SHINE: These folks have been in it --

22 MS. WHITTALL-SCHERFEE: Yes.

23 MR. SHINE: -- in the deal since 1980?

24 MS. WHITTALL-SCHERFEE: Yes.

25 MR. SHINE: And now they're refinancing,

1 rehabilitating, and restructuring.

2 MS. WHITTALL-SCHERFEE: Selling.

3 MR. SHINE: And the money is going out around  
4 \$6 million, going out to do the acquisition side?

5 MR. CZUKER: That's just the acquisition of the  
6 property. The test here with tax exempt bonds, which is  
7 one of the clarifications that I was going to add, it  
8 relates to there needs to be sufficient rehab that's  
9 done, otherwise the change of ownership is irrelevant and  
10 the use of tax exempt bonds becomes illegal.

11 And so the requirement would be are they not only  
12 acquiring but is there a substantial enough and  
13 significant enough rehabilitation to reposition the  
14 asset, not just a change of ownership, but specifically  
15 to reposition the asset with construction and  
16 rehabilitation. And that's perhaps something when we get  
17 into the project specific they can spend more time and  
18 detail. Because sometimes it's done cosmetically and  
19 sometimes it's done substantially. And these buildings  
20 back in -- built in 1980 could already have some of their  
21 capital expenditure requirements for building systems,  
22 roofs, painting, electrical, plumbing, in addition to  
23 cosmetics.

24 The ripe or the mailable question I would ask is  
25 what happened to the original loans? And those original

1 loans would have had reserves for capital expenditures  
2 for the life cycle of the buildings, and were those  
3 dollars applied. And if not, where are those dollars  
4 recycling so that we're not just lending money on top of  
5 money that was already set aside for specific purposes.

6 MS. WHITTALL-SCHERFEE: And we will discuss that  
7 when we talk about the individual projects.

8 CHAIRPERSON COURSON: Any other questions  
9 regarding ownership and the relationship on these loans?

10 Okay. Mr. Dirks, thank you very much.

11 All right. Let's move through the first project,  
12 which is the La Vista Apartments.

13 MS. WHITTALL-SCHERFEE: And you will notice today  
14 the slides are a little bit slow. Jason is sitting with  
15 me because we're doing this remotely. So the good news  
16 is we didn't put dozens and dozens of slides together on  
17 each of these projects, but it's going to take a while  
18 for the slides to show.

19 Margaret Alvarez is going to join me, and Jim  
20 Liska is joining me for the first project, which is La  
21 Vista Apartments.

22 La Vista Apartments is a 75-unit family project.  
23 It's located in Concord in Contra Costa County. The  
24 current owner of the property is La Vista Associates  
25 Limited. It's a limited partnership whose general

1 partner is AIMCO, which is Apartment Investment and  
2 Management Company.

3 The complex was constructed in 1982 and has a  
4 hundred-percent Section 8 contract on the project. The  
5 buyer of the project is going to be La Vista  
6 Preservation, a limited partnership, whose managing  
7 general partners will be AIMCO La Vista, LLC, which is a  
8 Delaware limited liability company, and Affordable  
9 Housing Access, Inc., which is a California nonprofit  
10 corporation.

11 Even though there is a hundred-percent Section 8,  
12 we are doing a single loan structure. The acquisition  
13 rehabilitation loan is going to be in the amount of  
14 \$5,550,000 -- \$5,545,000 at our variable rate that we use  
15 for our construction loan program, 12 months interest  
16 only, and it's tax exempt money.

17 All of the projects that we are talking about in  
18 this morning, the first three, are at CDLAC awaiting  
19 CDLAC allocation. We have been told that they are  
20 expected to be approved. They were on the initial list  
21 for approval.

22 The permanent loan will be 5,545,000 at  
23 5.2 percent. It will be a 30-year fixed loan, and it  
24 will be prepayable after the qualified project period  
25 using tax exempt financing.

1           And Jim is going to describe more about the  
2 project and what is going to be done to the project.

3           MR. LISKA: Good morning, Mr. Chairman, Members  
4 of the Board.

5           As Laura indicated, the project is located in the  
6 City of Concord, Contra Costa County. It's located off a  
7 major arterial street, and it runs east-west. And down  
8 here is basically where you see the corridor, the 624  
9 that runs into Solano County and Southern Alameda County.  
10 Also located just about a mile to a mile and a half away  
11 is the downtown Concord area.

12           Next slide. It's slow. This is the site.  
13 Located off across the street here are condominiums,  
14 single family residences. To the west here is a day care  
15 center. Back here is a -- it's called Windsor  
16 Rehabilitation Center for Seniors. And over on the east  
17 side is the Salvation Army Community Church. It's  
18 located in an established area, 95-percent built up,  
19 built in 1982.

20           And the next slide, as we discussed, you can see  
21 where basically we're doing -- there's five years  
22 remaining on the current HAP contract, on a 30-year total  
23 HAP Section 8 loan. We have a letter from HUD that we  
24 recently received indicating that they are prepared -  
25 once the last five-year term expires, that they are going

1 to give us a -- the project a new 20-year HAP agreement  
2 based upon annual renewals. Since the Section 8 grants  
3 are 903 versus the 60-percent level 874, \$1,015 versus a  
4 1,006, 1143 to 1106 on the three bedroom, I basically am  
5 recommending one combined loan for the 30-year  
6 amortization period, which is due for prepayment after  
7 the 15th year.

8 As indicated, we have unrelated partners --  
9 parties in this relationship from seller to buyer.  
10 However, it's our policy that equity is not left out of a  
11 project during the sale transaction like this. So the  
12 sales price reflects that portion of AIMCO's selling  
13 fees. Their 5-percent ownership fee, their approximately  
14 10-percent disposition fee has been rolled over into a  
15 residual receipt note to be paid when the project is paid  
16 off. There's no prepayment on this loan. The  
17 outstanding balance right now is \$1,800,944. The current  
18 interest rate is 9.13 percent. When we did the  
19 calculations refinance, we found out there was no  
20 prepayment penalty.

21 As far as hard costs, rehabilitation, this is one  
22 of the criteria that HUD also looks for when they do a  
23 renewal of their HAP contract agreements. They consider  
24 this substantial rehabilitation. Just the hard costs,  
25 the materials that's installed, the labor, is \$2,155,825

1 or \$28,744 a unit, which is substantial.

2 It will be used for improving remaining roofs,  
3 dual pane windows. We need some -- this site is  
4 basically terraced, and we're going to need to reinforce  
5 retaining walls that are already in existence on the  
6 site, perimeter fencing, security. We're doing interior  
7 kitchen cabinets, flooring, appliances, bathrooms. The  
8 decking and the wood stairwells need to be redone on the  
9 exteriors, and we're doing -- redoing that. Finally,  
10 we're redoing baseboard heating in the units as well as  
11 the air conditioning.

12 As far as relocation, in this budget you'll see a  
13 normally larger budget than what you've seen on past  
14 projects. It's \$225,000 or about \$3,000 a unit. And in  
15 my write-up I put down two to three days. And really, I  
16 should have mentioned that they're contemplating up to 30  
17 days. They've giving a very conservative estimate as far  
18 as how long people will be out of their units. This is a  
19 hundred-percent occupied unit, as well as they have an  
20 individual agency monitoring the relocation.

21 Our Phase I indicated no adverse conditions, and  
22 the seismic was okay as well.

23 Looking at capitalization rates in Contra Costa  
24 County, the past three years they run anywhere from 5 and  
25 a half percent up to 8 percent. The average right now is

1 5.92 percent.

2 Looking at transaction sales in the last three  
3 years, based on 46 sales, average score for costs is  
4 \$143. And if you look at the average unit price per  
5 sale, it's 117,000. This project is being purchased for  
6 \$71,000. So we think this project fits the parameters  
7 for selling underwriting.

8 With that, I would like to take any questions  
9 that you may have.

10 CHAIRPERSON COURSON: Any questions on the La  
11 Vista project?

12 MR. DAVI: If I can just comment on one thing. I  
13 normally would use a gross multiplier on apartments, and,  
14 actually, that's even better than the cap rate numbers.  
15 I just want to support your value. You've got a very  
16 valued property here. It's a 10.22 gross multiplier. In  
17 that market you could see 14, 15, I mean in certain areas  
18 of Contra Costa 16 gross multipliers. So there's value  
19 in the property, so I think you've done a very good job  
20 of being conservative in the numbers, I can just tell you  
21 that.

22 CHAIRPERSON COURSON: Mr. Czuker.

23 MR. CZUKER: Yes. Thank you, Mr. Chairman.

24 I just wanted to comment that I believe this is a  
25 good request, and I'm happy to see these type of requests

1       come before us. I think we're fortunate to have strong  
2       sponsors in this case. I've heard good things about  
3       Affordable Housing Access, Inc., and about Bill  
4       Hirsch and Jonathan Webb over many years. And their  
5       reputation and experience is certainly well-known in the  
6       industry, and similarly with NHP and AIMCO, who have  
7       specialized in affordable housing for a long time. So I  
8       think that we have an experienced team on both sides,  
9       which, you know, in terms of knowing your borrower and  
10      having strong experienced people, I think it's a very  
11      strong, positive thing for us, to be working with us and  
12      convinced staff to bring this forward.

13               Equally, the debt service coverage ratios on this  
14      deal, for example, is above our normal minimums, and so  
15      we have a fairly safe debt coverage from conception all  
16      the way through the amortization of the loan. And so I  
17      commend that to you for being prudent in the loan  
18      structure. And, you know, with that, if there's no other  
19      comments, I'd be happy to recommend approval.

20               CHAIRPERSON COURSON: Is that a motion to  
21      approve?

22               MR. CZUKER: Move to approve.

23               MR. DAVI: Second.

24               CHAIRPERSON COURSON: There's a second.

25               Is there any further discussion on the project?

1 MS. JAVITS: Yes, I have some.

2 CHAIRPERSON COURSON: Ms. Javits.

3 MS. JAVITS: Thank you.

4 I just wondered in relation to the question you  
5 raised earlier, I don't think we heard an answer to that.

6 MS. WHITTALL-SCHERFEE: Is that regarding the  
7 existing replacement receipts? Is that the question  
8 you're asking?

9 MS. JAVITS: Yeah. So previously they set aside  
10 replacements reserves.

11 MS. WHITTALL-SCHERFEE: They stay --

12 MR. LISKA: We had --

13 MS. WHITTALL-SCHERFEE: Go ahead, Jim.

14 MR. LISKA: We had an existing replacement  
15 reserve of \$110,000, and this will be transferred over  
16 to the new buyer, and this will be used towards the  
17 relocation of the project.

18 MS. JAVITS: So their original replacement  
19 reserves were just insufficient for the needs of the  
20 project?

21 MS. ALVAREZ: The loan term ends in -- the  
22 original loan term in 2012, five years. So one could  
23 argue that the reserves did what they were supposed to  
24 do. If we did nothing today, this building could get to  
25 the end of its loan term where the Agency paid off and

1 the tenants will have been well served and had a good  
2 apartment. And that's -- if you're asking would the  
3 reserves last another 30 years, the answer is no. And  
4 that's exactly why we're here recapitalizing these today,  
5 is for questions like you're leading to.

6 MS. JAVITS: I just wanted to ask a couple of  
7 other questions since this will relate to several of the  
8 other projects and excuse my ignorance. I'm sure there's  
9 things that some understand, but can you just explain a  
10 little bit more about the acquisition? What's the  
11 purpose of the acquisition in this case? Why is the  
12 property being sold and purchased by somebody else?

13 MR. LISKA: The property is being sold as we've  
14 led into in previous explanations. It's an older project  
15 now, 25 years old. It needs to be recapitalized. One of  
16 the avenues open is to do a sale with a new legal entity,  
17 and this opens up the avenue to provide for tax credits  
18 for additional equity. And with the combination of using  
19 the minimal existing reserve we have, \$110,000, plus the  
20 tax credits and the whole syndication of this new  
21 financing transaction, we're able to do a couple million  
22 dollars' worth of needed rehabilitation for the project.

23 MS. JAVITS: So it's essentially to make the  
24 property --

25 MR. LISKA: More competitive --

1 MS. JAVITS: -- competitive for other --

2 MR. LISKA: -- habitable, livable, give the  
3 tenants in place a new sense of dignity.

4 MS. JAVITS: Okay. So then in that, I guess  
5 related to that, then, can you explain a little bit about  
6 the -- the fees that are -- that result. For example, we  
7 have a \$1.2-million developer profit line under costs.  
8 In each of these projects, there's a cost item related  
9 to --

10 MR. LISKA: The developer is allowed a developer  
11 fee under tax credits, and it's based upon, I believe,  
12 acquisition costs and it's based upon the contemplated  
13 rehabilitation. And so that's all eligible basis as far  
14 as providing an incentive for a new buyer, developer, to  
15 enter into this type of transaction and share that fee  
16 between themselves as well as the tax credit investor.

17 MS. WHITTALL-SCHERFEE: So what you'll also see  
18 frequently is that a lot of the fee ends up being  
19 deferred, and that is truly the case in La Vista.

20 MR. LISKA: In La Vista the entire 1,190,000 is  
21 deferred.

22 MS. WHITTALL-SCHERFEE: The other comment I'd  
23 like to add to what Jim said is, because this loan really  
24 matures in five years, by coming back we're actually  
25 providing extended affordability because we have a

1 30-year loan. Granted it could be repaid after year 15,  
2 but that still gives a lot more affordability to existing  
3 tenants and keeps the project affordable. That's really  
4 the goal behind these portfolio sales.

5 MS. JAVITS: Thank you.

6 MR. LISKA: Any other questions?

7 CHAIRPERSON COURSON: Question from the Board?

8 Mr. Czuker.

9 MR. CZUKER: Also for clarification purposes, I  
10 mean the total sources are in excess of \$10 million. The  
11 CalHFA is being asked to contribute or participate in the  
12 five-and-a-half-million range, so roughly a little over  
13 50-plus percent. The balance of the sources are coming  
14 from tax credits and other means, so it's a way of  
15 capitalizing and stretching CalHFA resources with the use  
16 of tax credits and other means and spending a significant  
17 dollar amount towards rehab, rehabilitation to reposition  
18 the asset, which that investment would typically not be  
19 capitalized from other sources for affordable housing.

20 CHAIRPERSON COURSON: Other questions or  
21 comments?

22 Mr. Pavao.

23 MR. PAVAO: Could you tell me a little bit more  
24 about what the Agency's policy is at it relates to  
25 pulling equity out of deals in circumstances like this.

1 MR. LISKA: Our policy is that right now we do  
2 not allow equity out. Even though it's unrelated  
3 parties, there is recognized as the -- they will remain  
4 as a limited general partner at 10 percent. It's just  
5 been our policy not to let equity out.

6 MR. PAVAO: And so then did I hear you say is  
7 AIMCO taking back paper on this one or --

8 MR. LISKA: Yes. AIMCO is taking back paper from  
9 their -- they're part of the original selling entity.  
10 They're taking back -- what we did, we've deleted their  
11 closing costs from the sales price. We've deleted -- or  
12 not deleted, but we've made into a residual receipt for  
13 the mortgage in place, the 5-percent ownership, plus or  
14 minus, as well as the distribution fee of their  
15 entitlement of any funds owed them upon settlement of  
16 this property. So, yes, they are contributing, you know,  
17 almost three quarters of a million dollars with this  
18 transaction. So they do have an interest in this  
19 property, and they maintain it and continue the  
20 affordability.

21 CHAIRPERSON COURSON: Other questions or other  
22 comments?

23 Is there any comment from the public?

24 Seeing none, we have a motion to approve the  
25 project. Let's call the roll.

1 MS. OJIMA: Thank you.  
2 Mr. Davi.  
3 MR. DAVI: Yes.  
4 MS. OJIMA: Mr. Carey.  
5 MR. CAREY: Yes.  
6 MS. OJIMA: Mr. Czuker.  
7 MR. CZUKER: Yes.  
8 MS. OJIMA: Mr. Mandell.  
9 MR. MANDELL: Yes.  
10 MS. OJIMA: Ms. Javits.  
11 MS. JAVITS: Yes.  
12 MS. OJIMA: Ms. Pavao.  
13 MR. PAVAO: Yes.  
14 MS. OJIMA: Mr. Morris.  
15 MR. MORRIS: Yes.  
16 MS. OJIMA: Mr. Shine.  
17 MR. SHINE: Yes.  
18 MS. OJIMA: Mr. Courson.  
19 CHAIRPERSON COURSON: Yes.  
20 MS. OJIMA: Resolution 07-23 has been approved.  
21 --o0o--  
22 **Item 4. Resolution 07-24, Ridgewood Apartments and La**  
23 **Loma Apartments**  
24 CHAIRPERSON COURSON: Okay. The next --  
25 MS. WHITTALL-SCHERFEE: The next project --

1           CHAIRPERSON COURSON: -- project.

2           MS. WHITTALL-SCHERFEE: -- I'm going to ask Jim  
3 Morgan to come up. Terri did announce some changes  
4 within CalHFA, and I'd like to announce a change that  
5 took place a couple months ago. Jim Morgan has been with  
6 the Agency for I think almost five years, maybe even  
7 longer, and Jim was recently promoted to be a loan  
8 officer. So this is his first presentation to the Board,  
9 but he has actually participated in many write-ups and  
10 many projects before, just behind the scenes, so I'd like  
11 to welcome Jim.

12           CHAIRPERSON COURSON: Jim, welcome and come up to  
13 the table.

14           MR. MORGAN: Thank you. I would have worn a blue  
15 suit, but I'd be like another ten individuals here.

16           MS. WHITTALL-SCHERFEE: This too is a portfolio  
17 sale. The one thing that's a little bit different about  
18 this project from just about any other project we've  
19 presented to you is that this is at CDLAC waiting for  
20 CDLAC approval, but it had to be submitted as two  
21 separate projects. Ridgewood Apartments and La Loma  
22 Apartments are approximately 13 miles apart. They are,  
23 however, one loan in our portfolio. For CDLAC purposes,  
24 however, they did not recognize these two projects as  
25 qualifying for a single allocation, so we actually have

1 two allocations currently at CDLAC, one for Ridgewood  
2 Apartments and the other for La Loma. Both of them are  
3 scheduled to be approved.

4 So we chose to continue this project and are  
5 looking at this project as a single project. It's in our  
6 portfolio that way, and our goal is to continue it that  
7 way. The Section 8 is coterminous. Everything is  
8 happening with these projects in a combined fashion, from  
9 the construction rehab contract to the Section 8  
10 discussions.

11 So Ridgewood Apartments and La Loma Apartments  
12 are two projects. Ridgewood is a 41-unit family project  
13 located in Sacramento, and La Loma is a 34-unit family  
14 project that is located in Rancho Cordova, a suburb of  
15 Sacramento. The seller of the project is La Loma  
16 Associates, a limited partnership with a general partner  
17 that we've discussed already of AIMCO. The new borrowing  
18 entity will be RL Affordable LP, and the managing general  
19 partner will be RLHAP limited partnership and Las Palmas  
20 Foundation, a California nonprofit corporation. They  
21 will own the project.

22 Both projects have a 100-percent Section 8  
23 contract, and the contract is set to expire on May 22nd  
24 of 2020. The loan terms are more traditional. They're  
25 more of what you've seen before. We have a first

1 mortgage, and then we have our second mortgage, which is  
2 based on the Section 8 portion.

3 The first mortgage is in the amount of \$3,075,000  
4 at our variable rate loan which is currently 5.2 percent,  
5 and it's a 24-month interest only tax exempt acquisition  
6 rehab loan. The second mortgage, which stays in place  
7 after the permanent loan is in place, is in the amount of  
8 \$1,160,000 at 5.2 percent for 14 years. It's a fully  
9 amortizing tax exempt loan. When the loan goes to a  
10 permanent loan, it will be in the amount of \$3,165,000 at  
11 5.2 percent. It will also be a 30-year loan that is  
12 prepayable after year 15, and it's going to be tax exempt  
13 financing.

14 There are a couple of -- there is a change that  
15 Jim Morgan will address a little further, and that is the  
16 change to the replacement reserve. On page 130 it says  
17 it's at \$450 a unit, and it is actually going to be at --  
18 increased to \$500 a unit.

19 And with that, Jim will take you through the  
20 project and the slides and explain the rehab.

21 MR. MORGAN: Thank you.

22 RLAGP is made up -- is comprised of Bentall  
23 Residential. This will be the tenth project -- Ridgewood  
24 La Loma will be the tenth project that Bentall  
25 Residential has brought to CalHFA in the last three, four

1 years.

2 On this slide here we have the Ridgewood project  
3 outline. Looking west we will see Highway 99 and 47th --  
4 Highway 99 running north-south and then 47th Avenue goes  
5 east-west.

6 With the closer view, this has a setback.  
7 There's a slight frontage road next to 47th Avenue  
8 located just north of the property.

9 This is one of two entrances to the property,  
10 coming from the west end.

11 Right after Ridgewood will be La Loma as well.  
12 As Laura mentioned, this is an existing portfolio loan  
13 for one loan for two projects, and both projects were  
14 submitted to CDLAC for separate allocations -- separate  
15 applications for separate allocations. Combined, both --  
16 the construction costs for both projects will be  
17 approximately \$2.2 million, just slightly below \$29,000  
18 per project.

19 Approximately almost 50 percent of that will be  
20 for the building's exterior and the building itself. The  
21 majority of that rehab, mostly siding, windows and roofs.

22 About 700 an -- about a million-20 for the siding and  
23 roofs. The majority -- the remaining part is \$725,000 is  
24 for residential units.

25 Our relocation expense has been set aside of

1 \$60,000. It has been budgeted. And most of the rehab  
2 will take place around unoccupied units; however, \$60,000  
3 has been set-aside for relocation of the tenants. Most  
4 of these rehab -- the material, interior units, are  
5 rehabed with prefab cabinets, flooring, so usually it's  
6 one or two days maximum that the tenant is out of pocket.

7 Both Ridgewood and La Loma have the same design,  
8 same exterior/interior building design, same siding, same  
9 layout. Ridgewood is slightly larger at 41 units and La  
10 Loma is 34 units.

11 We have an initial deposit of a thousand dollars  
12 per unit on the replacement reserve, and in addition to,  
13 as Laura before mentioned, we've increased the  
14 replacement reserve, the annual replacement reserve to  
15 \$500 per unit.

16 There's the La Loma project. It's slightly -- La  
17 Loma is located facing -- this is facing south.  
18 Highway -- Folsom Boulevard is just along this arterial  
19 here. And just further south is Highway 50, which goes  
20 west-east from Sacramento up to Lake Tahoe.

21 This project is surrounding mostly -- almost  
22 all -- almost mostly by market rating. Those are all  
23 market rates apartments around the project.

24 Again, siding, reroofing are issues at both  
25 Ridgewood and La Loma, and both will be addressed with

1 the rehab. You can see some lifting shingles on the  
2 roofs, which will be replaced.

3 And another typical kitchen picture.

4 The rents, you will see that both for Ridgeway  
5 and La Loma, both of the Housing Assistance Payment  
6 contracts will expire in May of 2020. The borrower,  
7 Bentall, is -- has -- will receive an annual -- will  
8 receive an extension or renewal of that HAP contract, the  
9 annual renewals. The Section 8 rents are slightly higher  
10 than the market rate rents and the cap is adjusted  
11 accordingly. We don't trend the rents up until the year  
12 eight for that subsidized portion.

13 Also, in this project we have a transition  
14 operating reserve of \$159,000, if we were to lose our  
15 Section 8 rents. That represents one year of subsidizing  
16 to make that transition to market or whatever we would  
17 have to do to make the rents more affordable.

18 MS. WHITTALL-SCHERFEE: And with that, we'd be  
19 happy to answer any questions. We apologize for the slow  
20 slide presentation.

21 CHAIRPERSON COURSON: Questions on Ridgewood or  
22 La Loma?

23 Mr. Czucker.

24 MR. CZUKER: I have a potential conflict, so I'd  
25 like to disclose that to our attorney for his input,

1 which is I've done some past partnerships as well as  
2 present partnerships with Las Palmas Foundation, a  
3 nonprofit cosponsor of this project. And I don't know if  
4 I should recuse myself from participating in the  
5 discussion or voting.

6 MR. HUGHES: First, let me ask Laura, was this  
7 one of the projects where we got the letters?

8 MS. WHITTALL-SCHERFEE: Yes. Yes, we -- this is  
9 the letter we forwarded to you.

10 MR. MORGAN: Right. We received a letter from  
11 Joe Michaels, Las Palmas Foundation, and as chairman of  
12 the board as well that there are no dealings whatsoever  
13 with them, with Las Palmas, with Ed Czucker or Ed Czucker  
14 and any of Las Palmas properties. We did that because we  
15 knew that had come up in the past.

16 MR. HUGHES: And it would be helpful, I think,  
17 just for me to very briefly reiterate the rules on  
18 conflicts, because they are quite complex. And, of  
19 course, as the Board can see from the other documents in  
20 front of you, the analysis is quite complex.

21 There are two general sources of conflict law  
22 that we need to be sensitive to. One is the Political  
23 Reform Act, and two is Government Code section 1090. The  
24 Political Reform Act is a very complex analysis, an  
25 eight-step test, and we can't do it sitting here. It's

1 just not really possible in most cases. And that goes to  
2 a Board member disqualifying himself.

3 Government Code 1090, on the other hand, which  
4 prohibits a public official from having financial  
5 interests in a contract, disqualifies the entire Board if  
6 any Board member has a conflict, and recusal is not an  
7 option. So the issue that we always need to keep in mind  
8 is if there is any financial interest, our Board is  
9 disqualified and we can't proceed. So generally we need  
10 to do that analysis ahead of time in order to be able to  
11 give any comfort to the Board that the action will be  
12 permitted.

13 In this case particular case I think we sought  
14 out, anticipating these issues because we've noticed in  
15 the past you've disclosed that you had those  
16 relationships, although not the projects at issue, so we  
17 contacted these folks to try and make sure that there was  
18 nothing there that would suggest that there was a  
19 financial interest. And based on this letter and the  
20 facts that we've ascertained, there does not appear to be  
21 one.

22 But I wanted to have that caveat. I know in the  
23 past when we've had Board members join I've written memos  
24 to the Board that we really need to deal with the  
25 complications ahead of time so that we're able to give

1 some assurance of comfort to the Board.

2 In this particular case, again, based on these  
3 letters, it appears that everything is okay.

4 CHAIRPERSON COURSON: Are there any other  
5 questions or comments on the project?

6 Mr. Carey.

7 MR. CAREY: Two quick questions. Given the  
8 nature of the rehab and all the siding replacement, are  
9 you reasonably sure that they are structurally sound?

10 MR. MORGAN: Yeah. We -- our seismic consultant,  
11 URS out of Southern California, performed seismic reviews  
12 both on Ridgewood and La Loma, and we are structurally  
13 sound. That may not be -- that's not the case on the  
14 next project coming up on Casa de Las Hermanitas, but on  
15 Ridgewood and La Loma, yes, we are structurally sound.

16 MR. CAREY: And the other one is very minor, but  
17 I noticed that the relocation plan for this and the  
18 previous project are almost word for word the same, but  
19 the budget on this one is almost four times.

20 MS. WHITTALL-SCHERFEE: Yeah, this is more  
21 traditional in terms of what we see as relocation  
22 budgets. I think Jim did mention -- Jim Liska did  
23 mention in his earlier presentation that they are -- that  
24 maybe he miswrote a little bit in La Vista because what  
25 they really intended to do was to keep a 30-day

1 relocation budget, whereas these projects need closer to  
2 four to five days per unit, and that was why it was so  
3 large.

4 60- to 65,000 on an 80-unit, 75-unit project is  
5 traditionally what we're seeing. Bentall has had a lot  
6 of experience with this relocation, and that is  
7 historically what they have seen. They need about six to  
8 seven hundred dollars a unit on this type of rehab. So  
9 we're comfortable that the rehab -- the relocation budget  
10 on Casa de Las Hermanitas and on Ridgewood and La Loma  
11 will be sufficient.

12 CHAIRPERSON COURSON: Other questions?

13 Ms. Javits.

14 MS. JAVITS: I just want to make sure I  
15 understand just from the perspective of, say, the public  
16 good of using CalHFA's money to make a positive  
17 contribution that what we -- sort of what we're  
18 purchasing in a sense is about two and a half million  
19 dollars of rehab to make the project more sound and, you  
20 know, a good place to live and then, second, longer term  
21 affordability.

22 MS. WHITTALL-SCHERFEE: Yes.

23 MS. JAVITS: Longer term affordability, much  
24 longer term affordability. And that's essentially the  
25 net benefit. And then on the cost side or I guess on the

1 profit side, the developer nets about \$800,000 and then  
2 about a million a year? Is that -- is that correct?

3 MR. MORGAN: Well, the developer is -- out of  
4 818,000 of his fee, he's leaving in 668,000 of that fee  
5 over the ten years.

6 MS. JAVITS: Over the ten years, but at the end  
7 of the ten years --

8 MR. MORGAN: That's correct.

9 MS. JAVITS: -- he'd get that back.

10 MR. MORGAN: That's correct.

11 MS. JAVITS: And then we're -- and then netting  
12 about -- is it -- is it 90,000 a year?

13 MS. WHITTALL-SCHERFEE: Well, it depends on where  
14 you're looking.

15 MS. JAVITS: Net operating income.

16 MS. WHITTALL-SCHERFEE: Year one it would be  
17 46,000. After the rehab it will be 46,041 in year one.

18 MS. JAVITS: So this is per year.

19 MS. WHITTALL-SCHERFEE: That's per year.

20 MS. JAVITS: Okay.

21 MS. WHITTALL-SCHERFEE: And that's assuming all  
22 your expenses are correct. That's not a lot of money  
23 when you --

24 MS. JAVITS: Right. Yeah.

25 MS. WHITTALL-SCHERFEE: -- think about what you

1 have.

2 MS. JAVITS: Right. Right. Vacancy rates could  
3 change.

4 MS. WHITTALL-SCHERFEE: Insurance.

5 MS. JAVITS: Insurance. Okay. Thank you.

6 CHAIRPERSON COURSON: Other questions or  
7 comments?

8 There is on page 145 a resolution to approve  
9 these projects. Do I have a motion to approve the  
10 resolution?

11 MR. DAVI: I would so move.

12 CHAIRPERSON COURSON: Mr. Davi moves. Is there a  
13 second?

14 MS. JAVITS: I second.

15 CHAIRPERSON COURSON: Ms. Javits seconds.

16 Is there any other discussion from the Board?

17 Any discussion from the public?

18 Seeing none, we'll call the roll.

19 MS. OJIMA: Thank you.

20 Mr. Davi.

21 MR. DAVI: Yes.

22 MS. OJIMA: Mr. Carey.

23 MR. CAREY: Yes.

24 MS. OJIMA: Mr. Czuker.

25 MR. CZUKER: Yes.

1 MS. OJIMA: Mr. Mandell.

2 MR. MANDELL: Yes.

3 MS. OJIMA: Ms. Javits.

4 MS. JAVITS: Yes.

5 MS. OJIMA: Mr. Pavao.

6 MR. PAVAO: Yes

7 MS. OJIMA: Mr. Morris.

8 MR. MORRIS: Yes.

9 MS. OJIMA: Mr. Shine.

10 MR. SHINE: Yes.

11 MS. OJIMA: Mr. Courson.

12 CHAIRPERSON COURSON: Yes.

13 MS. OJIMA: Resolution 07-24 has been approved.

14 --oOo--

15 **Item 4. Resolution 07-25, Casa de Las Hermanitas**

16 **Apartments**

17 MS. WHITTALL-SCHERFEE: We're moving pictures as  
18 we speak a little earlier so that we can get through this  
19 a little faster.

20 The next project is Casa de Las Hermanitas  
21 Apartments in Los Angeles Royal Heights. This is a  
22 portfolio sale. This is also at CDLAC for approval.

23 We are requesting approval for acquisition and  
24 permanent financing. This is an 88-unit senior project.  
25 The other two were actually family projects. The current

1 owner is Casa de Las Hermanitas, a limited partnership,  
2 whose general partner is AIMCO. The buyer is CDLH  
3 Affordable LP. And the general partners are CDLHAGP  
4 Limited Partnership and Las Palmas Housing and  
5 Development Corporation.

6 This project also has a hundred percent  
7 Section 8. That Section 8 expires on January 21st of  
8 2012.

9 This is structured very similarly to Ridgewood La  
10 Loma. We have an acquisition loan that has two  
11 mortgages. The first mortgage is in the amount of  
12 4,265,000 at our variable rate, which is currently 5.2.  
13 It's a 24-month interest only tax exempt first. The  
14 second is based on the remaining Section 8, and it's in  
15 the amount of 1,035,000 at 5.2. It's for seven years.  
16 It's fixed, and it's fully amortized, and it's tax  
17 exempt.

18 At the time the permanent loan goes into place,  
19 the second will be subordinated to the permanent first,  
20 and that permanent loan will be in the amount of  
21 \$4,490,000 at 5.2 percent, 30 years, but it can be  
22 prepaid after year 15 in the qualified project period,  
23 and it will be tax exempt.

24 The surprise that we had on this project, it's a  
25 portfolio loan and yet when we had our seismic review

1 done, we discovered that, in fact, there were seismic  
2 issues, and this project needs approximately \$650,000 of  
3 hard seismic retrofitting costs. When you add everything  
4 else in, it's closer to \$750,000. So that was something  
5 that we did not expect when we were originally discussing  
6 this.

7 And Jim is going take you through and show you  
8 the project and explain a little bit more about the  
9 rehab.

10 MR. MORGAN: Right. Here's the outline with Casa  
11 de Las Hermanitas. Again, this will be the 11th project  
12 that Bentall is bringing to us, the tenth one was just  
13 previous. Highway 5/10 is just to the west. This is  
14 located in East Los Angeles, well, it's right off.  
15 Adjacent to the property is a Food 4 Less grocery store.

16 This is a close-up version where you can see the  
17 grocery store, the Food 4 Less. Directly behind it is an  
18 elementary school to the east.

19 Surrounding units are mostly multifamily housing.

20 As we go through the pictures, rehab of this  
21 structure is going to be approximately two and a half  
22 million dollars, slightly under \$28,000 per unit. Out of  
23 that two and a half, 1.6, slightly more than \$1.6 million  
24 is going to be rebuilding, which includes that 650,000  
25 seismic -- \$650,000 seismic retrofit. Our seismic

1 consultant, again URS, did a site visit and just with  
2 their inspections found there's some sick shear wall and  
3 anchorage issues where steel bolts and shot pins were  
4 used instead of anchor bolts.

5 And so what is taking place is that the borrower  
6 has hired a seismic engineer, a structural engineer, to  
7 go forward with the seismic retrofit, and those estimated  
8 costs, as Laura said, are around 650-, 700,000 dollars.  
9 The remaining portion of the rehab, approximately  
10 700,000, will be for residential units, flooring,  
11 cabinets, sinks, counters, et cetera.

12 Most of this renovation is -- will take place  
13 around the existing units, and \$61,400 has been set aside  
14 for relocation.

15 This -- this -- because of the -- the existing  
16 replacement reserve is \$705,000. The exterior of this  
17 building, the interior buildings -- the exterior of the  
18 building is in pretty decent shape. The interior, with  
19 some of the floors and dated cabinets, is where the  
20 majority of that replacement reserve will be used.

21 MS. WHITTALL-SCHERFEE: In addition because we  
22 had the seismic issue come up a little late, one of the  
23 things that we elected to do, and was approved by our  
24 senior staff when we presented it, was we elected to not  
25 require the CalHFA operating expense reserve. That

1 reserve is something that helps fund costs when there are  
2 vacancies, and this is a senior project with no  
3 vacancies.

4           Instead, we have a very, very strong transitional  
5 operating reserve. The important difference between the  
6 transitional operating reserve and the expense reserve is  
7 that the transitional operating reserve stays with the  
8 project. Even if Section 8 goes for the remaining term  
9 of the loan, the \$290,000 that we've set aside for the  
10 transitional operating reserve does not get returned to  
11 the borrower. It doesn't get returned to anybody. It  
12 stays with the project, and it is used for either project  
13 improvements or some sort of tenant benefit.

14           So our feeling was that because the seismic is a  
15 very, very important part of this whole structure that we  
16 were proposing that we eliminate the operating expense  
17 reserve but keep a very strong transitional operating  
18 reserve in place.

19           MR. MORGAN: More kitchen pictures.

20           MS. WHITTALL-SCHERFEE: But a different kind of  
21 kitchen.

22           MR. MORGAN: Okay. As you can see our Section 8  
23 rents are higher than the market, and, again, we didn't  
24 trend those rents for the subsidized piece until after  
25 year 8. So we left those rents flat up until year 8 and

1 then we trend them upward. You'll see two 50-percent  
2 rents. The one that's more yellowish green is 50-percent  
3 TCAC and the one that's more darker green is 50-percent  
4 CalHFA.

5 MS. WHITTALL-SCHERFEE: I just want to make one  
6 little clarification. This is only for seven years, and  
7 so actually for the remaining seven years of the  
8 Section 8, there is no trend. They don't go up at any  
9 point. If you look at the cash flow, it stays at the  
10 same amount.

11 MS. PARKER: On page?

12 MS. WHITTALL-SCHERFEE: On page 160.

13 MR. MORGAN: As Laura mentioned, the housing  
14 assistance contract expires in January 2012. We built in  
15 a one-year transitional operating reserve, and we've  
16 also -- she just wanted me to show you that indeed the  
17 borrower has a very successful track record of obtaining  
18 HAP renewals or new HAP contracts with annual renewals.  
19 On the cash flow we wanted to show you that if they were  
20 not able to get any HAP renewal whatsoever, the project  
21 would still debt service at least one times coverage.  
22 With HAP renewal, the debt service would be over 1.8. I  
23 just wanted to make that clear.

24 MS. WHITTALL-SCHERFEE: And with that we'd be  
25 happy to answer any questions you have, and we are

1 requesting your approval of the project.

2 CHAIRPERSON COURSON: Questions, comments on this  
3 project?

4 Mr. Carey.

5 MR. CAREY: The earthquake standards, is that  
6 state code standards or is that CalHFA standards?

7 MS. WHITTALL-SCHERFEE: That's CalHFA standards,  
8 which are higher than the state standards, but they're  
9 standards that we impose on all our projects.

10 CHAIRPERSON COURSON: Other questions or  
11 comments?

12 There's a resolution on page 167 to approve the  
13 project. Is there a motion?

14 MR. SHINE: So moved.

15 CHAIRPERSON COURSON: Mr. Shine moves.

16 Is there a second?

17 MR. MORRIS: Second.

18 CHAIRPERSON COURSON: Mr. Morris seconds.

19 Any other comments or questions from the Board?

20 Any comments or questions from the public?

21 Seeing none, we'll call the roll.

22 MS. OJIMA: Thank you.

23 Mr. Davi.

24 MR. DAVI: Yes.

25 MS. OJIMA: Mr. Carey.

1 MR. CAREY: Yes.  
2 MS. OJIMA: Mr. Czuker.  
3 MR. CZUKER: Yes.  
4 MS. OJIMA: Mr. Mandell.  
5 MR. MANDELL: Yes.  
6 MS. OJIMA: Ms. Javits?  
7 MS. JAVITS: Yes.  
8 MS. OJIMA: Mr. Pavao.  
9 MR. PAVAO: Yes.  
10 MS. OJIMA: Mr. Morris.  
11 MR. MORRIS: Yes.  
12 MS. OJIMA: Mr. Shine.  
13 MR. SHINE: Yes.  
14 MS. OJIMA: Mr. Courson.  
15 CHAIRPERSON COURSON: Yes.  
16 MS. OJIMA: Resolution 07-25 has been approved.  
17 MS. PARKER: Thanks, Jim. You now have your --  
18 MS. WHITTALL-SCHERFEE: He's been indoctrinated.  
19 MS. PARKER: Yes.

20 --o0o--

21 **Item 5. Resolution 07-26, Lion Creek Phase II**

22 MS. WHITTALL-SCHERFEE: The next project, Ruth  
23 Vakili is going to join us and help explain. Lion Creek  
24 is the project that you did receive a new insert. You  
25 should have received a new page 171 and page 172. Aside

1 from the fact that we were creating the largest buildings  
2 ever known to mankind with 37,654 stories each, we needed  
3 to see if anybody was really reading the Board packages.

4 The more important reason we gave you new pages is  
5 because the one that we submitted to you had estimate --  
6 estimated appraised values, and we did receive the actual  
7 appraisal, and we wanted to make sure that you had an  
8 opportunity to see the information on the new appraisal.

9 And we did want to correct the number of stories for the  
10 building, too.

11 In addition, we included a new page 172 because  
12 we took the information provided in that appraisal on  
13 market rate rents and inserted them so you could see what  
14 actually is being used for rents on the project compared  
15 to what the average market is. That's the purpose for  
16 those two new pages.

17 This project may be familiar to some of you and  
18 may not, depending on how long you've been on our Board.

19 This project, formerly known as Coliseum Gardens was  
20 approved by the Board back in September -- oh, I'm sorry,  
21 I think it was July of 2005. We are coming back you to  
22 with a loan modification request, which was not totally  
23 unexpected. When this project was first submitted, the  
24 expectation was that if the borrower obtained Section 8,  
25 that they would ask us to come back for a Section 8

1 piece.

2           There have been some cost increases, and Ruth is  
3 going to explain a little bit about what's been happening  
4 with the project, but what we are returning today is to  
5 ask for a loan modification to fund a third mortgage in  
6 the amount of 620,000 at a rate of 5.25 percent. It will  
7 be for ten years, fully amortized, and it will be using  
8 tax exempt money.

9           This project is a bond refunding. The City of  
10 Oakland was the bond issuer, and Wells Fargo was the  
11 construction lender, and so our role in this is as a  
12 permanent lender, a take-out lender. And Ruth is going  
13 to walk you through the project.

14           MS. VAKILI: Good morning. The area that you're  
15 looking at -- the area that you're looking at is a very  
16 old area, 2005 when we took this project to the Board.  
17 Phase II is now complete or will be, final billing.  
18 They'll get their certificate of occupancy in the next  
19 week. The project is about 45 percent of the pipe. The  
20 rest of the project is -- Phase I, of course, is  
21 complete. Phase III is under construction. It's about  
22 20, 25 percent complete currently. Phase III should be  
23 completed in June of next year, and we have a  
24 construction and permanent loan on that phase as well.

25           So the site looks substantially different,

1 fortunately. In the next slide you'll see an elevation  
2 of the entire site as it's built out, which should give  
3 you a better picture of where things are.

4 MS. WHITTALL-SCHERFEE: We just ask for your  
5 patience.

6 CHAIRPERSON COURSON: More kitchens coming up?

7 MS. WHITTALL-SCHERFEE: Very few pictures  
8 actually. Thankfully.

9 MS. PARKER: I think there has been a number of  
10 members of the Board who have been to this project as  
11 it's gone through its phases. We've had a number of  
12 grand openings and site presentations, and I know some  
13 people last year even gave out MHP grants. We had a lot  
14 of fun with that. Nothing draws people like giving money  
15 out. It's an outstanding project. It sits in the middle  
16 of nowhere in Oakland.

17 MS. VAKILI: As you can see from the elevations,  
18 Phase II is how it looks now. The park itself is  
19 completed and operational and Phase I, fully occupied.  
20 And again, Phase II, nearing occupancy. We're expecting  
21 full occupancy by the end of this month and expecting to  
22 close the permanent loan shortly thereafter.

23 These are pictures of the completed project,  
24 looks very similar to Phase I. It's a beautiful project.

25 The borrowers did obtain a Section 8 housing

1 assistance payment contract. The contract is for ten  
2 years with two five-year renewal options. Our loan is  
3 based on the Section 8 contract, and the rents have  
4 already been established and approved at 1,350 for two  
5 bedrooms, 1,675 for three bedrooms.

6 Relative to the HAP contract, we will be asking  
7 for the Housing Authority to comply with CalHFA  
8 requirements for Section 8 HAP contracts. I would like  
9 to add that the contract does substantially comply with  
10 our underwriting requirements.

11 And with that, I guess we could move on to the  
12 rents. I can hum a few tunes while we wait.

13 MS. WHITTALL-SCHERFEE: Well, maybe we can just  
14 ask you if you have any questions. We'll continue  
15 showing the slide presentation, but if you have  
16 questions, please ask us now.

17 CHAIRPERSON COURSON: Mr. Morris.

18 MR. MORRIS: Could we go back to the aerial.  
19 This is -- have you had any discussions about what  
20 Phase III is and where Phase III is on the aerial and a  
21 little on who's participating on Phase III as well?

22 MS. WHITTALL-SCHERFEE: We're going to ask our  
23 technological expert to get us back there faster.

24 MR. MORRIS: All right.

25 CHAIRPERSON COURSON: While you're doing that,

1 are there other questions?

2 Ms. Javits.

3 MS. JAVITS: I just had a couple questions. On  
4 the budget, the budget for the service base dropped  
5 pretty significant. Do you know why?

6 MS. VAKILI: I think that's a redistribution in  
7 terms of the actual costs for that portion of the  
8 building. With the updated budget, we are seeing actuals  
9 based on the contract.

10 MS. JAVITS: And then I was just curious, the  
11 operating per unit for this project is about 1800. For  
12 the other deals we looked at today, they were all around  
13 800. I just wondered what explains the difference.

14 MS. VAKILI: I'm sorry, which line are you  
15 looking at?

16 MS. JAVITS: Well, on page 176, there is a per  
17 unit operating and maintenance cost for the 18-month.

18 MS. WHITTALL-SCHERFEE: Well, these are bigger  
19 projects. This is 146 units and so you're going to --  
20 I'm sorry? And so we also require more on-site  
21 management. But maybe Ruth can explain it beyond that.  
22 I just know that we have a -- with 146 units, you'll have  
23 on-site managers, assistant managers.

24 MS. VAKILI: There is substantial community  
25 space, as you can see, in the project. Reason being is

1 that there are a lot of services that are provided to the  
2 tenants within the budget. That's how they're paying for  
3 it. They have a Head Start program, various services  
4 provided. So everything on site is what the operating  
5 budget is paying for.

6 MS. JAVITS: Thank you.

7 MS. WHITTALL-SCHERFEE: Any other questions  
8 before we get back to the aerial?

9 MR. MORRIS: You can show us on here, just point  
10 out where Phase III is and what it's going to be.

11 MS. VAKILI: Without having benefit of the  
12 site --

13 CHAIRPERSON COURSON: I think we're going to get  
14 it, whether it's one way or another.

15 MS. VAKILI: We're going to wing it on this.  
16 This is -- okay. So this is roughly Phase II. The park  
17 is here. Phase I, I believe, is on this side, and  
18 Phase III is along here. Correct me if I'm wrong, Kim.

19 MS. MCKAY: It's a little off.

20 MS. PARKER: Please come up and identify  
21 yourself.

22 MS. MCKAY: The road to the right is actually --

23 MS. WHITTALL-SCHERFEE: Kim, you need to come up  
24 here.

25 MS. VAKILI: You can come up and do the pointer.

1 MS. MCKAY: Actually, this is Phase I. It's  
2 finished over here. I think this must have been from --  
3 this actually is Phase II here, and then this is actually  
4 Phase III here. So it's a little hard to get oriented,  
5 but the park is here and the creek is running through  
6 here.

7 MR. MORRIS: So what's highlighted right there is  
8 actually Phase III.

9 MS. MCKAY: It actually is. But you guys have  
10 been so generous with lending approval on the money, but  
11 Phase III -- Phase II, Phase III basically looks like  
12 this. It's over here.

13 MR. MORRIS: That's, what, 146 units?

14 MS. MCKAY: Correct.

15 MR. MORRIS: And then what's the plan for  
16 Phase III?

17 MS. MCKAY: There's 206 units that's under  
18 construction will be done next -- late spring.

19 CHAIRPERSON COURSON: Any other questions or  
20 comments on this project?

21 There is a resolution on page 211 in your Board  
22 binder. Is there a motion?

23 MR. PAVAO: So moved.

24 CHAIRPERSON COURSON: Mr. Pavao moves.

25 Is there a second?

1 MS. JAVITS: Second.

2 CHAIRPERSON COURSON: Ms. Javits seconds, sorry.

3 Any other comments, questions?

4 Anything from the public?

5 Seeing none, we'll call the roll.

6 MS. OJIMA: Thank you.

7 Mr. Davi.

8 MR. DAVI: Yes.

9 MS. OJIMA: Mr. Carey.

10 MR. CAREY: Yes.

11 MS. OJIMA: Mr. Czucker.

12 MR. CZUKER: Yes.

13 MS. OJIMA: Mr. Mandell.

14 MR. MANDELL: Yes.

15 MS. OJIMA: Ms. Javits.

16 MS. JAVITS: Yes.

17 MS. OJIMA: Mr. Pavao.

18 MR. PAVAO: Yes.

19 MS. OJIMA: Mr. Morris.

20 MR. MORRIS: Yes.

21 MS. OJIMA: Mr. Shine.

22 MR. SHINE: Yes.

23 MS. OJIMA: Mr. Courson.

24 CHAIRPERSON COURSON: Yes.

25 MS. OJIMA: Resolution 07-26 has been approved.

1 MS. WHITTALL-SCHERFEE: Thank you very much.

2 CHAIRPERSON COURSON: Thank you, Laura. Thank  
3 you and your team. We appreciate the presentation this  
4 morning.

5 MS. PARKER: Mr. Chairman, I just wanted to make  
6 a note for our colleagues and Board members that I had  
7 gotten an e-mail this morning at 4:00 o'clock, 4:00 a.m.,  
8 from Cynthia Bryant who had planned to attend the Board  
9 meeting today, director of the Department of Planning and  
10 Research. The session went until 3:30 last night, and  
11 although Cynthia was looking at the idea of getting up in  
12 30 minutes -- or 90 minutes to take a flight to come down  
13 here, she was very apologetic saying she wouldn't be  
14 joining us today. So I wanted to just for the record  
15 have the colleagues know that Cynthia tried to come here  
16 and meet. I sent her a note back at 6:30, said we  
17 certainly understood and that she had our blessing in  
18 getting some sleep.

19 CHAIRPERSON COURSON: Thank you.

20 MS. PARKER: Thank you.

21 CHAIRPERSON COURSON: Let me talk some logistics.  
22 We're going move into our next agenda item, which is the  
23 report of the Audit Committee, and then after we finish  
24 that agenda item, we'll take a brief break and then come  
25 back and continue with our agenda.

1 I should also add, because I'll forget otherwise,  
2 that sometime between the hours of 12:00 and 1:00 there  
3 is going to be a fire alarm, but don't be alarmed because  
4 it's only a test.

5 MS. OJIMA: It's only a test.

6 CHAIRPERSON COURSON: Having said all that, I  
7 will turn it over to Mr. Shine.

8 --o0o--

9 **Item 6. Report of the Chairman of the Audit**  
10 **Committee...**

11 MR. SHINE: Thank you, Mr. Chairman.

12 As you know from our last meeting, we have been  
13 working with the Manatt Phelps firm in Los Angeles to do  
14 an investigation and ascertainment of the situation in  
15 connection with certain allegations that were made  
16 anonymously to this Board. We have -- I'm here to report  
17 to you today that the initial part of that investigation  
18 is complete. It has been reviewed by the Audit  
19 Committee, and the Audit Committee would like to report  
20 to you what that said and then call for your approval, if  
21 you're of a mind to give it.

22 Before I actually get into my side of it, I'd  
23 like to have John Morris pick up on the pinpoint issue of  
24 my own involvement as President of Board of Directors of  
25 Habitat for Humanity in my local area and the discussions

1 that were had between me and this Agency in connection  
2 with the Agency's discussions with me and other Habitat  
3 folks throughout the state to make a program for  
4 financing which was included in the five-year plan.

5 So, John, do you want to pick it up from there?

6 MR. MORRIS: Okay.

7 One of the issues, as Jack said, was - was there  
8 a conflict created by Jack's dual role as a board member  
9 of the CalHFA and a volunteer chair of the San  
10 Fernando/Santa Clarita Habitat for Humanity organization.  
11 And the reports from the -- from Manatt, Steve Nissen's  
12 work, was that there was no violation of any law,  
13 regulation or codes of conduct. And additionally their  
14 findings found clearly there was no evidence that the  
15 Habitat for Humanity loan purchase program was a product  
16 of any kind of collaboration between Jack Shine. Clearly  
17 it was a product of CalHFA's staff collaboration with  
18 numerous Habitat affiliates.

19 MR. SHINE: Okay. Thank you.

20 The second, the balance of the report deals with  
21 two major issues, two broad issues. One is the process  
22 by which compensation was set for key exempt management,  
23 and other was the relationship between our chairman,  
24 John, and his company and CalHFA, based on certain  
25 allegations that were made.

1 I would like to paraphrase for you the findings.  
2 First, Manatt found no evidence that John Courson's dual  
3 role as chair of CalHFA Board and president of his  
4 company violated any laws or regulations governing  
5 CalHFA. Such a dual role is common -- is contemplated  
6 and sanctioned by statutes that, in fact, govern CalHFA.

7 Second, they found no evidence that Mr. Courson's  
8 conduct as chair of CalHFA compensation committee  
9 violated any laws or regulations governing CalHFA.

10 And third, they say that it appears that CalHFA  
11 followed the letter of the law governing compensation for  
12 key executives recently enacted Senate Bill 257. They go  
13 on to mention, however, that the process in which the  
14 independent salary survey was conducted and upon which  
15 key management compensation was set has the ability to be  
16 improved, which we should consider.

17 Fundamentally the Audit Committee reviewed these  
18 things and is making the recommendation that this Board  
19 accept the report from Manat and put those issues to  
20 rest. And I might add that the Audit Committee was  
21 unanimous in feeling that this in no way changes our  
22 ongoing committed support to staff here at CalHFA.

23 People who shoot arrows all the time, it doesn't  
24 mean they're right. People that say things all the time,  
25 it doesn't mean that they're right. And we believe that

1 the Manatt firm did a thorough, complete, comprehensive  
2 look at the allegations that were made and found the  
3 conclusions that you have just heard.

4 And so with that, we would like to recommend this  
5 Board approve the report from Manat.

6 CHAIRPERSON COURSON: So the motion is to?

7 MR. SHINE: I don't think I can make a motion on  
8 my own report.

9 MR. MORRIS: I have a question.

10 CHAIRPERSON COURSON: All right. Mr. Morris.

11 MR. MORRIS: I'm a little confused as to what  
12 we're doing here. In other words, I don't understand  
13 what the purpose is to approve the acceptance of the  
14 report. You know, I think that there was a thorough  
15 analysis done of the issues that we discussed in the  
16 audit committee. There's several recommendations.

17 You know, the finding was that there wasn't any  
18 violation of law, but there clearly were some problems  
19 with the process, very -- what I consider to be -- I'm  
20 probably the only one on the Board that feels this way,  
21 but I felt there were some serious violations of the  
22 spirit of the legislation and the process.

23 What I'm hoping will result from all of this is  
24 that it will improve process so when we go through  
25 this -- again, I don't know whether this is going to be

1 next calendar year or the following year -- that we're  
2 able to implement some changes to the types of things  
3 that occurred this year, that I felt were inappropriate,  
4 don't continue.

5 There were several recommendations made by  
6 Manatt, which you have in front of you. I additionally  
7 had some recommendations. I don't know if today's  
8 meeting is the time that we're going to discuss that or  
9 if it's a future meeting, but if you want to vote to  
10 accept the report, fine. And then maybe we can discuss  
11 how are we going to deal with the recommendations that  
12 were made as it relates to dealing with future salary  
13 surveys and setting of salaries for the exempt employees.

14 MR. SHINE: That is exactly what we I had in  
15 mind, but the first leg of that -- of that action is, at  
16 least in my opinion, that we accept their findings. And  
17 that is what we're moving to request from this Board.

18 CHAIRPERSON COURSON: Mr. Carey.

19 MR. CAREY: In following up on that, I think that  
20 in the discussion that we had the other day, the issue in  
21 part and perhaps most significantly, is to put behind us  
22 the allegations made in the anonymous memos. I think  
23 that we are all in agreement that the Manatt report,  
24 which was extensive and expensive, involved several days  
25 of the audit committee's time as well as extensive time

1 of the staff, determined that there is no substance to  
2 the specific issues that we gave to them to investigate.

3 We had already determined that there was no substance to  
4 the remaining issues in those three memos that warranted  
5 concern.

6 So for the integrity of the organization and the  
7 leadership of the organization, I think it's important  
8 that we accept the factual findings of those reports,  
9 recognizing that we discussed ways to improve perhaps the  
10 compensation-setting process in the future and I think  
11 agreed that that would be a follow-up discussion, so that  
12 the Board can fully participate in that. There are  
13 issues in those recommendations that need some thought  
14 and aren't quite as clear.

15 John, since you -- Mr. Morris, since you  
16 mentioned your own concerns, I appreciate them very much.  
17 I do -- I feel I want to read one -- two sentences out of  
18 the report from Manatt, because I -- while I agree that  
19 we can do things better, I don't concur personally that  
20 there are serious shortcomings.

21 The conclusion said:

22 "We understand that because of the very  
23 recent enactment of SB257, the above-described  
24 events reflect the first time that CalHFA has  
25 embarked on a process to set management

1 compensation through the use of an independent  
2 salary survey company. The CalHFA Board chair,  
3 John Courson, should be commended for taking  
4 the initiative to lead this inaugural process  
5 as chair of the Compensation Committee. As  
6 with all first-time endeavors, there are many  
7 lessons to be learned so that the process may  
8 improve over time. In that spirit we make a  
9 series of recommendations and observations."

10 I think that that's a fairly clear statement to  
11 me that there was nothing untoward or inappropriate in  
12 the process, albeit there is opportunity for us to do an  
13 even better job in the future.

14 MR. MORRIS: Well, let me just make one comment.

15 CHAIRPERSON COURSON: Mr. Morris.

16 MR. MORRIS: You know, I have been critical about  
17 the process from the very beginning, so that's nice what  
18 was said in the report, but well before we even had a  
19 Compensation Committee, I was the one that anticipated  
20 problems and suggested forming a Compensation Committee.  
21 Additionally, at our very first meeting have had serious  
22 complaints about the process, so I understand Manatt's  
23 findings. I understand the law. I understand the  
24 legislation. I also -- I also was involved in meetings,  
25 some of which were closed which you were not involved in,

1 where -- which we can't discuss, where I have additional  
2 concerns. That's the reason I make these comments.

3 MR. SHINE: And recognizing those comments, step  
4 two, if we can get through step one, will be to address  
5 the ascertaining and means by which we're going to deal  
6 with the issues that have been raised that recommend  
7 certain changes, additions, deletions or modifications.

8 So I think what I'd like to do is just wait and  
9 see what kind -- if we can get a vote here or what on the  
10 findings, and then I'd like to discuss the next issue,  
11 which would be No. 2 on the list.

12 CHAIRPERSON COURSON: Mr. Pavao.

13 MR. PAVAO: I suppose my question is a point of  
14 order; that is, this wasn't listed as an action item, so  
15 are we --

16 MS. PARKER: It's a possible action.

17 MR. SHINE: I think we're right after the last  
18 deal.

19 MR. PAVAO: I'm sorry, are we on number --

20 MR. HUGHES: It's No. 6.

21 MS. OJIMA: No. 6.

22 MR. PAVAO: Okay. And so the possible action  
23 contemplated is the formal adoption.

24 MR. DAVI: Accepting the report, right?

25 MS. PARKER: I think that there was an

1 expectation that the Board would look at the report that  
2 was given by Manatt Phelps and in that sense make an  
3 independent decision about whether they wanted to concur  
4 with the findings and accept the report. So I think in  
5 that sense, that's what the staff had put together for  
6 the expectations.

7 CHAIRPERSON COURSON: The agenda does allow  
8 action on this item.

9 Mr. Davi is first and then Mr. Morris.

10 MR. DAVI: Okay. Thank you.

11 I just a have a question for counsel. I believe  
12 the Audit Committee is bringing this report to us; is  
13 that correct? They could make the motion and one of us  
14 could second it, and I believe that's allowable. Is that  
15 true?

16 MR. HUGHES: Well, the Audit Committee members  
17 here sit as Board members. The Audit Committee, per se,  
18 doesn't have any delegated authority. The charter for  
19 the Audit Committee gives them the power to make  
20 recommendations to the Board that the Board can adopt.  
21 So the entire Board -- any member, including an Audit  
22 Committee member, can make that motion, certainly, but  
23 the full Board has to act.

24 MR. DAVI: All right. So where are we now? So  
25 if you agree that you made a motion to accept this report

1 and concur with its findings and resolve the issue of the  
2 anonymous letter, then I will second that motion.

3 CHAIRPERSON COURSON: Ms. Javits.

4 MS. JAVITS: I guess just being new to the Board,  
5 I just wanted to confirm from my reading at least -- I  
6 appreciate these comments about the past, not having been  
7 here -- that I read it I guess in a similar spirit to  
8 Mr. Carey, that there were -- there are certainly  
9 improvements that could be made and that in general the  
10 Director of the Board conducted himself in a way to  
11 affirm the spirit of the law. And with that also I think  
12 we'll see it in the future.

13 CHAIRPERSON COURSON: Mr. Morris.

14 MR. MORRIS: So we're accepting the report  
15 without the recommendations?

16 CHAIRPERSON COURSON: Mr. Shine.

17 MR. SHINE: My request first was to deal with the  
18 allegations and the findings.

19 MR. MORRIS: We're just approving the findings.

20 MR. SHINE: Yes.

21 MR. DAVI: So that's the motion, and I seconded.

22 CHAIRPERSON COURSON: I didn't hear the motion.

23 Is there a motion?

24 MR. SHINE: I was just told I made a motion.

25 MR. DAVI: And I seconded.

1           CHAIRPERSON COURSON: And let's be clear what the  
2 motion is.

3           MR. SHINE: I move that this Board on the  
4 recommendation of the Audit Committee accept the findings  
5 of Manatt Phelps with respect to the allegations that  
6 they were charged with dealing.

7           CHAIRPERSON COURSON: And Mr. Davi, you second  
8 it.

9           MR. DAVI: Yes. Correct.

10          CHAIRPERSON COURSON: Is there further discussion  
11 on the motion?

12          MR. DAVI: I would just like to echo the comments  
13 of the prior Board members, Mr. Carey and Ms. Javits,  
14 that I concur that the findings were basically to  
15 exonerate any accusations that were made, and I am  
16 pleased with it. Although it cost a lot of money, I  
17 regret that fact, but I'm glad that we took the  
18 allegations seriously and we did do a very good  
19 third-party independent investigation to resolve that  
20 issue. And I would concur that there's always going to  
21 be opportunity for improvement, and we should look to the  
22 future to implement improving recommendations as we  
23 discover them, as we look at what we've done in the past.

24          CHAIRPERSON COURSON: Thank you.

25          Is there any comment or discussion from the

1 public?

2 Seeing none, we'll call the roll.

3 MS. OJIMA: Thank you.

4 Mr. Davi.

5 MR. DAVI: Yes.

6 MS. OJIMA: Mr. Carey.

7 MR. CAREY: Yes.

8 MS. OJIMA: Mr. Czucker.

9 MR. CZUKER: Yes.

10 MS. OJIMA: Mr. Mandell.

11 MR. MANDELL: Yes.

12 MS. OJIMA: Ms. Javits.

13 MS. JAVITS: Yes.

14 MS. OJIMA: Mr. Pavao.

15 MR. PAVAO: Yes.

16 MS. OJIMA: Mr. Morris.

17 MR. MORRIS: Yes.

18 MS. OJIMA: Mr. Shine.

19 MR. SHINE: Yes.

20 MS. OJIMA: Mr. Courson.

21 CHAIRPERSON COURSON: Yes.

22 MS. OJIMA: We have a quorum; the motion has

23 passed.

24 CHAIRPERSON COURSON: Thank you.

25 MR. HUGHES: Mr. Chair, as we don't have a

1 resolution, not knowing what the resolution would be,  
2 I'll prepare a resolution, and I'll send a copy to the  
3 Board members that will be given as I've stated it just  
4 so.

5 CHAIRPERSON COURSON: And with that if there are  
6 any specific comments, they can respond back to you.

7 MR. HUGHES: Correct. And as I understand the  
8 motion, it's -- what we will prepare is a basic  
9 resolution that says that the Board accepted the findings  
10 of the report and deferred consideration of the  
11 recommendations.

12 CHAIRPERSON COURSON: Thank you.

13 Mr. Shine.

14 MR. SHINE: Okay. Having said that and not  
15 changing any comments or feeling that the Audit Committee  
16 had with regard to the wonderful job staff is doing,  
17 there were a number of recommendations, comments made by  
18 counsel and some by Mr. Morris independently, as he was  
19 out have town and sent it in by mail. I'm not prepared  
20 today to sit down and give you a somewhat final list of  
21 the items that we think that we're going to recommend to  
22 the Board that we -- that we address in terms of ways in  
23 which we can improve.

24 And as you said, there's always room for  
25 improvement forever. But there are certain things that

1 even though these findings, if you will, exonerate, I  
2 think was the word that was used, those issues, that  
3 doesn't mean that we can't do better to try and assure  
4 that if not by letter of the law or staying inside the  
5 envelope the appearance or even the hint of an appearance  
6 of something that might appear to be other than what some  
7 people think would be appropriate needs to be addressed.

8 And it is my intention, unless someone objects,  
9 to meet with the Audit Committee sometime between now and  
10 the next Board meeting to try and, first, establish a  
11 list of to-do's, of things that we want to address, then  
12 to discuss them. And those that we believe should be  
13 addressed, we will bring back to this Board for action on  
14 or comment, as the case may be. And the ones we don't,  
15 we'll inform you what they were and why we thought that  
16 that wasn't appropriate.

17 So we'll try and be as -- what's the word of the  
18 day -- transparent as possible in this process. But if  
19 we're going to do it well and right and correctly, I  
20 think that's the process we should follow, because then  
21 it will come back to this Board having had some thought  
22 by the members of the Audit Committee.

23 CHAIRPERSON COURSON: Mr. Czucker -- let me make a  
24 comment on that, if I may.

25 Yeah, I agree. I think that's obviously the

1 process. I would also urge that if there's any member of  
2 the Board that now has any thoughts having looked at the  
3 report and many of us have been through this process,  
4 that in addition to the recommendations made in the  
5 Manatt Phelps letter, you should convey those to  
6 Mr. Shine, maybe through counsel, if you want, that, so  
7 that -- any concerns. I mean there may be  
8 recommendations above the ones that have been put forth  
9 in the report that they should consider, and we should do  
10 this all at one time.

11 And I'll tell you, sort of jumping around, that  
12 as you know for the last couple meetings I have just for  
13 discussion purposes, but I have no sense of one way or  
14 the other of just entering into a discussion of the Board  
15 as to dealing with the Compensation Committee. There's  
16 some other alternatives. I've seen in other  
17 organizations, we talked about this a little bit last  
18 month, of having the entire Board serve as the  
19 Compensation Committee and have all the matters come --  
20 because all we do is in public anyway, all the matters of  
21 Board -- of the compensation might be as a committee of  
22 the whole as opposed to compensation.

23 So as opposed to talking about that today as the  
24 agenda -- as the next agenda item, I would ask Mr. Shine  
25 if he would add that to his list of items to discuss in

1 your Audit Committee, because it is another element and  
2 another consideration for that Board.

3 MR. SHINE: All right. That's a very good idea.  
4 Thank you much, Mr. Chairman.

5 CHAIRPERSON COURSON: You're quite welcome.

6 MR. SHINE: We will certainly address the issue.

7 CHAIRPERSON COURSON: Mr. Czuker.

8 MR. CZUKER: I think we've had a lot of  
9 meaningful discussion and comments being made, but just  
10 by way of helping us remember, who is on the Audit  
11 Committee? Can you perhaps remind us again which members  
12 are --

13 CHAIRPERSON COURSON: Yes. Mr. Shine is the  
14 chair. Mr. Carey, Ms. Galante and Mr. Morris are other  
15 members. The meetings are open. They're public. Any  
16 director that obviously wants to attend or listen or  
17 comment is free to do that. They're also free to submit,  
18 as I've suggested and I already have one item, submitting  
19 additional items for their consideration. And I think  
20 our target would be at our next meeting, which will be  
21 November, to have those recommendations as -- just for  
22 discussion of the Board.

23 MR. SHINE: And we will try to figure out a way  
24 to get together and most importantly how to communicate  
25 back and forth with each other in that period of time so

1 that when -- we will come back with something that you  
2 can feel is meaningful and worthwhile.

3 CHAIRPERSON COURSON: Okay.

4 MR. HUGHES: Just one minor clarification,  
5 Mr. Chair, and just to remind the Board members that the  
6 Board can only act in public meetings and can't have  
7 substantive discussion between the majority of the  
8 members either directly or serially outside of the open  
9 meeting.

10 So my suggestion would be that if any Board  
11 member has particular comments or recommendations that  
12 the Audit Committee should consider, the options are  
13 really to either attend the Audit Committee meetings  
14 directly or I think it's acceptable to send any comments  
15 to me, and I will not discuss them with the other Board  
16 members prior to the Board meeting, because that would be  
17 the serial communication prohibited by the open meeting  
18 laws. But I can do what we've done a couple times  
19 previously, which is present those written comments at an  
20 open meeting for consideration.

21 CHAIRPERSON COURSON: Can -- therefore, I assume  
22 that in this open meeting that the request I have made of  
23 Mr. Shine to consider also the topic of what is the  
24 Compensation Committee, is it the entire Board or a  
25 committee, is in order? Or do I need to communicate that

1 through you again?

2 MR. HUGHES: Well, we can -- we're in an open  
3 session, so you can certainly say that now. The best  
4 thing, though, and I did this with Mr. Morris' comments  
5 in the Audit Committee meeting, is send them to me and we  
6 will read them directly into the record to make it a  
7 verbatim --

8 CHAIRPERSON COURSON: Very good. Very good.

9 MS. PARKER: Mr. Chairman, I would just add in  
10 that sense that the staff will assist the Audit Committee  
11 in putting together a meeting at their call, the chair of  
12 the call, for their discussion and deliberations to take  
13 place.

14 CHAIRPERSON COURSON: Mr. Morris.

15 MR. MORRIS: I just wanted to get a sense of the  
16 timing. I know we're going to deal with the  
17 recommendations at a later date. When -- Terri, when do  
18 you anticipate doing future salary surveys? Is there  
19 going to be anything within this quarter or the next  
20 quarter? In other words, what is the timing when this  
21 should be done by?

22 MS. PARKER: Mr. Morris, thank you for the  
23 question. I -- I really hadn't anticipated to do a  
24 another salary survey at the moment. I had really hoped  
25 that we could go back and look at and develop further

1 guidelines and processes that the Board talked about.

2 We had a very good discussion with the Department  
3 of Personnel Administration yesterday, and some of the  
4 things that we chatted about back and forth of looking at  
5 this I want to bring back to the Board some suggestions  
6 for their consideration about salary setting compensation  
7 process, particularly the idea was brought about looking  
8 at perhaps doing something on the base salary and a bonus  
9 program, which we had not thought was something that, you  
10 know, would be a supported way to go, but now has been  
11 brought up.

12 So I guess the long story I'm saying, we want to  
13 do -- we assume as the Board has essentially given us  
14 further guidelines, I wouldn't want to do the survey  
15 again until we do that, until we can help hopefully build  
16 upon what has been said in the past. The Department of  
17 Personnel Administration have been doing a lot of work in  
18 this area. If they have the ability to, based on their  
19 work, bring in benefits and some of the other  
20 compensation activities, that we should do that.

21 But I strongly believe that given what the Board  
22 members have said, we should -- we should do a survey as  
23 soon as you give us instructions about further guidelines  
24 that you want, but also in that sense to meet the further  
25 requests of the Board members to include that as a

1 consideration.

2 I guess when we -- another way of answering that,  
3 I really would look to, if the Board is comfortable with  
4 this, using the existing survey to ask for the extent  
5 that I would come into this with some recommendations on  
6 salary modifications based on performance to use what is  
7 in the existing survey as far as ranges that the Board  
8 would set.

9 But, again, I look to the Compensation Committee,  
10 I look to the Board to give me directions on, you know,  
11 what it is you want me to do, what are the parameters I  
12 should be thinking of. It would not be at my direction.  
13 It would clearly be based on --

14 MR. MORRIS: What is the timing of that? Is  
15 something you're looking at by the end of the year?

16 MS. PARKER: Well, if I can come back at -- you  
17 know, we're in the process of doing performance  
18 evaluations. As we have -- we set increases in  
19 compensation that were done in January. They could be  
20 done next January, or they could done -- they could be  
21 done as part of the -- our annual budgets that we bring  
22 back.

23 Part of it is that since we are still just on the  
24 approval process for, you know, at least two of the  
25 positions, those positions aren't going to need to be

1 adjusted. Right now there may be just a couple of  
2 positions that I would want to come back and talk with  
3 the Board about for further consideration. But I  
4 wasn't -- I don't think I was really planning any, you  
5 know, big -- if it did, if it could be something that  
6 would be done as simply stating what was done before and  
7 looking at what cost of living increases have been in the  
8 past, which is what the executive branch did for salary  
9 increases. Those are -- you've asked me this question  
10 and, you know, it's kind of just off the top of my head.  
11 I kind of really hadn't even gotten that far.

12 CHAIRPERSON COURSON: Mr. Hughes.

13 MR. HUGHES: Just one reminder on a technical  
14 point under SB257, but the bill in the statute actually  
15 says that the salary setting process as far as the  
16 Board's annual budget setting authority, so -- and we  
17 implement this with a budget amendment. But it is  
18 actually part of the annual budget --

19 CHAIRPERSON COURSON: Right.

20 MR. HUGHES: -- in June.

21 CHAIRPERSON COURSON: My take is from the  
22 discussion we've had today that the next step is for the  
23 Audit Committee to meet and come back with  
24 recommendations for discussion or items for consideration  
25 at our November meeting. And let's get through that

1 process and then determine the next steps in terms of the  
2 specific survey, no survey, benefits, no benefits, where  
3 we go there. Let's get through the next step before we  
4 move forward with any further expenditure of time or  
5 staff until we decide what the process is going to be.

6 Okay. Anything else?

7 We are now through item No. 8. There was no  
8 need, as you know, for a closed session for this  
9 discussion. We're going to take a ten-minute break, and  
10 that will bring us back just about 11:40, and we'll  
11 proceed with the next agenda item. We'll stand in  
12 recess.

13 (Recess taken.)

14 CHAIRPERSON COURSON: We will reconvene the Board  
15 meeting.

16 ---o0o---

17 **Item 9. Resolution 07-21, Modification of Salary Caps**

18 CHAIRPERSON COURSON: We are on agenda item  
19 No. 9, which is a discussion, recommendation and possible  
20 action to modify the salary caps. Let me, if I may, open  
21 this discussion and then I'll turn it over to our  
22 executive director.

23 As you know, and we've discussed at a number of  
24 Board meetings, as we went through the process of setting  
25 the compensation group, the Compensation Committee, and

1 the Board and so on, one of the issues which we talked  
2 about previously was at the March meeting we did, in  
3 fact, reduce the caps or the maximums on our salary  
4 matrix at the request after a meeting that I had in the  
5 Governor's Office with the Department of Personnel  
6 Administration. We took that action by bringing those  
7 caps down 10 percent.

8 At the same time we had that discussion, the  
9 minutes will reflect and you also recall that we talked  
10 about as we went through the process of recruiting  
11 candidates for the Director of Multifamily and Director  
12 of Homeownership, it may be necessary to come back to the  
13 Board, and the Board agreed that they would consider  
14 revisiting those salary caps if that was necessary to  
15 recruit the right candidate for the position.

16 Having done all that, we then went through and  
17 made the decision obviously that we would complete the  
18 tasks that we just completed in terms of completion of  
19 the report of the Audit Committee and by outside counsel  
20 and that once that report was finished, last Thursday, I  
21 think I'm correct, that Mr. Shine and Mr. Carey,  
22 Mr. Hughes met with the Governor's Office to review that  
23 report with the Governor's Office.

24 Followed by this Monday Terri and I went over --  
25 the executive director and I went over and met in the

1 Governor's Office to talk about the particular fact that  
2 we had a candidate that we had identified for the  
3 Director of Multifamily, that that candidate had been --  
4 Terri will talk about the process and so on, that we  
5 wanted to bring forward to the Board and as part of that  
6 would be -- prior to that action would be asking the  
7 Board to consider, as we talked about before, increasing  
8 the salary cap for that particular position.

9           Following that meeting, we also, in conjunction  
10 with the discussion with the Governor's Office, met  
11 yesterday with the Department of Personnel Administration  
12 and went through in great detail for probably -- counsel  
13 was with us -- I would say over an hour discussing the  
14 position, discussing the extensive recruitment efforts  
15 that we've gone through, the large number of candidates  
16 that we've talked to over this two-year period, the  
17 candidates that had been identified and the economics of  
18 what we were looking at in terms of compensation.

19           And as a result of that, they communicated their  
20 concurrence, agreement if you will, and with the  
21 Governor's Office, which I've communicated with today, so  
22 now we're prepared to proceed for the Board to have a  
23 green light to have this discussion, first of all,  
24 considering the compensation and then, as we talked about  
25 earlier, supplement to that as we consider a specific

1 candidate.

2 So with that background, I'll turn it over to  
3 Terri.

4 MS. PARKER: Thank you, Mr. Chairman.

5 As you all know, in your Board agenda item that  
6 this item when we first put it on, actually for the past  
7 Board meeting, was to ask for an action item to have both  
8 the salaries for the two vacant positions, Director of  
9 Homeownership and Director of Multifamily, raised, the  
10 cap raised, and essentially put back to the dollar value  
11 that this body voted on in January.

12 If you will recall, we did take the -- the Board  
13 took the action in March to essentially bring down the  
14 salary caps. At that point in time, the discussion among  
15 the Board members, at least my sense of the direction to  
16 me, was to go back, continue to do the recruitment  
17 process for these candidates, and if those new caps  
18 presented a problem, that that was to come back to the  
19 Board and report that and make my case.

20 What I would like to do today, the first thing,  
21 is to essentially say I would like to have the Board take  
22 this item up but only for the changing the compensation  
23 cap for the Director of Multifamily. I will tell you  
24 that I do not feel that I need to have you make a change  
25 for the Director of Homeownership. In fact, I may come

1 back, based on some of these recent discussions, with  
2 perhaps a different strategy as a compensation program  
3 for the Director of Homeownership. We are actively  
4 recruiting that candidate.

5 We have a number of candidates, but a number of  
6 things have changed, first of all, some flexibility  
7 perhaps in how we set compensation. But more importantly  
8 given the market and what the market has changed, we  
9 expect that there should be really a number of very  
10 qualified candidates for us to choose from and to keep  
11 our standards up of how picky we are. We expect to be  
12 able to bring a very successful candidate and a candidate  
13 within certainly the compensation that we -- had been  
14 looked at by the Board in the future. So I would ask for  
15 your specific attention only to compensation for the  
16 Director of Homeownership -- excuse me, Director of  
17 Multifamily.

18 I do want to tell you what we did yesterday in  
19 our discussions with the director -- with the Department  
20 of Personnel Administration. They followed what is their  
21 course of looking at requests by departments for  
22 exceptional salary situations. And they asked for me to  
23 give them a history of the activities that we had done to  
24 date to recruit the CalHFA Director of Multifamily.

25 They wanted to know and we told them about how

1 obviously when the position first became vacant that we  
2 had continued to have management of the programs by first  
3 having the Chief Deputy Director Dick Laverne come in and  
4 sit in that position and then bringing, as you all  
5 recall, Bev Fretz-Brown. Bev was wonderful and was able  
6 to continue to provide some leadership to a talented  
7 staff but because of medical reasons could not continue  
8 on an ongoing basis, but she also did assist us in the  
9 recruitment.

10 Clearly when we started that process, we weren't  
11 sure about whether we would have any legislation that  
12 would allow us to have much flexibility with salary, but  
13 as you all know, we have now gone through two recruitment  
14 firms. We've talked to over 20 people. The Department  
15 of Personnel Administration asked us who those people  
16 were, why they were not viable candidates. We went  
17 through a lengthy discussion about why people leave  
18 CalHFA, proposed to pass on it.

19 But for most of those cases, there were a number  
20 of the candidates that were presented to us that we would  
21 have been happy to have had. They were very, very good  
22 people. But they essentially declined to want to have  
23 their name taken to you for your consideration and vote.  
24 And as noted by the letter that I had our current  
25 recruiter, Mr. Lucius, write to you, their issues are

1 salary and location.

2           And so we are at a situation today where we have  
3 overcome those obstacles, but only at a level that I need  
4 to have the salary cap raised. And as I go into my  
5 further discussions today, I will say that the part that  
6 I can tell you with all of the work that we've done and  
7 all of the documentation that we've done has certainly  
8 given us the background for the DPA to sign off on, the  
9 candidate that we have coming -- we're bringing forward  
10 to you today is the best of the best of the people that  
11 we have looked at. So this is not somebody who, as I  
12 say, the recruiter found. We were actually -- this  
13 person was recommended to us. But it is what it is for  
14 salary compensation and consideration.

15           So my specific request to the Board today in the  
16 resolution is to return the salary cap for only the  
17 position of Director of Multifamily to what it was in  
18 January, and that is 220,000 as a major cap. I will then  
19 come in and make a follow-up recommendation when we  
20 interview the candidate for what salary I'm requesting  
21 for that individual.

22           CHAIRPERSON COURSON: So the recommendation is  
23 that -- on page 227. I think you also have this in a  
24 loose page -- that item No. 3 will be deleted, which is  
25 the salary cap for the Director of Homeownership, and

1 item No. 2, the salary cap for the Director of  
2 Multifamily Programs shall be \$220,000. There's a fill  
3 in the blank there, \$220,000.

4 MS. PARKER: I'm happy to answer any questions  
5 from the Board members.

6 CHAIRPERSON COURSON: Questions for Terri?  
7 Is there motion to approve the resolution?

8 MR. CZUKER: So moved.

9 CHAIRPERSON COURSON: Mr. Czucker moves.  
10 Is there --

11 MS. JAVITS: Second.

12 CHAIRPERSON COURSON: -- a second?

13 And Ms. Javits seconds.

14 Is there discussion on the resolution?

15 MR. DAVI: I'll just comment, if it's okay.

16 I appreciate the process that you've outlined for  
17 us and what you have done. I think you appear to be  
18 commended for having gone through the process and meet  
19 with the Governor's Office and make sure that everybody  
20 is onboard, and it's my understanding that you've done  
21 that, and so I just applaud the efforts of the way you  
22 went about this to the Board.

23 CHAIRPERSON COURSON: Thank you, Mr. Davi.

24 Mr. Morris.

25 MR. MORRIS: Just so I understand, you're going

1 to raise the cap, and you're -- and you are at the next  
2 meeting going to -- or later at this meeting going to  
3 discuss a specific candidate with a specific  
4 compensation?

5 MS. PARKER: Correct.

6 CHAIRPERSON COURSON: Our next -- after this  
7 action is completed, we will go into closed section --  
8 session, the candidate is with us, have a chance for the  
9 Board to meet him, have discussions, questions. You can  
10 make the presentation. We'll then go back into public  
11 session, and there will be a request for a motion to take  
12 action.

13 MR. MORRIS: That was increased from the previous  
14 cap. You think -- you are proposing we increase it to  
15 220?

16 CHAIRPERSON COURSON: Correct.

17 MR. MORRIS: From, was it 1 --

18 MS. PARKER: If you look at page 225 in your  
19 book, Mr. Morris, you will see we put a chart together  
20 that essentially showed you what the Board had set as a  
21 maximum salary on January 18th for all of the exempt  
22 positions and that we are essentially asking for -- if  
23 you look in the second column, the statutory max is 220  
24 that was adopted by the Board January 18th, and the  
25 proposed salary change today just for the Director of

1 Multifamily is to return that cap to 220.

2 CHAIRPERSON COURSON: Other questions?

3 Comments, questions from the public?

4 Seeing none, let's call the roll.

5 MS. OJIMA: Thank you.

6 Mr. Davi.

7 MR. DAVI: Yes.

8 MS. OJIMA: Mr. Carey.

9 MR. CAREY: Yes.

10 MS. OJIMA: Mr. Czuker.

11 MR. CZUKER: Yes.

12 MS. OJIMA: Mr. Mandell.

13 MR. MANDELL: Yes.

14 MS. OJIMA: Ms. Javits.

15 MS. JAVITS: Yes.

16 MS. OJIMA: Mr. Pavao.

17 MR. PAVAO: Yes.

18 MS. OJIMA: Mr. Morris.

19 MR. MORRIS: Yes.

20 MS. OJIMA: Thank you.

21 Mr. Shine.

22 MR. SHINE: Yes.

23 MS. OJIMA: Mr. Courson.

24 CHAIRPERSON COURSON: Yes.

25 MS. OJIMA: Resolution 07-21 has been approved.

1 CHAIRPERSON COURSON: Thank you.

2 --o0o--

3 **Item 10. Closed session**

4 CHAIRPERSON COURSON: I'm sorry you all -- I hope  
5 you didn't get too comfortable in your seats because we  
6 are now going to go into a closed session for a period of  
7 time as permitted in statute so that the Board can have a  
8 discussion with our proposed candidate. I'm asking  
9 counsel, Mr. Hughes, to stay with us so that he can keep  
10 us on the straight and narrow. We will not be taking  
11 verbatim minutes during this closed session. We'll pick  
12 that back up when we reconvene.

13 (The Board met in closed session.)

14 CHAIRPERSON COURSON: All right. We are back in  
15 open session. We have held our closed session during  
16 which time the Board had the opportunity to hear from and  
17 visit with Bob Deaner, who is the candidate for the  
18 position of director of multifamily. During that closed  
19 session, no action was taken. We merely had the chance  
20 to visit and share views and questions and answers.

21 --o0o--

22 **Item 11. Resolution 07-22, Director of Multifamily**  
23 **Programs**

24 CHAIRPERSON COURSON: So now that we are back in  
25 open session, each Board member has a resolution in front

1 of them that has two pieces to it. One is to, since this  
2 is -- let me go back a minute. This position, unlike  
3 other senior positions that we have, this is a Board  
4 appointed position. That's why we are doing this  
5 differently than we do with similar positions. And so  
6 being a Board appointed position, we have a resolution to  
7 appoint Bob Deaner as the Director of Multifamily in the  
8 first portion, and the second portion then deals for that  
9 he will be hired at an annual salary.

10 Terri, I'll turn to you for that recommendation.

11 MS. PARKER: Mr. Chairman and Board members, I'm  
12 bringing today for your consideration the candidacy of  
13 Mr. Robert Deaner to be the CalHFA Director of  
14 Multifamily. And my recommendation is that he be  
15 appointed to that position by you as a Board at an annual  
16 salary of \$210,000.

17 CHAIRPERSON COURSON: Is there a motion for the  
18 adoption of Resolution 7-22?

19 MR. SHINE: I will so move.

20 CHAIRPERSON COURSON: Mr. Shines moves.

21 Is there a second?

22 MR. CAREY: Second.

23 CHAIRPERSON COURSON: Mr. Carey seconds.

24 Is there any discussion from anybody on the  
25 Board?

1 Mr. Morris.

2 MR. MORRIS: When would this be effective? When  
3 would Robert plan on resigning his current position and  
4 starting at CalHFA?

5 MR. DEANER: Well, I'd probably do it Monday and  
6 start again in a month.

7 MR. MORRIS: So in a month.

8 CHAIRPERSON COURSON: Through this process I have  
9 to say that Bob has obviously been very open and willing  
10 to spend his time with us, and I think he would  
11 appreciate some closure.

12 Any other questions?

13 I would just like to put on the public record  
14 what I said in the closed session in that obviously  
15 through the candidates that we have looked at and we have  
16 interviewed, Terri has interviewed for this job, I've had  
17 the opportunity being in Sacramento when they come into  
18 town to visit with a number of them.

19 And I will tell you from my own personal  
20 perspective that the opportunity to have Bob, as he's far  
21 and away the most qualified of any of the ones that I've  
22 met, that we really frankly at the time thought were good  
23 candidates but for one reason or another were not  
24 accepted. And I think from our standpoint long term and  
25 his career with us, we're blessed that sometimes work

1 out -- things work out the way they did and to have Bob  
2 Deaner here. He's clearly the best of the ones that I  
3 have seen and clearly the man for the job.

4 Are there any comments or questions from the  
5 public?

6 Seeing none, let's call the roll.

7 MS. OJIMA: Thank you.

8 Mr. Davi.

9 MR. DAVI: Yes.

10 MS. OJIMA: Mr. Carey.

11 MR. CAREY: Yes.

12 MS. OJIMA: Mr. Czuker.

13 MR. CZUKER: Yes.

14 MS. OJIMA: Mr. Mandell.

15 MR. MANDELL: Yes.

16 MS. OJIMA: Ms. Javits.

17 MS. JAVITS: Yes.

18 MS. OJIMA: Mr. Pavao.

19 MR. PAVAO: Yes.

20 MS. OJIMA: Mr. Morris.

21 MR. MORRIS: Yes.

22 MS. OJIMA: Mr. Shine.

23 MR. SHINE: Yes.

24 MS. OJIMA: Mr. Courson.

25 CHAIRPERSON COURSON: Yes.

1 MS. OJIMA: Resolution 07-22 has been approved.

2 CHAIRPERSON COURSON: Bob, welcome to the world  
3 of CalHFA.

4 (Applause.)

5 MS. PARKER: Mr. Chairman, I would like to add my  
6 own thanks to the Board for your unanimous support of  
7 this candidate. He will be back at the next meeting.

8 --o0o--

9 **Item 15. Report to Board on status to date of the new**  
10 **building strategic project...**

11 CHAIRPERSON COURSON: I'm going to -- I've have  
12 had a request we got earlier, and if it's -- if it's okay  
13 for the Board, I would like to accommodate an outside  
14 party we have and move item 15, which is the report on  
15 the status of the new building project up, and we'll do  
16 that now and then go back and -- Kathy, if we may, then  
17 we'll go back to the project.

18 Mr. Spears.

19 MR. SPEARS: Thank you, Mr. Chairman. Steve  
20 Spears, Chief Deputy, and I have with me Jerry Porter,  
21 who is the Chairman of Cresa Partners, a real estate  
22 advisor firm that we have retained that you heard from in  
23 June. I'll just make one brief -- one or two brief  
24 comments.

25 In June, the Board gave Cresa and staff

1 permission to go out and have preliminary, nonbinding  
2 negotiations to look for opportunities. Jerry and his  
3 folks have done that over the summer months. Linn Warren  
4 has been involved. Jackie Riley and I have also answered  
5 questions and been involved in the negotiations. We've  
6 had a couple meetings with Terri to keep her briefed on  
7 what's going on.

8 So it's time to come back, tell you what we've  
9 found so far, and let you know the next steps.

10 So I'll turn it to over to Jerry and let him get  
11 right to it.

12 CHAIRPERSON COURSON: Jerry, nice to see you  
13 again, thank you.

14 MR. PORTER: Thank you. And thank you very much,  
15 Mr. Chairman, for moving this up to accommodate me.

16 As we mentioned in the July meeting, our firm has  
17 for the last 14 months been in the process of assisting  
18 the Agency in both determining their long-term office  
19 space needs and looking at market opportunities to  
20 satisfy those needs. There is a lease expiration in the  
21 third quarter of 2010 with a termination right a year  
22 earlier, so we have the ability starting in the fall of  
23 '09 to terminate on relatively short notice.

24 We have without bias of sale or purchase -- or of  
25 lease or purchase, tried to look at every opportunity

1 that could accommodate a hundred-thousand-square-foot  
2 office requirement with the goal of consolidating the  
3 Agency's two operations that are currently split between  
4 multiple floors in the Meridian -- I mean the Senator  
5 building and a couple floors in the Meridian office  
6 building.

7 And as we examine their current situation, the --  
8 what we think are the benefits long term are the  
9 operational efficiencies gained by having the entire  
10 organization under one roof; the personnel hiring,  
11 retention, productivity gains from having people working  
12 in proximity to one another as opposed to small core  
13 plates in the building that's, in the case of the  
14 Senator, not a current building. There are some risk  
15 factors relative to the data center in the basement and  
16 other such things that we'd -- we think are suboptimal.

17 We suggested in the last meeting that we were --  
18 we had identified a handful of purchase opportunities,  
19 primarily build-to-suit potential. We have further  
20 clarified our requirements to those prospective  
21 developers. We have solicited proposals from them, some  
22 of which came in as late as 3:00 o'clock in the afternoon  
23 yesterday. We are not in a position to properly provide  
24 the analysis on those. They were coming in late Friday  
25 afternoon and again yesterday.

1           The number of overall sites for lease or purchase  
2 is literally a handful. The downtown sites that we just  
3 got new proposals on, the proposals on their face, some  
4 of them present some real challenges. Two proposals came  
5 in as ground leases, which we think will not be  
6 satisfactory from an economic standpoint over the  
7 long-term analysis. We're optimistic that at least in  
8 one case we might change their mind and have them  
9 consider a direct fee sale.

10           Two of the other proposals are on smaller sites  
11 in downtown, which create 12- and 13-story buildings to  
12 accommodate parking and the 100 to 120 thousand foot  
13 office requirement. Initially those appear to be quite  
14 pricey. But we would like to take some additional time,  
15 evaluate those carefully and make sure that our matrix  
16 for comparison is apples to apples.

17           We still have a couple of suburban sites that  
18 appear to be strong economic candidates, but they do have  
19 the challenge of leaving downtown. And part of the  
20 matrix of our evaluation has been transportation issues  
21 for the existing population, and we're trying to be quite  
22 sensitive to the impact, potential impact, of relocation.

23           We hope to be in a position to come back to the  
24 Board with a thorough analysis of the proposals and  
25 potentially a recommendation for two as to a strategy

1 relative to the prospects of purchase. Again, the reason  
2 for doing the due diligence on purchases today is the  
3 lead time necessary to complete a building within the  
4 time envelope that we have under our current leases. If  
5 these don't prove out to be economically appropriate  
6 candidates, we still have ample time to prosecute a new  
7 lease and hopefully a consolidation of the facility on a  
8 straight leasehold.

9 So we are just simply looking to advise the Board  
10 of our work to date, ask for your indulgence as we  
11 continue to try to refine the information for you and are  
12 not presuming anything about the willingness to purchase  
13 a building, but are simply trying to look at all the  
14 occupancy opportunities out there and to analyze them  
15 apples to apples for the Agency.

16 CHAIRPERSON COURSON: A couple of questions.  
17 One, am I correct, and I think we talked about this, that  
18 to move to a suburban location will take legislative  
19 action? Are we restricted by statute to location within  
20 a certain footprint?

21 MR. SPEARS: The only restriction, Mr. Chairman,  
22 that I'm aware of is it has to be within the city limits  
23 of Sacramento.

24 CHAIRPERSON COURSON: Okay.

25 MR. HUGHES: That's correct.

1 CHAIRPERSON COURSON: Okay. So suburban is just  
2 out of the downtown.

3 MR. PORTER: Yes. And at the moment the only  
4 candidates we're seriously considering are within the  
5 city of Sacramento.

6 CHAIRPERSON COURSON: Okay.

7 MR. SPEARS: It does exclude moving west into  
8 West Sacramento, where you see some new construction  
9 going on right now. That's out of the question.

10 CHAIRPERSON COURSON: And I guess the second is  
11 do you envision when you come back with the analysis of  
12 purchase or buy or build opportunities will we also -- we  
13 had discussion at the last Board meeting. Are we going  
14 to -- will that include an analysis of lease versus own?  
15 Because that's -- the other piece here is I think we had  
16 some discussions at the last Board meeting about certain  
17 members expressing is it the right thing for us to own  
18 our building versus lease our own building and the  
19 economics of that and so on. And so I trust that when we  
20 get these alternatives, that we'll also be looking at  
21 that sort of overarching question.

22 MR. PORTER: Yes, Mr. Chairman. The last meeting  
23 on September 5th, we did put forth a lease purchase  
24 analysis summary that was focused on preliminary numbers  
25 from a nondowntown alternative that showed potentially

1 significant, in our opinion, over a 20-year horizon a  
2 \$20-million, plus or minus, net present value benefit of  
3 ownership over what we think is a conservative lease  
4 model. Those numbers, since that time, we have tried to  
5 refine, and our expectation has been that they seldom get  
6 cheaper. They typically get more expensive.

7 We are still fairly confident that certainly on  
8 the nondowntown alternatives there's a significant  
9 long-term financial benefit. It's appears to be a little  
10 more challenging in the downtown core to replicate that.  
11 And we're certainly available to address all of the risk  
12 associated issues of ownership versus leasing as the  
13 Agency changes over time and what are the exit strategies  
14 in both, frankly.

15 So again, we don't have a bias as to lease or  
16 purchase. We are just trying to be attentive to the fact  
17 that if we don't present adequately all of the purchase  
18 build options very quickly, then the default decision is  
19 leasing or substantial holdover.

20 CHAIRPERSON COURSON: Other questions or comments  
21 from the Board?

22 MR. SPEARS: We'll continue to prosecute these  
23 development/own options at this point and bring a report  
24 back in November.

25 MR. PORTER: And thank you very much --

1 CHAIRPERSON COURSON: Thank you.

2 MR. PORTER: -- for accommodating me on this.

3 CHAIRPERSON COURSON: Mr. Morris.

4 MR. MORRIS: Just to kind of work backwards from  
5 when the existing lease terminates and given, you know,  
6 the planning process and the construction time, we're  
7 probably looking at making a decision on this probably  
8 within the next -- are we talking about the six months?

9 CHAIRPERSON COURSON: Yes. Yes. Or sooner.

10 MR. PORTER: We're hopeful to come back to you  
11 with information prior to the next Board meeting, but  
12 come back to you at the Board meeting with our analysis  
13 and recommendation of the purchase opportunities for you  
14 then to determine whether that's of interest or -- and  
15 we'll back that up with what today appear to be the lease  
16 opportunities, although it's -- that's harder for us to  
17 forecast as to what might be on the market. It's very,  
18 very tight right now, the lease market.

19 CHAIRPERSON COURSON: Thank you.

20 MR. PORTER: Thank you very much.

21 --oOo--

22 **Item 12. Resolution 07-27, Mental Health Services Act**  
23 **Housing Program**

24 CHAIRPERSON COURSON: Okay. We are on agenda  
25 item No. 12. Edwin, Kathy.

1 MS. PARKER: Mr. Chairman, we have a guest  
2 joining Kathy and Edwin today, which I will let them  
3 introduce -- maybe I'll just do it, Jane Laciste is with  
4 us.

5 And, Jane, I'm not sure that I can remember your  
6 title in the Department of Mental Health.

7 But what I can say is that Jane has been part of  
8 the working group that has spent the last year with  
9 CalHFA and the counties and the advocacy groups putting  
10 together the model for what the MSHA, the Mental Health  
11 Housing Program for chronically mentally ill, will be all  
12 about. She's been a great team player to be supporting  
13 Department of Mental Health and it's been a pleasure to  
14 work with her, and she has essentially been carrying  
15 yeoman labor within her own department as having to not  
16 only be a mental healthcare professional, but learning  
17 what housing is all about.

18 We had said at our last Board meeting where we  
19 essentially gave you the regulations and the guidelines  
20 of what has now been made public for this new program,  
21 that the -- we are now really focused on the  
22 operationalization of it and that we needed to come back  
23 to the Board and talk about some of the day-to-day  
24 processes of how we were going to implement and do our  
25 work internally and within the Board, the aspects of the

1 Board, and our reporting relationship to them.

2 So we have -- we're proposing to you today a  
3 process for us to be using to bring these projects to  
4 you. We want to get your feedback, your concurrence,  
5 your questions to see whether or not we're going down the  
6 right path.

7 So with that I will turn the discussion over to  
8 Kathy and Edwin. And I would -- as I said earlier all  
9 along, we have put inside CalHFA a whole team that  
10 crosses all of the silos of our individual divisions.  
11 Sandy is the leadership in the Legal division for all the  
12 legal issues associated with this program. CalHFA has  
13 the leadership role in Asset Management. As you all know  
14 because we will be operating a unique program here, I  
15 brought in an ongoing operational subsidy and in that  
16 sense it's a major role for our asset management group.  
17 Bruce has staff, Dennis has staff certainly on the  
18 Accounting side to keep track of all these new dollars.  
19 So it is a -- a program and effort really by most almost  
20 all of CalHFA staff.

21 MR. GIPSON: Thank you, Terri. Good afternoon,  
22 everyone.

23 Terri mentioned most of the things I was getting  
24 ready to say, but I do also want to mention that, Terri  
25 touched on earlier, that Kathy is now the Special Lending

1 Program Manager in charge of MSHA and continuing with the  
2 Bay Area Housing Plan as well, and she has been our point  
3 person on this all along, spearheading it with great  
4 staff work as well from Sandy and Summer and Margaret and  
5 numerous others, including Jane and all the others at  
6 DMH.

7 And today we've brought forth, we have prepared,  
8 a slide show that talks about the inner workings of how  
9 the program is going to be. And at the back we also have  
10 the resolution for which we asking for authority to move  
11 forward with the program that you will see today.

12 With that, I'll turn it over to Kathy.

13 MS. WEREMIUK: Chairman Courson and Members of  
14 the Board, it's a pleasure to be back with you with this  
15 program today.

16 Last month, I believe in August, we presented the  
17 program in concept to you, but I think we have different  
18 Board members here today so the people who were here with  
19 us last month bear with us as we repeat some things, but  
20 we did want to both present the resolution and also what  
21 the program is.

22 The Mental Health Services Act was passed by the  
23 voters of California in November of 2004, and it provided  
24 for funding for what it takes funding to assist people  
25 with serious mental illness. The Governor in May of 2006

1 issued an executive order asking the Agency and the  
2 Department of Mental Health to set up a housing program  
3 with a portion of the funds, what I think at that point  
4 were something like 10 percent of the funds, that were  
5 expected to come in to create over 20 years 10,000 units  
6 of housing for people who are seriously mentally ill and  
7 homeless to help stabilize them and assist them in  
8 reentering the California community in a stable fashion.

9 The MHSA housing program came out of that effort.  
10 Terri pulled together a work group I believe in August of  
11 '06 which consisted of members of the development  
12 community, the Department of Mental Health  
13 representatives, from the county mental health  
14 departments, and we met for over a year pulling together  
15 a program that was acceptable to the counties, because it  
16 was the county money that we thought would work, and  
17 build -- excuse me, tax credits and HCD were also a part  
18 of that, as well as Corporation for Supportive Housing --  
19 to make sure that the program worked with existing  
20 housing resources and would also work for the counties  
21 and work within the rules and regulations of DMH, and  
22 this program is the result of that.

23 In your Board packet there was a report that we  
24 were legislatively required to submit to the Legislative  
25 Analyst's office, and we did in May of -- I'm sorry, May

1 of this year, which was approved in June of this year.  
2 Pages in your books, page 250 to 269, the program  
3 description is out of date, and the application that you  
4 have includes an up-to-date term sheet, so I just wanted  
5 to alert you to the fact that the term sheet in the Board  
6 report is not -- is not current.

7 On August 6th, we issued an application. It was  
8 jointly issued by Terri Parker and Dr. Steven Mayberg.  
9 And it is now on both of our websites and the counties  
10 are beginning to do some planning under that application.  
11 We expect to receive applications.

12 The housing program is supportive housing, which  
13 means it's housing where there's no length of stay for  
14 the person who comes in, and there's a link to on-site  
15 services. The services are intended to help to support  
16 the recovery of the tenants and to maximize their ability  
17 to live and work in the community, and that service  
18 requirement is a key component of this program.

19 The program is anticipated, if it goes through  
20 the 20 years, to have set -- to transfer to the Agency  
21 \$75 million annually to finance the development and  
22 acquisition and construction of housing and 40 million  
23 annually for services. The first allocation of those  
24 funds is for a hundred million. And there is -- on  
25 page 270 of your Board binder there is a planning

1 estimate that was sent to and agreed upon by all the  
2 counties in the state that gives funds individually to  
3 each of the counties, and those funds would be used for  
4 housing in their counties.

5 Staff today is requesting a delegation of  
6 authority to administer the MHSA housing program for the  
7 Department of Mental Health and to enter into all of the  
8 necessary agreements with DMH as well as entering into  
9 agreements with developers and local governments. And  
10 this delegation of authority would include approval of  
11 loan commitments and loan document -- loan documents and  
12 subsidy contracts.

13 The main documents that we're looking at  
14 currently are an interagency agreement, which is in  
15 process. We've been working on that agreement with the  
16 Department of Mental Health as the program has developed,  
17 but as we get into details, we haven't -- neither of us  
18 have signed it yet because issues come up that need  
19 resolution before that agreement can be executed. That  
20 agreement would cover the roles and responsibilities of  
21 both agencies and the compensation for the Agency for the  
22 role that we're playing. And Sandy has been integral in  
23 working on that agreement.

24 The subsidy agreements would be entered into with  
25 the developers, and they would provide for rental subsidy

1 for half of the units for what we hope to be an  
2 18-to-20-year period, which would be a period for those  
3 projects that have tax credits that would allow the  
4 investors to feel comfortable entering into investment  
5 agreements and allow housing to be developed for this  
6 community. Also loans and loan documents.

7 What we're looking -- what we're asking of you  
8 today is to delegate to the Executive Director the  
9 authority to enter into those commitments. And in terms  
10 of the loans, we would be looking to report back to you  
11 in a similar fashion that we're doing on the Bay Area  
12 Housing Plan, so we would come back to you periodically  
13 with updates and a delegation of authority in terms of  
14 dollars would be coming through the annual budgeting  
15 process and business plan of the Agency.

16 In terms of the roles of the Agency, it's a  
17 pretty complex project, and we've worked pretty hard on  
18 the roles. DMH -- the Prop 63 gives the money directly  
19 to the counties. The Department of Mental Health has  
20 been working with the counties to contract with them to  
21 transfer the funds to CalHFA for the housing program.

22 They're also very, very much involved in the  
23 process of promulgating regulations regarding the Mental  
24 Health Services Act housing program, and because it is  
25 public money they are -- they are required to have

1 regulations. Jane, I believe, intends to have the first  
2 package available by the end of the month to submit to  
3 the Legislative Analyst's office and to the Department of  
4 Finance.

5 We -- we will not -- although we can accept  
6 applications, we can't issue commitments until the  
7 regulations have been approved. And so that process is  
8 an important component of rolling out the program for the  
9 Agency. We would administer the housing aspects of the  
10 program under these regulations. And again, we've been  
11 working very closely with them on the drafting of the  
12 regulations.

13 DMH will also have a division that evaluates each  
14 of the applications for the proposed target population  
15 and the supportive service plan to make sure that that  
16 plan is adequate. They will also be involved if the  
17 ongoing monitoring of the service position over the life  
18 of each loan.

19 The Agency's role would be to administer real  
20 estate aspects of the program for DMH. That would be to  
21 make the loans, to provide asset management services for  
22 the loans once they're made, to issue the subsidy  
23 contracts, and also to disburse the operating subsidies.  
24 We would be involved in the underwriting, the request for  
25 capital funds and capital to operate the subsidies, make

1 the loans, close the loans, provide the asset management.

2 We also looking at providing investment services  
3 for the funds that are transferred to us, and that's  
4 something that Bruce will talk a little bit -- Bruce will  
5 be coming back to you with investment plan after he's had  
6 a chance to talk to the counties, but he's also here  
7 available today to talk about that.

8 And additionally we'll be providing reporting to  
9 DMH on an annual basis regarding the funds that we hold,  
10 what happens with them, which -- how many loans have been  
11 made. And those -- that reporting has to come on a  
12 county-by-county basis, so it will create a new workload  
13 for our accounting department.

14 The counties will work with qualified developers  
15 in their counties to identify their -- both their  
16 priorities and then developments that can house their  
17 target population, and they will also be identifying the  
18 level of services required at the development for the  
19 population that they're interested in housing. They have  
20 the ability to apply for and approve the use of their  
21 funds, both for capital loans and operating funds. And  
22 with that comes a commitment to providing supportive  
23 services to the target population and to the development  
24 for the full term of the loan. And it just -- using MHSA  
25 and other funds at their disposal.

1           The proposals would be jointly submitted by the  
2 county, the county mental health department, and the  
3 developer. They will come to both DMH and CalHFA. DMH  
4 will do a review for services. CalHFA, after they have  
5 completed that review, will be doing a review for  
6 financial feasibility. Once CalHFA has finished their  
7 review, we will share that with DMH, make sure that they  
8 are in agreement with an approval commitment for the  
9 funds for the project. And then the Agency will issue a  
10 commitment of funds.

11           This is -- there are two housing models, and one  
12 is shared housing, and this is a departure for us. It's  
13 something -- it's a housing unit that can be shared by  
14 two or more unrelated individuals, each of whom is a  
15 target member of the -- is a member of the target  
16 population. And it can be -- the shared housing can be  
17 as small as a condominium with two bedrooms. It could be  
18 a duplex or a fourplex. And that model was developed for  
19 the small counties where rental housing, larger rental  
20 housing really isn't an option. They don't have the  
21 funds and they don't have a population.

22           This will also cover rental housing developments  
23 which are more typically -- more typically work with five  
24 or more units general occupancy buildings or special  
25 occupancy buildings. There will be a requirement that

1 each unit contain a sleeping area, a kitchen and a  
2 bathroom.

3 And the funding will be restricted to units where  
4 there -- the units are occupied at least one member who  
5 is a member of the target population. This could be both  
6 a single-use building, possibly a 20-unit building where  
7 all of the units are for people who are in the target  
8 population, or a mixed population building. And the  
9 requirement is that at least five units in a rental  
10 housing development or 10 percent of the units be set  
11 aside for members of the target population. So it allows  
12 for very low targeting, and the program attempts to  
13 induce developers to add some of these units into  
14 buildings that are meant for general occupancy.

15 The rents will be restricted to 35 percent,  
16 50 percent of the area median income. There will not be  
17 an income limitation. The projects qualify for the  
18 welfare exemption as housing for the disabled, and we  
19 didn't want to create an Article XXXIV -- for people who  
20 are used to doing housing in California, an Article XXXIV  
21 issue for developments.

22 The loan limits are a hundred thousand dollars  
23 for rental housing, but up to a third of the costs or a  
24 hundred thousand in counties where housing costs aren't  
25 more than 300,000, they can at their discretion ask for a

1 loan that's larger than that. And for shared housing the  
2 loan limits would be a hundred thousand dollars per  
3 bedroom. We don't anticipate that there are as many  
4 other funds available for shared housing, and so these  
5 funds could be used to provide a hundred percent of the  
6 costs of the shared housing unit.

7 The capitalized operating subsidies we would be  
8 providing up to a hundred thousand dollars per unit. It  
9 would be set aside in a reserve held by the Agency and  
10 the -- with an investment strategy by the Agency to make  
11 sure that the funds stretched over the term that they're  
12 going to be needed, maybe giving a preference for rental  
13 housing developments, because there's only enough money  
14 to subsidize half of the units. The -- there is a  
15 requirement that the developer apply for other rental  
16 subsidies and accept them if they're available.

17 The Agency would receive an administrative fee of  
18 .42 percent of the outstanding principal balance of the  
19 loan to pay for asset management and legal and accounting  
20 costs over the term of the loan. Written into the loan  
21 documents is a 1-percent fee on the capital -- on the  
22 amount of the capital loans. The Agency has made an  
23 alternate proposal to DMH for a different way of funding  
24 that as the first 1 percent of the interest earnings on  
25 funds that are transferred to us, but that -- that's

1 still in discussion.

2 The loans will be residual receipts and  
3 there's -- if there are residuals, those residuals will  
4 go back to the county and be used for additional  
5 operating subsidies. The interest rate will be  
6 3 percent, but it is residual and therefore it is not  
7 mandatory payment. And the loans will be set for a  
8 20-year term or longer, if required by other sources. So  
9 we anticipate that loans that have tax credits will be  
10 for 55 years and shared housing loans where there aren't  
11 other sources will be 20.

12 The program will also provide for predevelopment  
13 loans up to 500,000 for rental housing developments and  
14 200,000 for shared housing developments.

15 The -- at this point, I'd like to ask if you have  
16 any questions.

17 CHAIRPERSON COURSON: Questions? We covered this  
18 somewhat in August, a little more in depth today.

19 Carol.

20 MS. JAVITS: I just wanted to affirm as I did  
21 last time how exciting this is. The leadership of Terri  
22 Parker in getting this done and the role of this Agency  
23 will roll through the country now and develop the  
24 supportive housing.

25 And just a couple very quick questions. On

1 page 233 it says there's 575 million available,  
2 400 million is going to be available on execution of the  
3 documentation. What's happening with the other  
4 175 million?

5 MS. LACISTE: That -- those funds will be issued  
6 as soon as the revenue comes in. At this point we have  
7 cash on hand available in the fund to release the initial  
8 400 million, and so we're anticipating revenue in the  
9 near future.

10 MS. PARKER: Jane, it's also a situation that  
11 that higher number reflects a five-year funding  
12 commitment and -- which was additional discussion with  
13 the counties. And we're kind of doing this on an  
14 incremental basis, so that's the first five years. We've  
15 talked with the counties about needing to go back with  
16 them within that five-year period, depending on how we're  
17 doing with the demand, so that there is not any drop in  
18 commitment on their part and for them to essentially  
19 start looking at the next five years, the next five  
20 years, the next five years.

21 MS. JAVITS: Great. And then I just wondered  
22 on -- if the counties don't spend -- if an individual  
23 county doesn't spend, what's going to happen to those  
24 resources.

25 MS. LACISTE: The act calls for what we call

1 reversion or sweep of unused funds within specified  
2 times, depending on the category of funds. The funding  
3 for this program is coming out of community services and  
4 supports, which has a three-year time frame. We -- so  
5 these funds will be subject to a sweep after three years.

6 We are working with CalHFA -- when the three  
7 years -- the sweep is triggered when the funds are not  
8 obligated or encumbered. We are working with CalHFA at  
9 the point an application comes in that we can get a nod  
10 from them and then consider those funds encumbered and  
11 thus exempt from the sweep.

12 We -- also, the Department has set aside  
13 significant funding for training and technical assistance  
14 with the counties. We are targeting those counties that  
15 are less experienced in this, especially the small  
16 counties, working with them to be able to get all the  
17 tools and resources needed for them to put a project  
18 together and submit an application to utilize those funds  
19 prior to that three-year time frame.

20 MS. JAVITS: But if they ultimately didn't, the  
21 funds would come back and could be reallocated?

22 MS. LACISTE: Yeah, they would be swept back into  
23 the MHSA housing program for redistribution.

24 MS. JAVITS: And then obviously the partnership  
25 is really commendable between the two departments, and

1 it's great to see that. And I just was curious, the  
2 outcomes that you're going to be looking for. It sounds  
3 like the DMH is going to be mostly responsible for that.  
4 Obviously, you know, kind of the results of the program,  
5 the impact of it is going to be important in terms of  
6 building support, as you say for five years and five  
7 years again. So perhaps at some other time it would be  
8 interesting for the Board just to know what impacts  
9 you're going to be looking at, what outcomes you're going  
10 to be measuring.

11 MS. LACISTE: It would be my pleasure to come  
12 back and address it.

13 CHAIRPERSON COURSON: And we will be receiving,  
14 as we have on the Bay Area Housing, reports at our Board  
15 meeting so there will be an opportunity to do that at a  
16 future meeting.

17 MS. PARKER: Mr. Chairman, one other thing that I  
18 wanted to mention, we are joined by four people, four  
19 different entities, that are holding hands to the success  
20 of this program: The Department of Housing and Community  
21 Development, CalHFA, Tax Credit Allocation Committee,  
22 Department of Mental Health. And I want make sure that  
23 the Board understands that one of the things that we're  
24 looking at about these projects is the benefit of them  
25 being part of what might be larger affordable housing

1 projects.

2 And that's why it's really very important to have  
3 the close relationship with Tax Credit and HCD who have  
4 obviously other funding sources, including MHP so that we  
5 are working together so that a project could come forward  
6 and maybe be a 50-unit project but have some number, some  
7 subset of those be eligible for this particular funding,  
8 but not be disadvantaged because of the overlap between  
9 the two programs, the various funding sources.

10 So I think that we have really done a yeoman's  
11 job of breaking out of the mold of -- I don't think  
12 anybody can call us being bureaucratic of what we have  
13 achieved by trying to essentially really for our  
14 customers, for the developers and whatnot of this kind of  
15 housing, we're trying to essentially make it not be a  
16 huge brain-damaging situation.

17 CHAIRPERSON COURSON: Mr. Carey.

18 MR. CAREY: I think this is a remarkable effort  
19 and exciting. I just want to ask one question  
20 particularly in light of the shared project concept.  
21 What is the status of determination about the  
22 applicability of CalHFA's architectural standards?

23 MS. WEREMIUK: Maybe I can speak to that.  
24 Currently the architectural standards are incorporated  
25 into the program at the request of the Department of

1 Mental Health to have standards. We are -- we have  
2 received some concerns about that from the development  
3 community, from a broad segment of the development  
4 community, and we're going to be reviewing that  
5 internally in the Agency within the next week and then  
6 also with the Department going through on a  
7 point-by-point basis.

8 In the past, the Agency has had relaxed standards  
9 for support for special needs housing projects where we  
10 have really looked at code, and we basically want to go  
11 through the choices with DMH, but we haven't had the time  
12 to do that because of the need to -- for them to go first  
13 through regs, which comes from some exigencies from the  
14 Legislative Analyst's office and the Department of  
15 Finance and the regulation process coming at the same  
16 time that the state budget needs to be developed.

17 So we're going through regs first, and then we'll  
18 be looking at the issue and probably be able to report  
19 back to you at the next Board meeting.

20 MR. GIPSON: If I can just add some clarity to  
21 it. We have had some different standards in the past, I  
22 wouldn't say it's just codes, but I think this also ties  
23 back to the historical concern with architectural design  
24 by far and the history, and so MHSA is just bringing up  
25 in its developer field historical items.

1           And I think this is one of the reasons why we  
2 went about revising the architectural manual and process  
3 and the previous issues designed and why we had the focus  
4 groups, was to work through those issues and come up with  
5 something that was working better as to the same types of  
6 goals and concerns. I mean a great deal of the manual  
7 and the work from the tech services unit identified a  
8 large number of construction issues which is saving more  
9 developers more money than they care to know.

10           But I think through those work groups we have  
11 come up with a new product and a new procedure for  
12 flowing through it. And I think that was what the whole  
13 point was. And so I think we also will need to be  
14 doing -- or we will be doing the outreach necessary so  
15 that they understand it's not the same process they  
16 thought it was, it's not the same cumbersome thing they  
17 thought it was, that it's more of a front-loaded process.

18           It focuses only on a few things of ours. We've gotten  
19 rid of a whole lot of different things, incorporated  
20 general standards around so there's no separate type  
21 standards, as many as there used to be with all the  
22 different accessible units and all those different  
23 things, a much streamlined process.

24           And I have heard some of the things out there,  
25 and we've seen some other stuff. But I think we're in

1 the early phases, and I think some of those individuals  
2 will hopefully come to recognize that it was not the same  
3 process and that they, you know, will be moving through  
4 it much more smoothly than they ever have in the past.  
5 But because the process is brand-new and it just hit the  
6 streets, I mean, we're just printing the books, there's  
7 only a couple who have actually gone through it, and so  
8 we also need the word of mouth on that.

9 But the agreement was with -- when we did talk to  
10 DMH, the discussion was let's give this a try and see how  
11 this works first, plain and simple. I know there's some  
12 historical history there, but let's give it a try first.

13 CHAIRPERSON COURSON: Other questions or comments  
14 from the Board?

15 There is a resolution on page 271 of your book  
16 that, as Kathy mentioned when she was going through,  
17 would authorize the signatures, execution of certain  
18 programs and agreements and loan agreements. And a  
19 motion is in order for that resolution.

20 MR. CZUKER: So moved.

21 CHAIRPERSON COURSON: Mr. Czucker moves.

22 Is there a second?

23 MR. DAVI: Second.

24 CHAIRPERSON COURSON: Mr. Davi seconds.

25 Is there any further discussion from the Board?

1 Any discussion or comments from the public?  
2 Call the roll.  
3 MS. OJIMA: Thank you.  
4 Mr. Davi.  
5 MR. DAVI: Yes.  
6 MS. OJIMA: Mr. Carey.  
7 MR. CAREY: Yes.  
8 MS. OJIMA: Mr. Czucker.  
9 MR. CZUKER: Yes.  
10 MS. OJIMA: Mr. Mandell.  
11 MR. MANDELL: Yes.  
12 MS. OJIMA: Ms. Javits.  
13 MS. JAVITS: Yes.  
14 MS. OJIMA: Mr. Pavao.  
15 MR. PAVAO: Yes.  
16 MS. OJIMA: Mr. Morris.  
17 (No response.)  
18 CHAIRPERSON COURSON: I think -- let the record  
19 show that Mr. Morris has left the meeting.  
20 MS. OJIMA: Thank you.  
21 Mr. Shine.  
22 MR. SHINE: Yes.  
23 MS. OJIMA: Mr. Courson.  
24 CHAIRPERSON COURSON: Yes.  
25 MS. OJIMA: Resolution 07-27 has been approved.

1 CHAIRPERSON COURSON: Thank you. Thank you all.

2 --o0o--

3 **Item 13. Update on Bay Area Housing Plan Financing**

4 CHAIRPERSON COURSON: The next item -- actually  
5 13 and 14 on our agenda both encompass the Bay Area  
6 Housing program. I spoke with Kathy earlier. I think in  
7 the pile -- I will describe as the large pile of  
8 documents in front of you, there are two documents, two  
9 reports on the Bay Area Housing. And if -- unless the  
10 Board desires going through that report in great detail,  
11 we have it in front of us, but we do have an item that we  
12 do need to consider in conjunction with that, and it's on  
13 page 275 of your Board book. And Mr. Gilbertson has  
14 joined us for that.

15 --o0o--

16 **Item 14. Resolution 07-28, Amendment of Agency**

17 **Resolution No. 06-06**

18 MR. GILBERTSON: Thank you. One more vote I'd  
19 like to have here.

20 In front of you in your Board binder you'll find  
21 Resolution 07-28. This is a resolution amending a prior  
22 financing resolution for the Bay Area Housing program.  
23 That resolution was brought to you in January of 2006,  
24 and it provided the authority for the Board to issue  
25 bonds for the purposes of financing loans in this regard.

1           At this point there's two reasons that we need an  
2 amendment. The first is to extend the period of time  
3 during which we have to issue bonds for this purpose.  
4 The Resolution 07-28 would authorize an extension for  
5 issuance of bonds till 30 days following the first Board  
6 meeting in calendar year 2009, and that's basically an  
7 extension of one full year. The authorization previously  
8 granted expires in early 2008. Secondly, the amended  
9 resolution would authorize the use of Bay Area Housing  
10 Program bond indenture for the purposes of financing  
11 these loans.

12           Just briefly on the two amendments, the reason  
13 for the time extension is simply that the closure of  
14 Agnews State Hospital has been extended. We don't  
15 believe that we'll be issuing bonds for this program  
16 before December. We will likely do it in two  
17 installments as soon as December 2007 and then another  
18 issuance would actually occur in late spring or summer of  
19 2008.

20           Specifically the Bay Area Housing Program bond  
21 indenture, a version of that bond indenture is included  
22 in the Board binder. This is a limited obligation of the  
23 Agency secured by the loans to be financed, the revenues  
24 related to the loans and the capital reserve account that  
25 is created through the debt service reserve for each of

1 the loans. We plan to use this exclusively for issuance  
2 of bonds for the Bay Area Housing Program.

3 And the last item is really that we have  
4 submitted these documents to both Moody's and Standard  
5 and Poors for their consideration. We're hopeful that  
6 we'll get some reaction from them by the end of the  
7 month, hopefully a preliminary credit rating sufficient  
8 for us to go to capital markets.

9 With that, I'm willing to answer any questions.

10 CHAIRPERSON COURSON: Questions for Bruce?

11 Is there a motion to approve the resolution as  
12 set forth on page 275?

13 MR. PAVAO: So move.

14 CHAIRPERSON COURSON: Mr. Pavao.

15 Second?

16 MR. MANDELL: I'll second.

17 CHAIRPERSON COURSON: Good. Thank you.

18 Any discussion?

19 Any discussion from the public?

20 Call the roll.

21 MS. OJIMA: Mr. Davi.

22 (No response.)

23 CHAIRPERSON COURSON: Has exited the meeting.

24 MS. OJIMA: Thank you.

25 Mr. Carey.

1 MR. CAREY: Yes.

2 MS. OJIMA: Mr. Czuker.

3 CHAIRPERSON COURSON: Has exited the meeting.

4 MS. OJIMA: Thank you.

5 Mr. Mandell.

6 MR. MANDELL: Yes.

7 MS. OJIMA: Ms. Javits.

8 MS. JAVITS: Yes.

9 MS. OJIMA: Mr. Pavao.

10 MR. PAVAO: Yes.

11 MS. OJIMA: Mr. Morris is gone.

12 Mr. Shine.

13 MR. SHINE: Yes.

14 MS. OJIMA: Mr. Courson.

15 CHAIRPERSON COURSON: Yes.

16 MS. OJIMA: We have -- hold on. Resolution 07-28

17 has been approved.

18 MR. GILBERTSON: Thank you.

19 CHAIRPERSON COURSON: I do have to say I have a

20 great deal of confidence because Mr. Shine found no

21 wording out of place in the document in the indenture, so

22 I have great faith in that.

23 MR. SHINE: Thank you, Mr. Chairman.

24 --o0o--

25 **Item 16. Report on Agency's homeownership subordinate**

1                   **lending requirements**

2                   CHAIRPERSON COURSON: Okay. The next item on our  
3 agenda is item 16. And those who were at the last  
4 regularly scheduled Board meeting know that we had an  
5 individual with us who is back with us, Gustavo Lamanna,  
6 and he is an attorney with the firm of Kane, Ballmer and  
7 Berkman and brought to us an attention -- an item to our  
8 attention for discussion, and so we placed that on the  
9 agenda as item No. 16. And I'll turn it over to  
10 Mr. Lamanna.

11                   MR. LAMANNA: Thank you so much. Good afternoon,  
12 Board. Good afternoon, Public. Thank you for the  
13 opportunity to let me speak with you today.

14                   If you recall the last time I was here was back  
15 in March in Sacramento. It's good to be here in Southern  
16 California where you can actually walk into the hotel and  
17 see people doing jumping jacks a couple doors down. And  
18 it's good to know, I had a good laugh with Commissioner  
19 Davi because they were all real estate agents at a  
20 training session. Something we don't see too much in  
21 Sacramento.

22                   But as the good chair said, my name is Gustavo  
23 Lamanna. I'm an attorney with Kane, Ballmer and Berkman.

24                   And I wanted to ask the directors of CalHFA to  
25 now take affirmative steps to implement Fannie Mae

1 Announcement 0603. These affirmative steps would include  
2 a formal instruction to adopt a policy and to CalHFA bond  
3 documents including indentures, regulatory agreements,  
4 and any other types of actions or agreements among  
5 lenders and your investors.

6 To supplement my March 8th, 2007 visit to your  
7 good Board, I wanted to first report on the interactions  
8 I've had with your good counsel and your office; No. 2,  
9 provide some supportive market data since my last meeting  
10 which would support adopting this policy; and No. 3,  
11 summarize the policy for the Board.

12 First, interactions with your counsel. Since  
13 March 8th I've had productive conversations with your  
14 General Counsel, Mr. Hughes, and some e-mail exchanges  
15 with your staff counsel Mr. Freeburger, and even this  
16 morning I've spoke -- continued to speak at length with  
17 Mr. Hughes and also with Mr. Charles McManus of your  
18 Mortgage Insurance services group. And I expect that we  
19 will continue this discussion to come up and work through  
20 the details so we can actually present -- hopefully  
21 present the policy for you that the good Board can adopt  
22 and begin to incorporate into its practices.

23 When combining these interactions I've had since  
24 my March meeting and previous interactions I've had with  
25 the Board -- and to back up, our firm represents about

1 three dozen redevelopment agencies. Redevelopment  
2 agencies, much like housing commissions, are all subsidy  
3 providers for affordable housing borrowers, and we buy  
4 single family or any type of a housing unit that's  
5 restricted to affordable income households. Our clients  
6 are the agencies that provide a different subsidy or it  
7 may very well be we may be into a DDA, or a disposition  
8 development agreement, with the developer and help them  
9 actually purchase the land or acquire the land or give  
10 them other types of tax increment financing.

11           When I look at my interactions with your staff in  
12 the past, having spoken to your tax attorneys as well as  
13 Mr. Freeburger, I think when you look at Fannie Mae's  
14 current position and change in policy, there is a way we  
15 can harmonize our goals.

16           No. 2, I just wanted to bring you up to speed  
17 since to support the position in this policy change with  
18 certain market developments. With the news of the  
19 continued liquidity shortage and the Countrywide and  
20 effective decline of other lenders in the subprime  
21 markets, there remains an incredible opportunity for  
22 CalHFA. Just tomorrow Fannie Mae and Freddie Mac are  
23 going to be adopting new rules requiring verification of  
24 incomes for all new borrowers. This would be -- that  
25 would be including, obviously, affordable income buyers.

1           This -- the new rule was obviously made in  
2 response to the current changes in the financial market  
3 liquidity issues. However, as the good Board already  
4 knows, affordable housing borrowers already have to  
5 provide verifiable income sources. With that  
6 verification, the -- there isn't any jeopardy -- or there  
7 is a legitimate mortgage repayment income stream that is  
8 verifiable for your borrowers in the underwriting process  
9 and it also meets Fannie Mae.

10           Further and more important, affordable housing  
11 covenants which our clients put onto properties, or, in  
12 other words, we would record resale restrictions or  
13 what's often called by Fannie Mae resale controls, to  
14 preserve a certain housing unit for all future buyers so  
15 that the owner always be of affordable income and they  
16 not be reverted into market rate and sold without  
17 controls. Since these units that you're financing would  
18 be encumbered with affordable housing covenants, CalHFA  
19 is assured that there's a constant flow of qualified  
20 affordable household borrowers in line with verifiable  
21 incomes in the offices of all subsidy providers like our  
22 clients the redevelopment agencies as well as housing  
23 commissions.

24           Because Fannie Mae recognizes disparity between  
25 market rate housing and affordable housing will remain

1 large, CalHFA should look at this unique opportunity in  
2 this financial market to capture this ever growing stable  
3 group of borrowers who obtain affordable housing  
4 subsidies. Redevelopment agencies invest in and are  
5 required by law to protect their subsidies in affordable  
6 housing. The added addition of Fannie Mae's Announcement  
7 0603 only confirms that Fannie Mae believes the added  
8 security of maintaining these resale controls ahead of  
9 any first mortgage that the good Board and your staff  
10 would be making to -- to the borrowers.

11 So in summary, and for those new members to the  
12 Board, I just wanted to give a quick overview. Before  
13 Fannie Mae announced this change in their policy, what  
14 typically happened is you had redevelopment agencies like  
15 our clients acquiring, participating and helping make an  
16 affordable housing development, and we would require that  
17 a certain number, usually 20 percent of whatever subsidy  
18 we provide, is all restricted. We have to use it for  
19 affordable housing.

20 We would require, let's say, a hundred out of  
21 a -- you know, 400-unit development to be affordable --  
22 sold to affordable households. On those 100 units, we  
23 actually put covenants on those units in a grant deed and  
24 say everyone that buys this has to buy it and meet these  
25 income criterias, and they would be approved by the

1 Agency.

2 When lenders that are writing new loans or just  
3 out in the open market, lend to those borrowers, they  
4 typically ask for a subordination agreement. They would  
5 basically say, you know, if we have to foreclose or God  
6 forbid something happened to that borrower, or anyone for  
7 that manner, we want to make sure when the bank takes it  
8 we wipe you out and this would be taking the market rate.

9 Well, our clients have always had a problem with  
10 that, and those negotiations are usually tense, and we  
11 actually have a part of the community redevelopment law  
12 which speaks to that exact point. And that community  
13 redevelopment law says if there is an alternate means of  
14 financing without subordination, redevelopment agencies  
15 can no longer subordinate. So that's why we're at this  
16 jam we're in.

17 Fannie Mae came out last year in March '06 saying  
18 they will approve loans with unsubordinated -- or, excuse  
19 me, junior to our resale control. So that means we would  
20 be in senior position. All of the resale controls would  
21 be there, and any Fannie Mae approved loan can be junior  
22 to that. And if there is a foreclosure, the purchasers  
23 of the foreclosure will say they'll buy it subject to  
24 those resale controls.

25 So in summary, CalHFA now has the added comfort

1 that Fannie Mae accepts these loans where resale  
2 restrictions are senior, such mortgage loans, and CalHFA  
3 should now embrace this policy and inform all of its  
4 lenders and investors of the added security of senior  
5 unsubordinated affordable housing covenants.

6 We thank the Board for your continued attention,  
7 and I invite any questions or comments.

8 I just wanted to close up and say that we know  
9 that this is an important policy change for CalHFA and  
10 the entire lending community, know that Fannie Mae has  
11 already led the charge there. Redevelopment agencies are  
12 there. But we want you to know I'm here to assist. Our  
13 firm is here to assist in the process. We have clients  
14 that are eager and still pursuing these loans and finding  
15 avenues for lenders that do accept Fannie Mae  
16 underwriting. And to the extent possible, we can -- we  
17 can help.

18 And I can report that I'm not here for any one  
19 client. We have three dozen redevelopment agencies, and  
20 I just speak in general for -- it's an issue that affects  
21 all agencies.

22 I also to want to thank the time of Mr. Hughes,  
23 Mr. Freeburger, Mr. McManus. I'll continue working with  
24 them and report back hopefully with some policy that is  
25 in harmony with your mortgage practices.

1           And as I said, if the good Board has any  
2 questions, I'd be more than happy to entertain them.

3           CHAIRPERSON COURSON: Any questions of  
4 Mr. Lamanna?

5           Mr. Hughes.

6           MR. HUGHES: I'd only point out if the Board  
7 would like me to briefly explain the Agency's view of  
8 this, I can certainly do that.

9           CHAIRPERSON COURSON: I think that would be  
10 helpful.

11          MR. HUGHES: Okay. Let me -- let me just preface  
12 my remarks with a very brief overview of what this  
13 relates to.

14          The Agency has for many, many years -- and of  
15 course, Stan Dirks, Bond Counsel and Loan Counsel are  
16 intimately familiar with this. When a locality provides  
17 a subordinate loan to a homeownership borrower, the  
18 Agency reviews the subordinate loan program. We do that  
19 for a number of reasons.

20          And the primary reasons are that, first of all,  
21 we need to make sure that the provisions of that  
22 subordinate loan are not inconsistent with the tax laws  
23 and -- that govern tax exempt financings, and much of the  
24 review is dedicated to that because some of the resale  
25 and subordinate controls may run afoul of those tax

1 requirements. So historically we review that.

2 I think the issue that Mr. Lamanna has been  
3 discussing goes to another component of our review, which  
4 is that we also review locality programs for essentially  
5 sound lending practices. And one of the issues that  
6 we've had for many years and have not, to be honest, seen  
7 a solution for from the Agency's point of view is that --  
8 and I should mention that this issue comes up as well on  
9 the multifamily side in a slightly different context.

10 The Agency never -- we're firmly committed and  
11 it's our statutory mission to do affordable housing, but  
12 we never agree in advance to allow any restrictions to  
13 survive foreclosure. And the reason is simple, that when  
14 the Agency is forced to foreclose, either a multifamily  
15 or single family unit, we have to sell the property to  
16 repay our investors, and we will never know until  
17 foreclosure whether those restrictions will severely  
18 impact the market value to prevent us from getting back  
19 our repayment.

20 On the single family side, basically the Fannie  
21 Mae require -- and Mr. Lamanna's clients, the  
22 redevelopment agencies, are making subordinate loans  
23 obviously with a variety of sources of funds, tax  
24 increment, home CDBG, whatever they have, but they're  
25 more soft money loans than we borrow. We borrow money as

1 a Board for investors and have to repay it. So we  
2 have -- we need to be able to maximize the recovery in a  
3 foreclosure.

4 The Fannie Mae policy -- and Tom Freeburger in my  
5 office is the expert on this, so I'll take some liberties  
6 in trying to explain it, but -- does apparently now  
7 recognize for taking some loans with resale controls that  
8 may survive a foreclosure. But as I understand it, one  
9 of the significant caveats is that there has to be  
10 mortgage insurance on the property.

11 Mortgage insurance policies -- and Chuck McManus  
12 is here and we discussed this issue as well. Mortgage  
13 insurance policies require that the lender give clear  
14 title to the property to the mortgage insurer because  
15 obviously one of the options is that the mortgage insurer  
16 take title to the property, pay off the claim, and then  
17 sell the property. So from a mortgage insurance point of  
18 view, a mortgage insurer is certainly not going to want  
19 to take a property that's encumbered with resale controls  
20 that might simply -- you know, might adversely impact the  
21 recovery.

22 The CalHFA situation is somewhat more complicated  
23 than that because even if the Agency elected to take the  
24 financial risk of taking on properties with resale  
25 restrictions that survive foreclosure and the mortgage

1 insurance fund elected to take that risk as well, you  
2 have to remember that 75 percent of our risk is laid off  
3 to Genworth, and Genworth as the reinsurer is never going  
4 to accept that risk. Is that a fair statement, Chuck?  
5 Or it's unlikely to accept that risk, I should say.  
6 There's never never.

7 I think what we have here is a -- and these are  
8 the two hats that CalHFA wears each and every operating  
9 day. We wear the hat of being a responsible and prudent  
10 lender to meet our obligations to investors, and we have  
11 the goal of maximizing affordable housing.

12 I can only tell you on multifamily side we fought  
13 this battle many, many times, and we tell people we will  
14 do whatever we can to not foreclose out  
15 restrictions, affordability restrictions, but we have to  
16 maintain that option because we don't know if we're going  
17 to get paid in the situation.

18 On the single family side, again, there are  
19 variety of other reasons besides the ones I've  
20 articulated, but adopting a Fannie Mae position, which is  
21 a kind of one size fits all, doesn't necessarily work for  
22 us and potentially requires us to go back and review each  
23 one of these locality programs every single time  
24 something changes, not to mention running a financial  
25 risk, is frankly something the Agency has never viewed as

1 feasible because of our need to repay those loans.

2 Now, I was talking to Mr. Lamanna, and one of the  
3 suggestions that has been made to us from outside counsel  
4 would be that we try a develop a safe harbor locality  
5 program that would meet all of our requirements. We've  
6 never done that, quite honestly, because we don't want to  
7 dictate to localities what they should -- what their  
8 local program should be.

9 We could do that. We are -- I will tell the  
10 Board honestly we are severely impacted for resources and  
11 staff and time to do this. We've been overwhelmed in the  
12 last year and a half with between Fannie Mae deals and  
13 strategic initiatives and all the things that have gone  
14 on that this has, quite honestly, been not at the top of  
15 our list of things to do. We could do that. I do not  
16 know really how to get past the issue of the survival of  
17 the resale restrictions, and that would be essentially a  
18 decision to take a financial risk that we heretofore have  
19 not been willing to take.

20 So that's kind of a summary of what this is  
21 about, and we just haven't found a way to mesh these two  
22 different roles.

23 CHAIRPERSON COURSON: Other questions or comments  
24 from the Board?

25 Mr. Lamanna, anything?

1           MR. LAMANNA: I have just a general -- I mean and  
2 I think this is where the conversation will go. As to  
3 the single family where I have been talking to  
4 Mr. McManus and Mr. Hughes, the policy decision ends up  
5 being -- the policy decision ends up being more of, well,  
6 mortgage insurance is a risk business, and agency  
7 subsidies is affordable housing business. It's a hard  
8 item to reconcile for any lender. But as we were able to  
9 speak with one large lender who is here today and just  
10 unsolicited, we started to, you know, groom a little bit.

11          And lenders do find ways of pricing these things and if  
12 it's a big development and then there is a -- what  
13 ultimately this type of development is is a shared risk  
14 cost analysis. Sometimes the lenders are willing to take  
15 some things on. There are some things that tax increment  
16 financing can pay for.

17           So I'm very optimistic that with continued work  
18 with your office and some input from Mr. McManus -- and  
19 I'll try not to tax Mr. Hughes and Mr. Freeburger too  
20 much. I hope that I haven't done that. But I do ask if  
21 I can continue to come to this Board and provide these  
22 updates as they become available.

23           CHAIRPERSON COURSON: Anything else?

24           Mr. Lamanna, thank you very much.

25           MR. LAMANNA: Thank you so much.

1 --o0o--

2 **Item 17. Reports**

3 CHAIRPERSON COURSON: The item on our agenda  
4 reports, you have by -- Bruce just put a couple of  
5 reports as he normally does in front of us and you have  
6 those to review.

7 --o0o--

8 **Item 18. Discussion of other Board matters**

9 CHAIRPERSON COURSON: Are there any other matters  
10 to come before the Board?

11 --o0o--

12 **Item 19. Public testimony**

13 CHAIRPERSON COURSON: Or is there any  
14 additional -- or is there any public testimony?

15 Seeing none, we will stand adjourned. Our next  
16 meeting is the 15th right back here.

17 (The meeting concluded at 1:40 p.m.)

18 --o0o--

19  
20  
21  
22  
23  
24  
25

**REPORTER'S CERTIFICATE**

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

In witness whereof, I have hereunto set my hand this 19th day of September 2007.

---

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

**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

**CALIFORNIA HOUSING FINANCE AGENCY**  
**Final Commitment**  
**Rubicon Homes**  
**Richmond, Contra Costa County, CA**  
**CalHFA # 06-078-N**

**SUMMARY**

This is a final commitment request for permanent financing only. Security for this loan will be a first deed of trust on a 10-unit apartment building located in the City of Richmond and County of Contra Costa. Rubicon Homes, a California nonprofit public benefit corporation, owns the property. The project sponsor is Rubicon Programs, Inc, a California nonprofit public benefit corporation.

This is a Special Needs Loan. Rubicon Homes is an existing project that serves 10 households that include at least one adult with chronic mental illness. The project currently receives Project Based Section 8 rental assistance payments from HUD through an annual HAP Contract for all of its units.

The CalHFA permanent loan provides take-out financing for a \$1,200,000 construction loan by U.S. Bank of an existing HUD Section 202 with an estimated balance of \$497,801 through December 1, 2007. The HAP Contract is being extended for 20 years. The Agency Regulatory Agreement will require that 40% of the units serve households at 50% of AMI and that the remaining 60% of units will serve households up to 80% of AMI. All (100%) of the units shall serve Special Needs tenants. The percentage of units required to serve 50% AMI households may change subject to the final source of financing.

**LOAN TERMS****Permanent**

First Mortgage	\$1,200,000
Interest Rate	1.50% fixed
Term	20 years, fully amortizing
Financing	Tax Exempt, 501(c)3 Bonds/Agency Funds.
Prepayment	Yes

The Agency loan will be non-recourse. An assignment of the HAP Contract as security will be a condition of the Agency loan. An Agency Regulatory Agreement extending to 20 years from date of closing of the Agency loan, or for the Qualified Project Period, will also be required. There will be no other permanent financing.

Assuming the use of 501(c)3 bonds, the cost of an interest rate buy-down is projected to be \$393,664. Recognizing the relatively small size of this loan we are examining other financing options.

## **HUD Project Based Section 8 Payments**

The project will be the beneficiary of a renewed Section 8 contract for a term of 20 years, with terms renewed in 5 year increments. The contract has been provided directly through HUD, via its designated contract administrator, as opposed to through a local housing authority.

HUD's existing regulatory agreement will continue for another 15 years. Occupancy of the units shall be limited to elderly and handicapped persons and families. It further limits eligibility to the admission and continued requirements for Section 8 units.

## **PROJECT DESCRIPTION**

### **Project Location**

- The project is in the City of Richmond which is in the north-western portion of Contra Costa County and abuts San Pablo Bay. Contra Costa County is the third largest of the nine counties that comprise the San Francisco Bay Area.
- The neighborhood in which the site is located approximately half of a mile north of the downtown Richmond shopping area. The property is located on 13<sup>th</sup> Street at the corner of Visalia Avenue. Thirteenth Street is mixed with light commercial uses such as auto repair and restaurants, and residential properties. Eastbound Visalia Avenue is comprised of single and multi-family residential development. Visalia Avenue ends into railroad tracks several blocks west of the property at the approximate western boundary of this neighborhood.
- There are two major freeways through Richmond. Interstate 80, is located 2 miles east of the project and Interstate 580, is about 2 miles south of the project.
- The site is immediate to AC Transit bus service and some 10 blocks from the Richmond Amtrak/BART transit center.
- Physically, Richmond is generally built up with industrial development along the western and southern boundaries. Easterly, are well established single and multi-family dwellings with commercial areas interspersed throughout. Relatively newer shopping and development is located on the eastern side of the city towards the City of Pinole, and westerly, in the Richmond Hilltop area. Other new development in the city is along the Marina Bay area of its water front south of the 580 freeway.

### **Site**

- The site is an L-shaped parcel that is substantially level, sloping from east to west. The site comprises approximately 0.56 acres or 24,300 square feet.
- The property is zoned C-2 General Commercial District and MFR 1. The site is split with the western 2/3 designated as C-2 Commercial and the eastern 1/3 designated as MFR-1 medium density residential with a medium density of 9 – 28 units per acre. As presently zoned, the site would permit up to 18 units.

### **Improvements**

- Three separate two-story wood frame, stucco buildings comprise the 10 units. A fourth, single story building serves as the community room and laundry.
- The buildings were constructed in 1983.
- The project's ten units comprise six 1-bedroom units, three 2-bedroom one-bath units, and one 2-bedroom handicapped unit. There are 10 parking spaces secured by fencing located at the 13<sup>th</sup> Street entrance to the property.

### **Rehabilitation**

- The project failed its most recent REAC (Real Estate Assessment Center) scoring from HUD. Failure by the owner to make prompt corrections to the physical conditions will result in the loss of its Section 8 assistance for the 10 special needs units.
- The scope of rehabilitation work shall correct or exceed corrections of all immediate needs. The pest report was completed on September 10, 2007. The Physical Needs Assessment was recently updated on September 10, 2007.
- There are \$402,340 (\$40,234 per unit) in rehabilitation work budgeted. Proposed rehabilitation work includes new kitchen and bathroom cabinets, toilets, shower surrounds and valves, kitchen and bath GFIC electrical outlets, hard-wired smoke detectors, linoleum, and carpet for all 10 units.
- Site improvements included in the above rehabilitation budget will consist of replacing 700 sq ft of concrete flatwork, resealing and re-striping the parking lot, and replacing 2 site lighting pole fixtures in the parking lot.
- Exterior improvements consist of replacing the roofs, selected framing and sheathing corrections to the roofing system, and replacing some 1,000 linear feet of gutters. In addition, 10 greenhouse windows will be replaced with standard thermally insulated glass windows, selected utility closet doors will be replaced, rotted door jambs and all wood trim to be replaced. There will be a complete repainting of the exterior.

### **Relocation**

- Relocation requirements will be minimal and accomplished through the use of one on-site unit that will be vacant and available during the construction period.

### **SPECIAL NEEDS SERVICES**

Rubicon Programs, Inc., a California nonprofit public benefit corporation, will be the primary, on-site, service provider. Rubicon's services program is based on a permanent supportive housing model which emphasizes independent living. The onsite independent living program is coordinated with Contra Costa Mental Health. The mental health programs include:

- **Day Treatment Program:** Rubicon Day Center provides structured day rehabilitative services to adults with serious and persistent psychiatric disabilities.
- **Independent Living Services (ILS):** Provides essential "life skills" classes as well as counseling, case management and pre-vocational training to help participants develop daily living skills and use community resources more effectively. There are specific ILS services on site at the Rubicon Homes community room.
- **Substance Abuse Services:** Outpatient substance abuse services include education, counseling, case management and medication support services.

- The residents have access to case management services, Rubicon Programs pre-vocational and vocational services, and day rehabilitative services.
- Rubicon Programs is licensed to provide Mental Health Rehab Act Medi-Cal services for tenants and others.
- A service plan acceptable to CalHFA will be agreed upon prior to closing.

## **MARKET**

There is a great housing shortage for individuals suffering from chronic mental illness, particularly that housing which will serve their special needs. Deinstitutionalization in the 1960's and the subsequent lack of replacement of community care facilities left few housing alternatives for the mentally ill.

### **Estimated Lease-up Period**

The project is fully occupied. A primary source of tenants will be Rubicon Program's own waiting list together with lists from other organizations providing services to persons with chronic mental illness and who are homeless or at risk of homelessness. Currently, there are six individuals or households on the waiting list, four of whom applied in the past month.

## **ARTICLE XXXIV**

An opinion letter regarding Article XXXIV compliance will be required. The opinion letter will be subject to CalHFA's review and approval.

## **ENVIRONMENTAL**

A Phase I Environmental Assessment Report update was completed on September 24, 2007 by EMG. The report found no environmental concerns associated with the current or past use of the subject property and recommended no further action or investigation at this time.

## **DEVELOPMENT TEAM**

### **Borrower**

#### Rubicon Homes

Rubicon Homes, a California nonprofit public benefit corporation, is a single asset borrower entity that was formed in 1981.

### **Sponsor**

#### Rubicon Programs, Incorporated

Rubicon Programs, Incorporated, a California nonprofit public benefit corporation ("Rubicon") is the project sponsor. Rubicon was established in 1973 in Richmond, California by community members concerned about the closure of state psychiatric hospitals. The founders recognized the need to develop local services for people disabled by chronic mental illness who were returning to the community. Rubicon also took on the problems of poverty and homelessness.

Rubicon developed a comprehensive service approach that also offers affordable housing and social purpose businesses.

Rubicon has received local as well as national recognition for its programs of social entrepreneurship. In addition to providing 136 units of housing, Rubicon's Bakery has 35 full time employees serving 300 retail outlets and distributors. Its landscape services has 80 full time employees contracting services to over 35 sites. Moreover, Rubicon served over 3,000 clients in FY 2003-04 with mental health, money management, workforce services and associated programs.

Rubicon has one other project in CalHFA's portfolio: Idaho Apartments, a 29 unit special needs rehabilitation project in El Cerrito, CA serving the mentally ill as well as persons with HIV.

### **Primary Service Provider**

#### Rubicon Programs, Inc.

Rubicon will serve as the primary service provider in addition to its role as the project sponsor. The goal of Rubicon's housing programs is to promote independence and self-sufficiency for homeless and disabled participants by reducing barriers to obtaining and maintaining housing. Rubicon works with participants to assess strengths and barriers; to assist with development of a self-sufficiency plan; and to assist with applying for housing. Rubicon provides information regarding housing resources in West Contra Costa County; information regarding individual credit repair; advocacy with landlords and provider agencies; referrals for all support services as indicated by the self-sufficiency plan.

### **Management Agent**

#### John Stewart Company

The John Stewart Company began in 1978. Since that time, it has focused much of its efforts in the management of affordable housing, principally in the San Francisco Bay Area, but also throughout California. In addition, the John Stewart Company is the largest private manager of supportive housing and "special needs" housing in California.

### **Architect**

#### John Stewart Company

The John Stewart Company, through its construction services division will provide architectural services for the project. Daniel Levine, a registered architect, is the company's director of Construction Administration.

### **Contractor**

John Stewart Company will act as Construction Manager on behalf of Rubicon Homes, providing services through its construction management division.

**PROJECT SUMMARY****PROJECT NUMBER: 06-078-N****Final Commitment**

<b>Project:</b>	<b>RUBICON HOMES</b>	<b>Developer:</b>	<b>Rubicon Programs, Inc.</b>
<b>Location:</b>	978 13th Street	<b>Partner:</b>	Same
<b>City:</b>	Richmond	<b>Investor:</b>	N.A.
<b>County:</b>	Contra Costa		
<b>Zip Code:</b>	94801		
<b>Project Type:</b>	Rehabilitation	<b>No. of Buildings:</b>	4
<b>Occupancy:</b>	Family	<b>No. of Stories:</b>	2
<b>Total Units:</b>	10	<b>Residential Space</b>	6,935 sq. ft.
<b>Style Units:</b>	Townhomes & Flats	<b>Office Space</b>	500 sq. ft.
<b>Elevators:</b>	none	<b>Commercial Space</b>	0 sq. ft.
<b>Total Parking</b>	10	<b>Gross Area</b>	7,435 sq. ft.
<b>Covered</b>	0	<b>Land Area</b>	24,300 sq. ft.
		<b>Units per acre</b>	18

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	\$0	N.A.	N.A.

Permanent Sources of Funds	Amount	Rate	Years
<b>CalHFA First Mortgage</b>	<b>\$1,200,000</b>	<b>1.50%</b>	<b>20</b>
<b>CalHFA Bridge Loan</b>	<b>\$0</b>	<b>0.00%</b>	<b>0</b>
<b>CalHFA Second Mortgage</b>	<b>\$0</b>	<b>0.00%</b>	<b>0</b>
Source 2 - Existing Reserves	\$67,578	0.00%	0
Source 3	\$0	0.00%	0
Source 4	\$0	0.00%	0
Source 5	\$0	0.00%	0
Source 6	\$0	0.00%	0
Source 7	\$0	0.00%	0
Source 8	\$0	0.00%	0
Source 9	\$0	0.00%	0
Source 10	\$0	0.00%	0
Source 11	\$0	0.00%	0
Source 12	\$0	0.00%	0
Income from Operations	\$52,198		
Developer Contribution	\$0		
Deferred Dev. Fee	\$17,572		
Tax Credit Equity	\$0		

Construction Valuation	Appraisal	Value Upon Completion
<b>Investment Value</b> \$1,275,000	<b>Appraisal Date:</b> 10/2/2007	<b>Restricted Value</b> \$1,495,000
<b>Loan / Cost</b> 0%	<b>Cap Rate:</b> 6.00%	<b>Perm. Loan / Cost</b> 90%
<b>Loan / Value</b> 0%		<b>Perm. Loan / Value</b> 80%

**CalHFA Fees and Reserve Requirements**

<u>CalHFA Loan Fees</u>	<u>Amount</u>	<u>Required Reserves</u>	<u>Amount</u>
CalHFA Construction Loan Fee	\$0	Other Reserve	\$0
CalHFA Permanent Loan Fees	\$12,000	Replacement Resv. Initial Deposit	\$43,000
Other Fee	\$0	Repl. Reserve - Per Unit/ Per Yr	\$710
<b>Construction Loan - Guarantees and Fees</b>		CalHFA Operating Expense Reserve	\$15,930
Completion Guarantee Fee	\$0	Rent Up Reserve	\$0
Contractors Payment Bond	\$0	Other Reserv (Construction Defect)	N.A.
Contractors Performance Bond	\$0		

**Date:** 10/31/2007**Senior Staff Date:** 9/14/2007

**UNIT MIX AND RENT SUMMARY**

**RUBICON HOMES**

06-078-N

Total Unit Mix			
# of Units	Unit Type	# of Baths	Average Sq. Ft.
6	1 Bedroom Flat	1	590
4	2 Bedroom Flat	1	849
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
<b>10</b>			

Number of Regulated Units By Agency							
Agency	35%	45%	50%	60%	80%	Unrestricted	Total
<i>CalHFA</i>			4*			6	10
<i>HUD</i>			8	2			10
<i>Locality</i>							
<i>HCD</i>							
<i>AHP</i>							
<i>Zoning</i>							
<i>Other</i>							

\* Subject to change depending upon final source of financing.

Restricted Rents Compared to Average Market Rents					
Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
<b>One Bedroom</b>			<b>\$850</b>		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	4	\$455		\$395	54%
60%	2	\$585		\$265	69%
80%	0	\$0		\$0	0%
<b>Two Bedroom</b>			<b>\$1,000</b>		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	3	\$547		\$453	55%
60%	1	\$587		\$413	59%
80%	0	\$0		\$0	0%
<b>Three Bedroom</b>			<b>\$0</b>		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	0	\$0		\$0	0%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%
<b>Four Bedroom</b>			<b>\$0</b>		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	0	\$0		\$0	0%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%

Sources and Uses of Funds

RUBICON HOMES

06-078-N

Final Commitment

SOURCES OF FUNDS:	Funds in during	Funds in at	Total Development Sources		
	Construction (\$)	Permanent (\$)	Total Sources of Funds (\$)	Sources per Unit	%
CalHFA Construction Financing	0				
Construction Only Source 2	1,200,000				
Construction Only Source 3	-				
CalHFA First Mortgage		1,200,000	1,200,000	120,000	90%
CalHFA Second Mortgage		-	-	-	0%
Source 2 - Existing Reserves	43,651	23,927	67,578	6,758	5%
Source 3	-	-	-	-	0%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	52,198	52,198	5,220	4%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	17,572	17,572	1,757	1%
Tax Credit Equity	-	-	-	-	0%
<b>Total Sources</b>	<b>1,243,651</b>	<b>1,293,697</b>	<b>1,337,348</b>	<b>133,735</b>	<b>100%</b>
(Gap)/Surplus	-	0	0		

USES OF FUNDS:	Construction (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit	%
<b>LOAN PAYOFFS &amp; ROLLOVERS</b>					
Construction Loan payoffs		\$1,200,000			
<b>ACQUISITION</b>					
Lesser of Land Cost or Value	-	-	-	-	0%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
<b>Subtotal - Land Cost / Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Existing Improvements Value	495,205	-	495,205	49,521	37%
Off-Site Improvements	-	-	-	-	0%
Other-Repay Other Costs	-	-	-	-	0%
<b>Total Acquisition</b>	<b>495,205</b>	<b>-</b>	<b>495,205</b>	<b>49,521</b>	<b>37%</b>
<b>REHABILITATION</b>					
Site Work	-	-	-	-	0%
Rehab to Structures	402,340	-	402,340	40,234	30%
General Requirements	26,152	-	26,152	2,615	2%
Contractors Overhead	18,211	-	18,211	1,821	1%
Contractors Profit	18,211	-	18,211	1,821	1%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	6,974	-	6,974	697	1%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Rehabilitation</b>	<b>471,888</b>	<b>-</b>	<b>471,888</b>	<b>47,189</b>	<b>35%</b>
<b>RELOCATION EXPENSES</b>					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
<b>Total Relocation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit per Unit	%
<b><u>NEW CONSTRUCTION</u></b>					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total New Construction</b>	-	-	-	-	<b>0%</b>
<b><u>ARCHITECTURAL &amp; ENGINEERING</u></b>					
Architectural Design	8,000	-	8,000	800	1%
Architect's Supv during Construction	-	-	-	-	0%
<b>Total Architectural</b>	<b>8,000</b>	-	<b>8,000</b>	<b>800</b>	<b>1%</b>
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	10,800	-	10,800	1,080	1%
<b>Total Engineering &amp; Survey</b>	<b>10,800</b>	-	<b>10,800</b>	<b>1,080</b>	<b>1%</b>
<b><u>CONSTRUCTION LOAN COSTS</u></b>					
Construction Loan Interest	74,389	-	74,389	7,439	6%
CalHFA Construction Loan Fee	-	-	-	-	0%
Other Construction Loan Fees	12,000	-	12,000	1,200	1%
CalHFA Outside Legal Counsel Fees	-	-	-	-	0%
Other Lender Req'd Legal Fees	6,500	-	6,500	650	0%
Title and Recording fees	5,500	-	5,500	550	0%
CalHFA Req'd Inspection Fees	4,250	-	4,250	425	0%
Other Req'd Inspection Fees	7,500	-	7,500	750	1%
Prevailing Wage Monitoring Expense	-	-	-	-	0%
Taxes & Insurance during construction	8,500	-	8,500	850	1%
Predevelopment Interest	-	-	-	-	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Construction Loan Expense</b>	<b>118,639</b>	-	<b>118,639</b>	<b>11,864</b>	<b>9%</b>
<b><u>PERMANENT LOAN COSTS</u></b>					
CalHFA Perm Loan Fees	12,000	-	12,000	1,200	1%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	50	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	4,767	4,767	477	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Permanent Loan Expense</b>	<b>12,500</b>	<b>4,767</b>	<b>17,267</b>	<b>1,727</b>	<b>1%</b>
<b><u>LEGAL FEES</u></b>					
Borrower Legal Fee	11,250	-	11,250	1,125	1%
Other	-	-	-	-	0%
<b>Total Attorney Expense</b>	<b>11,250</b>	-	<b>11,250</b>	<b>1,125</b>	<b>1%</b>

USES OF FUNDS (Cont'd):	Construction (\$)	Permanent (\$)	Total Development Costs		
			Permanent of Funds (\$)	Per Unit per Unit	%
<b><u>CONTRACT / REPORT COSTS</u></b>					
Appraisal	7,500	-	7,500	750	1%
Market Study	-	-	-	-	0%
Physical Needs Assessment	3,250	-	3,250	325	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	3,200	-	3,200	320	0%
Environmental Phase I / II Reports	3,800	-	3,800	380	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other - Pest Report	250	-	250	25	0%
Other	-	-	-	-	0%
<b>Total Contract Costs</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>	<b>1,800</b>	<b>1%</b>
<b><u>CONTINGENCY</u></b>					
Hard Cost Contingency	47,189	-	47,189	4,719	4%
Soft Cost Contingency	25,000	-	25,000	2,500	2%
<b>Total Contingency</b>	<b>72,189</b>	<b>-</b>	<b>72,189</b>	<b>7,219</b>	<b>5%</b>
<b><u>RESERVES</u></b>					
CalHFA Operating Expense Reserve	-	15,930	15,930	1,593	1%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other-Initial Replacement Reserve	-	43,000	43,000	4,300	3%
<b>Total Reserves</b>	<b>-</b>	<b>58,930</b>	<b>58,930</b>	<b>5,893</b>	<b>4%</b>
<b><u>OTHER</u></b>					
CTCAC App/Alloc/Monitor Fees	-	-	-	-	0%
Local Permit Fees	11,180	-	11,180	1,118	1%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees-Plan Review	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	4,000	-	4,000	400	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Other Expenses</b>	<b>15,180</b>	<b>-</b>	<b>15,180</b>	<b>1,518</b>	<b>1%</b>
<b>SUBTOTAL PROJECT COSTS</b>	<b>1,233,651</b>	<b>1,263,697</b>	<b>1,297,348</b>	<b>129,735</b>	<b>97%</b>
<b><u>DEVELOPER COSTS</u></b>					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	10,000	5,000	15,000	1,500	1%
Project Administration	-	25,000	25,000	2,500	2%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Developer Fee / Costs</b>	<b>10,000</b>	<b>30,000</b>	<b>40,000</b>	<b>4,000</b>	<b>3%</b>
<b>Total Costs</b>	<b>1,243,651</b>	<b>1,293,697</b>	<b>1,337,348</b>	<b>133734.7556</b>	<b>100%</b>

## Annual Operating Budget

RUBICON HOMES

## Final Commitment

<b>INCOME:</b>	<b>\$ Amount</b>	<b>Per Unit</b>	<b>% of Total</b>
Total Rental Income	\$165,204	\$16,520	99.82%
Laundry	\$0	\$0	0.00%
Other Income	\$300	\$30	0.18%
<b>Gross Potential Income (GPI)</b>	<b>\$165,504</b>	<b>\$16,550</b>	<b>100.00%</b>

<b>Less:</b>			
Vacancy Loss	\$6,208	\$621	3.90%
<b>Effective Gross Income</b>	<b>\$159,296</b>	<b>\$15,930</b>	

<b>EXPENSES:</b>	<b>Total Cost</b>	<b>Per Unit</b>	<b>% of Total</b>
Payroll	\$13,216	\$1,322	16.88%
Administrative	\$11,700	\$1,170	14.95%
Management fee	\$7,200	\$720	9.20%
Utilities	\$4,206	\$421	5.37%
Operating and Maintenance	\$22,920	\$2,292	29.28%
Insurance and Business Taxes	\$5,895	\$590	7.53%
Locality Compliance Monitoring Fee	\$0	\$0	0.00%
Other	\$0	\$0	0.00%
<b>Subtotal Expenses</b>	<b>\$65,137</b>	<b>\$6,514</b>	<b>83.21%</b>
Replacement Reserves	\$7,100	\$710	9.07%
Taxes & Assessments	\$6,048	\$605	7.73%
<b>Total Expenses</b>	<b>\$78,285</b>	<b>\$7,828</b>	<b>100.00%</b>

**Financial Expenses**

CalHFA First Mortgage	\$69,487	\$6,949
CalHFA Second Mortgage	\$0	\$0
Other Required Debt Service	\$0	\$0

<b>NET OPERATING INCOME</b>	<b>\$11,524</b>	<b>\$1,152</b>
-----------------------------	-----------------	----------------

**Cash Flow** Final Commitment CalHFA Project Number: 06-078-N RUBICON HOMES

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>RENTAL INCOME</b>										
Affordable Rents	62,616	63,868	65,146	66,449	67,778	69,133	70,516	71,926	73,365	74,832
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	102,588	104,640	106,733	108,867	111,045	113,265	115,531	117,841	120,198	122,602
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>TOTAL RENTAL INCOME</b>	<b>165,204</b>	<b>168,508</b>	<b>171,878</b>	<b>175,316</b>	<b>178,822</b>	<b>182,399</b>	<b>186,047</b>	<b>189,767</b>	<b>193,563</b>	<b>197,434</b>
<b>OTHER INCOME</b>										
Laundry	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>TOTAL OTHER INCOME</b>	<b>0</b>									
<b>GROSS POTENTIAL INCOME</b>	<b>165,204</b>	<b>168,508</b>	<b>171,878</b>	<b>175,316</b>	<b>178,822</b>	<b>182,399</b>	<b>186,047</b>	<b>189,767</b>	<b>193,563</b>	<b>197,434</b>
<b>VACANCY ASSUMPTIONS</b>										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>LESS: VACANCY LOSS</b>	<b>6,208</b>	<b>6,333</b>	<b>6,459</b>	<b>6,588</b>	<b>6,720</b>	<b>6,855</b>	<b>6,992</b>	<b>7,132</b>	<b>7,274</b>	<b>7,420</b>
<b>EFFECTIVE GROSS INCOME</b>	<b>158,996</b>	<b>162,175</b>	<b>165,419</b>	<b>168,727</b>	<b>172,102</b>	<b>175,544</b>	<b>179,055</b>	<b>182,636</b>	<b>186,289</b>	<b>190,014</b>
<b>OPERATING EXPENSES</b>										
Expenses	65,137	67,417	69,777	72,219	74,746	77,363	80,070	82,873	85,773	88,775
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	6,048	6,169	6,292	6,418	6,546	6,677	6,811	6,947	7,086	7,227
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	7,100	7,100	7,100	7,100	7,100	7,100	7,455	7,455	7,455	7,455
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL EXPENSES</b>	<b>78,285</b>	<b>80,685</b>	<b>83,168</b>	<b>85,736</b>	<b>88,392</b>	<b>91,140</b>	<b>94,336</b>	<b>97,274</b>	<b>100,314</b>	<b>103,458</b>
<b>NET OPERATING INCOME</b>	<b>80,711</b>	<b>81,490</b>	<b>82,251</b>	<b>82,991</b>	<b>83,709</b>	<b>84,404</b>	<b>84,719</b>	<b>85,361</b>	<b>85,975</b>	<b>86,557</b>
<b>DEBT SERVICE</b>										
CalHFA - 1st Mortgage	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
<b>DEBT COVERAGE RATIO</b>	<b>1.16</b>	<b>1.17</b>	<b>1.18</b>	<b>1.19</b>	<b>1.20</b>	<b>1.21</b>	<b>1.22</b>	<b>1.23</b>	<b>1.24</b>	<b>1.25</b>

**Cash Flow**

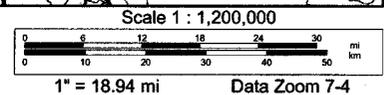
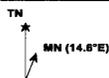
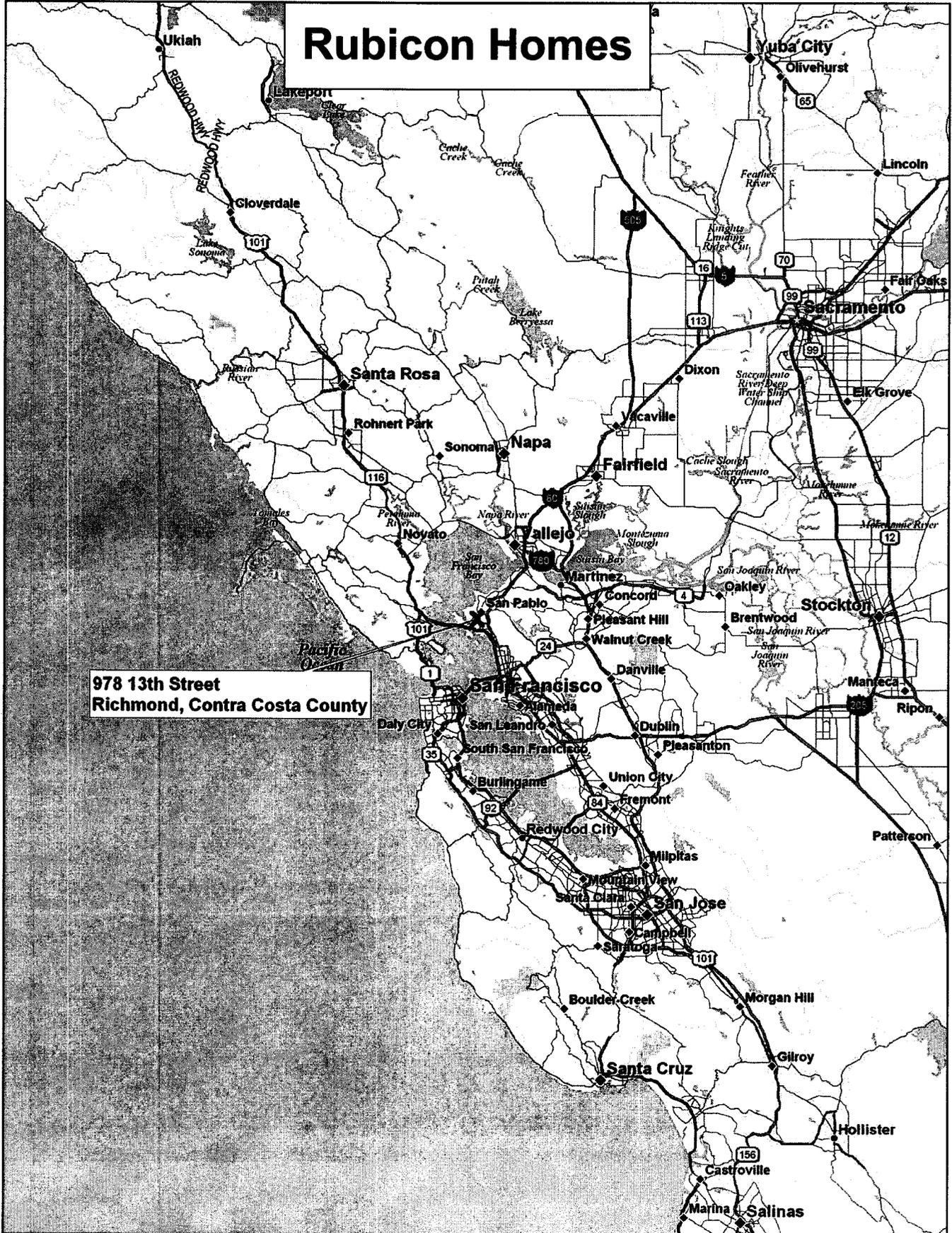
CalHFA Project Number: 06-078-N

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<b>RUBICON HOMES</b>										
<b>RENTAL INCOME</b>										
Affordable Rents	76,329	77,855	79,412	81,000	82,620	84,273	85,958	87,678	89,431	91,220
Rental Subsidies	125,054	127,555	130,106	132,709	135,363	138,070	140,831	143,648	146,521	149,451
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>TOTAL RENTAL INCOME</b>	<b>201,383</b>	<b>205,410</b>	<b>209,519</b>	<b>213,709</b>	<b>217,983</b>	<b>222,343</b>	<b>226,790</b>	<b>231,325</b>	<b>235,952</b>	<b>240,671</b>
<b>OTHER INCOME</b>										
Laundry	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>TOTAL OTHER INCOME</b>	<b>0</b>									
<b>GROSS POTENTIAL INCOME</b>	<b>201,383</b>	<b>205,410</b>	<b>209,519</b>	<b>213,709</b>	<b>217,983</b>	<b>222,343</b>	<b>226,790</b>	<b>231,325</b>	<b>235,952</b>	<b>240,671</b>
<b>VACANCY ASSUMPTIONS</b>										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>LESS: VACANCY LOSS</b>	<b>7,568</b>	<b>7,719</b>	<b>7,874</b>	<b>8,031</b>	<b>8,192</b>	<b>8,356</b>	<b>8,523</b>	<b>8,693</b>	<b>8,867</b>	<b>9,045</b>
<b>EFFECTIVE GROSS INCOME</b>	<b>193,815</b>	<b>197,691</b>	<b>201,645</b>	<b>205,678</b>	<b>209,791</b>	<b>213,987</b>	<b>218,267</b>	<b>222,632</b>	<b>227,085</b>	<b>231,627</b>
<b>OPERATING EXPENSES</b>										
Expenses										
Annual Expense Increase	91,882	95,098	98,427	101,872	105,437	109,127	112,947	116,900	120,992	125,226
Taxes and Assessments	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Tax Increase	7,372	7,519	7,670	7,823	7,980	8,139	8,302	8,468	8,637	8,810
Replacement Reserve	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Percentage Increase Yearly	7,455	7,828	7,828	7,828	7,828	7,828	7,828	7,828	7,828	7,828
<b>TOTAL EXPENSES</b>	<b>106,709</b>	<b>110,445</b>	<b>113,924</b>	<b>117,523</b>	<b>121,245</b>	<b>125,094</b>	<b>129,468</b>	<b>133,587</b>	<b>137,848</b>	<b>142,256</b>
<b>NET OPERATING INCOME</b>	<b>87,105</b>	<b>87,246</b>	<b>87,721</b>	<b>88,155</b>	<b>88,547</b>	<b>88,993</b>	<b>89,487</b>	<b>89,845</b>	<b>89,237</b>	<b>89,371</b>
<b>DEBT SERVICE</b>										
CalHFA - 1st Mortgage	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
<b>DEBT COVERAGE RATIO</b>	<b>1.25</b>	<b>1.26</b>	<b>1.26</b>	<b>1.27</b>	<b>1.27</b>	<b>1.28</b>	<b>1.28</b>	<b>1.28</b>	<b>1.28</b>	<b>1.29</b>

**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

# Rubicon Homes

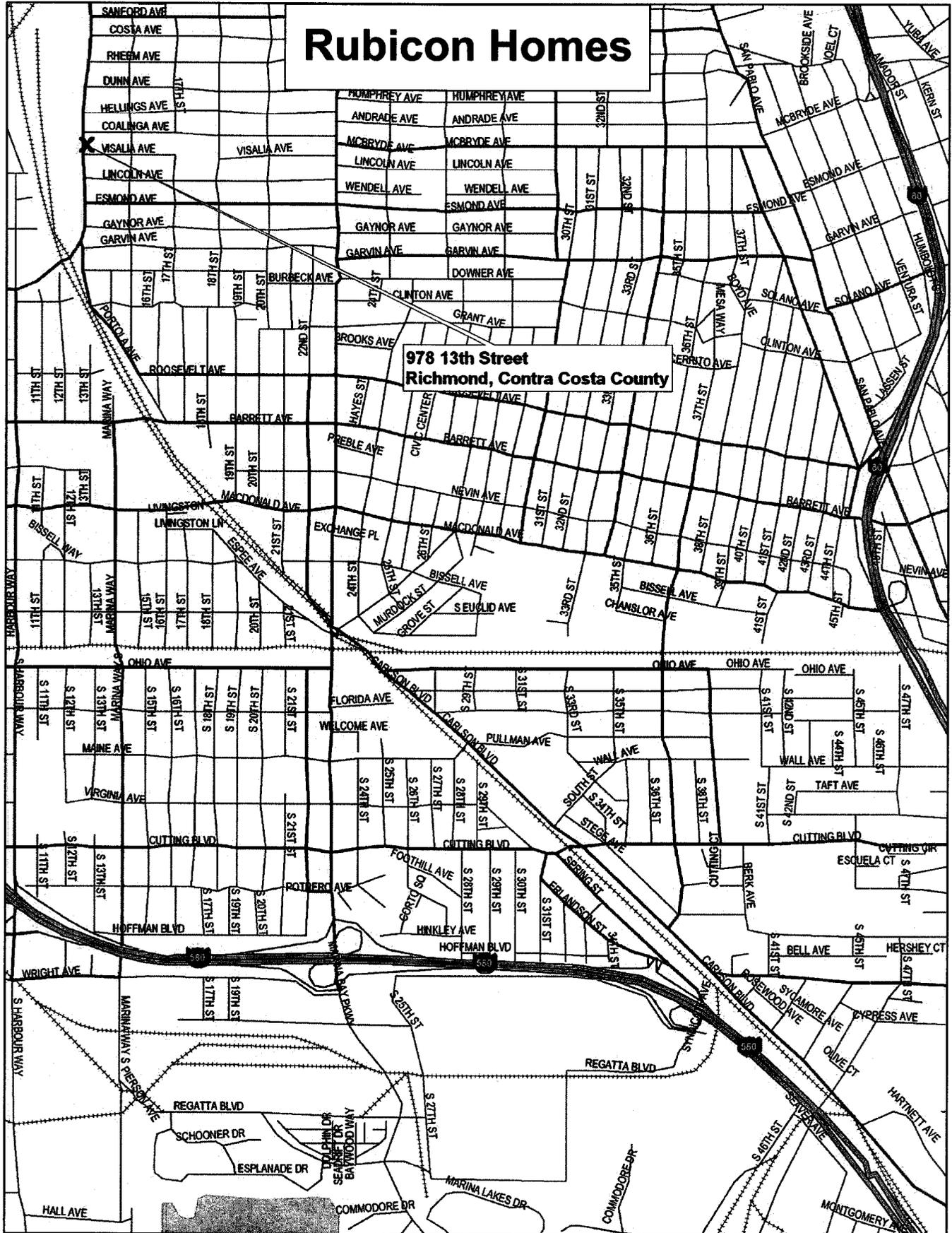
978 13th Street  
Richmond, Contra Costa County



**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

# Rubicon Homes

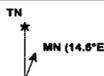
**978 13th Street  
Richmond, Contra Costa County**



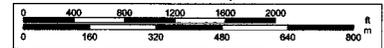
Data use subject to license.

© 2005 DeLorme. Street Atlas USA® 2006 Plus.

www.delorme.com



Scale 1 : 17,600



1" = 1,466.7 ft Data Zoom 13-5

**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

## RESOLUTION 07-29

## RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Rubicon Homes, a nonprofit, public benefit corporation (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of Richmond, County of Contra Costa, State of California, to be known as Rubicon Homes (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on September 14, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>MORTGAGE AMOUNT</u>
06-078-N	Rubicon Homes Richmond, California	\$1,200,000 Permanent Mortgage

1 Resolution 07-29

2 Page 2

3

4

5

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

13

14 I hereby certify that this is a true and correct copy of Resolution 07-29 adopted at a duly  
15 constituted meeting of the Board of the Agency held on November 15, 2007 at Burbank,  
16 California.

17

18

19

20

21

22

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

23

Secretary

24

25

26

27

28

29

30

**CALIFORNIA HOUSING FINANCE AGENCY  
Final Commitment  
Alexis Apartments  
San Francisco, San Francisco County, CA  
CalHFA # 06-081-N**

**SUMMARY**

This is a Final Commitment request for rehabilitation and permanent financing. Security for the rehabilitation/permanent loan will be a high rise senior apartment complex known as the Alexis Apartments, located at 380/390 Clementina Street, in downtown San Francisco, California. Alexis Apartments of St. Patrick's Parish ("Borrower"), a 501(c)(3) non-profit corporation, is the owner of the project.

Alexis Apartments was constructed in 1973 and is a 206-unit, fourteen story, two tower, high-rise senior apartment complex, consisting of 158 studios and 48 one-bedroom units. In September 2007, CalHFA provided acquisition financing to pay off the FNMA/HUD 236 loan with Capmark and assign the Use Agreement and Agreement for Interest Reduction Payments (IRP) to CalHFA (HUD 236 Decoupling/Recoupling IRP loan). The project is 64% Section 8 (132 units) with the current HAP contract expiring on August 30, 2027.

**LOAN TERMS****Rehabilitation**

<b>First Mortgage</b>	\$8,830,000
Interest Rate	5.00%, variable
Term	18 Months, interest only
Financing	Tax-exempt (501(c)(3) Bonds)
<b>Second Mortgage*</b>	\$1,070,000
Interest Rate	5.20%
Term	6 year fixed, fully amortized
Financing	Tax-exempt (501(c)(3) Bonds)

\*The IRP loan, funded at the time of acquisition in September 2007, will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage. This is not included in the financing request.

**Permanent**

<b>First Mortgage</b>	\$9,600,000
Interest Rate	5.00%
Term	30 year fixed, fully amortized
Prepayment	None
Financing	Tax-Exempt (501(c)(3) Bonds)

**OTHER FINANCING**

There is no other financing involved in this transaction.

**HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT**

On May 23, 2007, the San Francisco HUD Office approved a Budget-based Rent Increase for Capital Repairs along with a 20 year HAP contract. The rent increase and HAP contract became effective September 1, 2007 and expires August 30, 2027.

There is no change in ownership, therefore, the HAP contract remains with the current ownership. 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").

The borrower will be required to seek and accept any renewals of the project based Section 8 contracts or other HUD subsidies.

**AGREEMENT FOR INTEREST REDUCTION PAYMENTS ("IRP")**

The Interest Reduction Payments (IRP) Loan is based on the remaining IRP loan term. On May 2, 2007, CalHFA signed an IRP Agreement and a new Use Agreement through HUD's 236 Decoupling Notice between HUD and the Borrower. The Use Agreement will re-finance the original loan and include a term that extends 5 years beyond the term of the new CalHFA IRP loan.

The HUD 236 Decoupling Notice H-008 states that "The Use Agreement shall require the project to accept project-based Section 8 rental assistance (or any successor program) for as long as HUD offers such assistance during the term of the Use Agreement." The IRP Use Agreement states that "...to the extent that appropriated funds are available, the Secretary agrees to provide Section 8 assistance under Section 8, or any successor program with respect to 132 units in the project."

HUD has approved the assignment of the Use Agreement and Agreement for Interest Reduction Payments (IRP) to CalHFA. Receipt from HUD of an executed Form 9807, Insurance Termination Request for Multifamily Mortgage, is pending.

**PROJECT DESCRIPTION****Project Location**

- The project is located on the northwest corner of 5<sup>th</sup> Street and Clementina Street in the city of San Francisco within the South of Market District. Clementina Street is a small alley located between Howard and Folsom Streets.
- The project is located just west of the Yerba Buena Center, bounded by 3<sup>rd</sup> and 4<sup>th</sup> Streets and Mission and Folsom, is anchored by the Moscone Convention Center, Metreon retail/entertainment complex, the Yerba Buena Gardens, the Center For the Arts, and Moscone Center West.

- The project is within one mile or less of the Interstate 80 and the Bay Bridge, Highway 101 north and south (at 4<sup>th</sup> and 5<sup>th</sup> Streets), and southbound Interstate 280.
- The project is in close proximity of the CalTrain Southern Pacific Railway Depot, which occupies over four city blocks from Fourth to Seventh Streets on Townsend Street. The railway depot serves Peninsula commuters and has its main entrance at the corner of 4<sup>th</sup> and Townsend Streets. Public transportation is also available within one block of the project.
- The project has three affordable rental senior complexes located to the north, several two-story industrial buildings and a three-story residential duplex to the south, a single story, concrete school building (built in 1949) immediately to the east, the Salvation Army Silvercrest Senior Care Facility two blocks southeast, and a four story office building to the west.
- Proximate amenities include a bus stop within 0.1 mile of the project, a Smart and Final grocery within 0.3 miles, a Wal-Mart within 1.1 mile, an elementary school and high school within 0.2 miles, Bank of America within 0.8, and Methodist Hospital (full service acute care facility/hospital) within 3.4 miles.

#### Site

- The 0.44 acre site is a flat, rectangular shaped parcel.
- The site is zoned C-3-S (Downtown Support District) by the City of San Francisco. The C-3-S district allows a minimum lot width of 25 feet and a minimum lot area of 2,500 feet, a maximum height of 130 feet, and residential density of one unit per 125 square feet of lot area. The site and its use are legal non-conforming.

#### Improvements

- This 206-unit project was built in 1973 and consists of two interconnected 14 story buildings/towers, separated by an enclosed parking garage on the ground level.
- The buildings are constructed of reinforced concrete exterior and interior walls. The roofs are flat, comprised of reinforced concrete slabs.
- Each building/tower is contains 103 units. The towers are connected on the second floor by common area improvements located directly above the parking garage. The entrances to each tower are located at the south side of the building and are accessible through a key card security door. All the units are located along a central corridor for each floor.
- Each tower has two elevators, two sets of emergency egress stairs and its own lobby entrance. There is a trash chute on each floor.
- There are one hundred and fifty eight (158) efficiency units and forty eight (48) one bedroom units. Each unit has a prefabricated four foot long kitchenette comprise of an electric three-burner stove with hood, a single bowl sink, garbage disposal, a free standing frost-free refrigerator, emergency pull cords, and additional emergency call buttons carried by the resident. Each unit also contains a baseboard electrical heater.
- The common area amenities include a dining/community room with a full service commercial kitchen and toilet facilities, a reading room, an exercise room, and a computer room. Additionally, there is a roof top terrace of the dining room that spans the length of both buildings.
- The project offers a covered parking garage with 23 spaces, secured with a roll-up door off Clementina.

## PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The scope of rehabilitation work totals \$5,833,491 or \$28,318 per unit and includes:
  - **Building, \$2,270,281** – remove, replace and install windows (\$1,290,470), exterior painting and scaffolding (\$391,760), office, lobby, common area, and community room repairs and upgrades (\$253,682), ceiling asbestos abatement (\$139,050), roofing (\$133,319), elevator upgrades (\$40,000), and parking garage modifications (\$22,000).
  - **Residential Units, \$2,970,210** – new kitchen cabinets, counters, tables, sinks, faucets, lights, electrical upgrades, (\$2,127,591), new bathroom, lighting, exhausts, fixtures, repairs and upgrades, (\$194,650), interior painting (\$184,370), replace and install smoke detectors and unit electrical upgrades (\$168,500), flooring and base (\$111,965), stoves and hoods (\$100,734), and doors (\$82,400).
  - **Mechanical systems, \$593,000** – replace emergency generator (\$335,000), roof mounted fans (\$216,000), and control shut off valves/boiler controls (\$42,000).

Work is scheduled to commence by February 2008 and is projected to be completed within 18 months.

### Off-site improvements

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

### Relocation

There is \$125,000 in relocation expense allocated for this project.

There will be no anticipated permanent or temporary relocation during the rehabilitation of the Alexis Apartments. The project team, comprised of the architect, contractor, and project manager has agreed upon the following schedule for unit interior work:

1. The complex has been accruing vacancies, with HUD's permission, since March 2007 to accommodate temporary displacement during daytime hours. There are currently 9 vacancies, with a goal of 10-12 vacancies for the duration of the rehabilitation.
2. During the rehabilitation period, 10-12 units will be available during daytime hours for residents who are unable or unwilling to be outside of an apartment during the planned 8:00am to 5:00pm construction hours. No resident(s) will be required to sleep in another apartment because the rehabilitation work will be cleaned up each day and the unit left in good condition for the resident to reoccupy by 5:00pm. The residents need only notify the management company of their need or interest in a daytime "resting" apartment.
3. These 10-12 units will be the first to be rehabbed and then available to all residents on a rotating basis.
4. There will be a two to three day period where the resident shall occupy the "resting" unit for the entire day. During this timeframe, the contractor will remove and replace the windows, as well as the kitchen remodel.

5. Each "resting" unit will be furnished with a small and inexpensive set of furnishings, such as a couch/bed, table & chair, refrigerator, and possibly a small television. The relocation funds in the budget are for furnishing these "resting" units and, if necessary, some other costs for ensuring that all the elderly residents are comfortable during construction and to cover any unanticipated problems or for "meal funds". In addition to meal funds, each day a hot meal is provided at very low cost at the property in the community room. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity which would result in the temporary displacement of tenants. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. If the resident prefers other accommodations other than the resting unit, the resident will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower's relocation staff will provide transportation and assist with moving arrangements. In addition, these temporarily displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

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 and timelines, to address any tenant issue or concerns regarding the project.

## **MARKET**

### **Market Overview**

Based on the 2000 census, the population for the City of San Francisco is approximately 800,000. Approximately 18% of the City's population, or 144,000, are seniors age 60 or older, which is higher than the state and national average of 14% and 16.5% of the population of seniors, respectively.

Due to an influx of young workers and families in the 1990's and early 2000, the proportion of seniors in the City declined despite increase in the actual number. Of the existing seniors, approximately 10% live below the poverty line and approximately 31% are in the low income category. In addition, San Francisco has the highest rate of seniors receiving Medi-Cal as well as Supplemental Security Income (SSI) and State Supplemental Payment (SSP). As of 2004, over 26,000 individuals over 65 rely on SSI.

### **Housing Supply and Demand**

- Approximately 68% or 356,00 units, of San Francisco's housing stock are rental units; 245,000 of these units are within the city of San Francisco. As of January 2000, the number of residential units added to the housing stock in San Francisco is 10,458 units, of which 97% of these units are multifamily units.
- Within the South of Market District, there are 26 affordable housing projects representing 2,400 units, all within one half mile of Alexis. Of the 26 projects, 8 of these projects are senior projects representing 1,261 units. Most of these projects were built in the early 1970's and range from average to good condition.

- Occupancy rate for market rate units as of October 2006 is 95.6%. LIHTC properties have an average occupancy rate of 99%, with a waiting list ranging from one year to several years long. The property's occupancy rate is 95% with a two year waiting list.
- The San Francisco Housing Authority, which administers the Section 8 program for the entire county, stated that there are 10,061 households presently under the Section 8 voucher program. Of these 9,789 have been leased for a usage rate of 97.3%. Given the extensive waiting list for the subject property, the LIHTC properties, and housing authority vouchers, there is a significant demand for affordable senior housing in San Francisco County.
- As of January 2007, there are 52 existing affordable LIHTC projects in the South of Market District representing 4,691 units. Eight of these projects or 1,261 units are for seniors, all with 99% occupancy. In addition, there are eleven LIHTC/bond projects, representing 2,832 units either under construction or currently planned within the market area. Five of these eleven projects, representing 962 units, are exclusively for low income tenants. However, only one these five allocated properties target the senior population.

## **PROJECT FEASIBILITY**

### **Estimated Lease-up Period**

- The project is currently 95% leased and the proposed rehabilitation will not interfere with occupancy. The 5% vacancy (9-12 units) will intentionally remain in place as part of the relocation plan.

## **ENVIRONMENTAL**

Papineau, R.E.A. 791 completed a Phase I Environmental Assessment report on July 3, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

NorBay Consulting completed an asbestos survey report dated December 11, 2006. The survey identified acoustical ceiling material to contain 5% asbestos. Asbestos abatement costs total \$139,000 and are included in the rehabilitation budget.

## **SEISMIC**

URS Corporation performed a seismic review assessment on November 22, 2006. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

## **DEVELOPMENT TEAM**

### **Borrower**

### Alexis Apartments of Saint Patrick's Parish

- The borrower is Alexis Apartments of St. Patrick's Parish, a 501(c)(3) California non-profit corporation that is the sponsor and developer of Alexis Apartments. The corporation was incorporated in 1971 and its headquarters is located on the Alexis Apartments site. Father Ed Dura of St. Patrick's Parish is the President and Chairman of the Board. The borrower has contracted with Barbara Sanders of BSA and Associates, located in Oakland, as its project manager and owner representative. Ms. Sanders has over 30 years experience in creating, developing, and underwriting affordable housing developments

### **Management Agent**

#### The John Stewart Company

- The John Stewart Company will manage the property. The John Stewart Company was founded in 1978 and provides management, development and consulting services for non-profit and private sector clients throughout California. The John Stewart Company services approximately 200 housing developments representing 20,000 residential units for low-income to extremely low-income persons. The John Stewart Company manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

### **Architect**

#### Barcelon and Jang (Barcelon)

- Barcelon, located in San Francisco, specializes in community housing, educational, and art facility projects. Barcelon has provided planning and design services for over 30 years. The Borrower has engaged Barcelon to assist them in project design, renovation, and construction management during the rehabilitation process. Barcelon has designed over 21 multifamily projects in the San Francisco Area.

### **Contractor**

#### Fine Line Construction (Fine Line)

- Fine Line has been a general contractor since 1984. Their work includes primarily multi-family and government assisted projects with non-profit organizations. They specialize in all aspects of construction and development in the San Francisco area with over 16 non-profit organizations.

**PROJECT SUMMARY**

**PROJECT NUMBER: 06-081-N**

Final Commitment

<b>Project:</b>	<b>Alexis Apartments</b>	<b>Developer:</b>	<b>Alexis Apts of St. Patrick's Parish</b>
<b>Location:</b>	380/390 Clemetina Street	<b>Partner:</b>	not applicable
<b>City:</b>	San Francisco	<b>Investor:</b>	not applicable
<b>County:</b>	San Francisco		
<b>Zip Code:</b>	94103		
<b>Project Type:</b>	Rehabilitation	<b>No. of Buildings:</b>	two towers
<b>Occupancy:</b>	senior	<b>No. of Stories:</b>	14
<b>Total Units:</b>	206	<b>Residential Space</b>	70,056 sq. ft.
<b>Style Units:</b>	Highrise Apartments	<b>Community/Leasing Spa</b>	47,282 sq. ft.
<b>Elevators:</b>	yes	<b>Commercial Space</b>	0 sq. ft.
<b>Total Parking Covered</b>	23	<b>Gross Area</b>	117,338 sq. ft.
	23	<b>Land Area</b>	19,380 sq. ft.
		<b>Units per acre</b>	463

CalHFA Rehabilitation Financing	Amount	Rate	Term (Mths)
CalHFA Const Financing	\$8,830,000	5.000%	18
Existing Rehab Acct.	\$503,895		
Existing Replacement Reserve	\$321,980		
Income from Operations	\$418,181		
Existing Residual Receipts	\$238,302		

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	\$9,600,000	5.00%	30
CalHFA Bridge Loan	\$0	0.00%	0
CalHFA 2nd Mortgage	\$0	0.00%	0
CalHFA Additional Financing	\$0	0.00%	0
CalHFA IRP Loan (funded in September 2007)	\$1,070,000	5.20%	6
Source 6	\$0	0.00%	0
Source 7	\$0	0.00%	0
Source 8	\$0	0.00%	0
Source 9	\$0	0.00%	0
Source 10	\$0	0.00%	0
Source 11	\$0	0.00%	0
Income from Operations	\$93,640		
Developer Contribution - Mezz.Loan	\$0		
Deferred Dev. Fee	\$0		
Tax Credit Equity	\$0		

Construction Valuation	Appraisal	Value Upon Completion
Investment Value \$21,715,000	Appraisal Date: 3/7/07	Restricted Value \$12,570,000
Loan / Cost 86%	Cap Rate: 5.75%	Perm. Loan / Cost 86%
Loan / Value 41%		Perm. Loan / Value 76%

**CalHFA Fees and Reserve Requirements**

<u>CalHFA Loan Fees</u>	<u>Amount</u>	<u>Required Reserves</u>	<u>Amount</u>
CalHFA Acquisition Loan Fee	\$66,225	Other Reserve	\$0
CalHFA Permanent Loan Fees	\$48,000	Replacement Resv. Initial Deposit	\$206,000
Other Fee	\$0	Repl. Reserve - Per Unit/ Per Yr	\$500
<b>Construction Loan - Guarantees and Fees</b>		CalHFA Operating Expense Reserve	\$202,837
Completion Guarantee Fee	\$0	Rent Up Reserve	\$0
Contractors Payment/Perf. Bond	\$5,848,491	Transitional Operating Reserve	\$657,640
		Other Reserve	\$0

**Date:** 10/31/2007

**Senior Staff Date:** 10/26/2007

**UNIT MIX AND RENT SUMMARY**

Alexis Apartments

06-081-N

Total Unit Mix			
# of Units	Unit Type	# of Baths	Average Sq. Ft.
158	Studio	1	300
48	1 Bedroom Flat	1	472
	2 Bedroom Flat	1	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	1.5	
	4 Bedroom Townhome	2.5	
<b>206</b>			

Number of Regulated Units By Agency					
Agency	35%	45%	50%	80%	100%
CalHFA			42		
Tax Credits					
Locality					
HCD					
AHP					
Zoning					
HUD 236				206	

Restricted Rents Compared to Average Market Rents						
Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Section 8 Rents	Dollars Difference	% of Market
Efficiency			\$1,183	\$970		
35%	0	\$0			\$0	0%
45%	0	\$0			\$0	0%
50%	32	\$590			\$593	50%
80%	126	\$590			\$593	50%
80%	0	\$0			\$0	0%
One Bedroom			\$1,388	\$1,007		
35%	0	\$0			\$0	0%
45%	0	\$0			\$0	0%
50%	10	\$607			\$781	44%
80%	36	\$607			\$781	44%
80%	0	\$0			\$0	0%
Two Bedroom			\$0			
35%	0	\$0			\$0	0%
45%	0	\$0			\$0	0%
50%	0	\$0			\$0	0%
80%	0	\$0			\$0	0%
80%	0	\$0			\$0	0%

Sources and Uses of Funds

Alexis Apartments

06-081-N

Final Commitment

SOURCES OF FUNDS:	Funds in during	Funds in at	Total Development Sources		
	Acq/Rehab (\$)	Permanent (\$)	Total Sources of Funds (\$)	Sources per Unit	%
CalHFA Const Financing	8,830,000				
Construction Only Source 2					
Construction Only Source 3	-				
CalHFA First Mortgage		9,600,000	9,600,000	46,602	86%
CalHFA 2nd Mortgage	-	-	-	-	0%
Existing Replacement Reserve	321,980	-	321,980	1,563	3%
Existing Residual Receipts	238,302	-	238,302	1,157	2%
Existing Rehab Acct.	503,895	-	503,895	2,446	5%
Income from Operations	418,181	93,640	511,821	2,485	5%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Source 13	-	-	-	-	0%
Developer Contribution - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	-	-	-	-	0%
<b>Total Sources</b>	<b>10,312,358</b>	<b>9,693,640</b>	<b>11,175,998</b>	<b>54,252</b>	<b>100%</b>
(Gap)/Surplus	-	-	-	-	-

USES OF FUNDS:	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit	%
<b><u>LOAN PAYOFFS &amp; ROLLOVERS</u></b>					
Construction Loan payoffs		\$8,830,000			
<b><u>ACQUISITION</u></b>					
Pay-off Acquisition Loan	1,180,000	-	1,180,000	5,728	11%
Seller's Prepayment Penalty	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
<b>Subtotal - Land Cost / Value</b>	<b>1,180,000</b>	<b>-</b>	<b>1,180,000</b>		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Acquisition</b>	<b>1,180,000</b>	<b>-</b>	<b>1,180,000</b>	<b>5,728</b>	<b>11%</b>
<b><u>REHABILITATION</u></b>					
Site Work	15,000	-	15,000	73	0%
Rehab to Structures	5,833,491	-	5,833,491	28,318	52%
General Requirements	347,009	-	347,009	1,685	3%
Contractors Overhead	122,671	-	122,671	595	1%
Contractors Profit	347,009	-	347,009	1,685	3%
Contractor's Bond	66,683	-	66,683	324	1%
General Liability Insurance	52,070	-	52,070	253	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Rehabilitation</b>	<b>6,783,933</b>	<b>-</b>	<b>6,783,933</b>	<b>32,932</b>	<b>61%</b>
<b><u>RELOCATION EXPENSES</u></b>					
Relocation Expense	125,000	-	125,000	607	1%
Relocation Compliance Monitoring	-	-	-	-	0%
<b>Total Relocation</b>	<b>125,000</b>	<b>-</b>	<b>125,000</b>	<b>607</b>	<b>1%</b>

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit per Unit	%
<b><u>NEW CONSTRUCTION</u></b>					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total New Construction</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b><u>ARCHITECTURAL &amp; ENGINEERING</u></b>					
Architectural Design	100,000	-	100,000	485	1%
Architect's Supv during Construction	100,000	-	100,000	485	1%
<b>Total Architectural</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>	<b>971</b>	<b>2%</b>
Engineering Expense	15,000	-	15,000	73	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
<b>Total Engineering &amp; Survey</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>73</b>	<b>0%</b>
<b><u>ACQUISITION LOAN COSTS</u></b>					
Acquisition Loan Interest	441,500	-	441,500	2,143	4%
CalHFA Rehab Loan Fee	66,225	-	66,225	321	1%
Other Rehab Loan Fees	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	-	-	-	-	0%
Other Lender Req'd Legal Fees	-	-	-	-	0%
Title and Recording fees	15,000	-	15,000	73	0%
CalHFA Req'd Inspection Fees	27,000	-	27,000	131	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitoring Expense	-	-	-	-	0%
Taxes & Insurance during rehab	60,000	-	60,000	291	1%
CalHFA Predevelopment Loan Payoff	-	-	-	-	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Acquisition Loan Expense</b>	<b>609,725</b>	<b>-</b>	<b>609,725</b>	<b>2,960</b>	<b>5%</b>
<b><u>PERMANENT LOAN COSTS</u></b>					
CalHFA Perm Loan Fees	48,000	-	48,000	233	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	2	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Permanent Loan Expense</b>	<b>48,500</b>	<b>-</b>	<b>48,500</b>	<b>235</b>	<b>0%</b>
<b><u>LEGAL FEES</u></b>					
Borrower Legal Fee	15,000	-	15,000	73	0%
Other	-	-	-	-	0%
<b>Total Attorney Expense</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>73</b>	<b>0%</b>

USES OF FUNDS (Cont'd):	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Permanent of Funds (\$)	Per Unit per Unit	%
<b><u>CONTRACT / REPORT COSTS</u></b>					
Appraisal	8,000	-	8,000	39	0%
Market Study	-	-	-	-	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	2,200	-	2,200	11	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Contract Costs</b>	<b>10,200</b>	<b>-</b>	<b>10,200</b>	<b>50</b>	<b>0%</b>
<b><u>CONTINGENCY</u></b>					
Hard Cost Contingency	975,000	-	975,000	4,733	9%
Soft Cost Contingency	100,000	-	100,000	485	1%
<b>Total Contingency</b>	<b>1,075,000</b>	<b>-</b>	<b>1,075,000</b>	<b>5,218</b>	<b>10%</b>
<b><u>RESERVES</u></b>					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	206,000	206,000	1,000	2%
Transitional Operating Reserve	-	657,640	657,640	3,192	6%
<b>Total Reserves</b>	<b>-</b>	<b>863,640</b>	<b>863,640</b>	<b>4,192</b>	<b>8%</b>
<b><u>OTHER</u></b>					
CTCAC App/Alloc/Monitor Fees	-	-	-	-	0%
Local Permit Fees	175,000	-	175,000	850	2%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	10,000	-	10,000	49	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Miscellaneous Expenses	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
<b>Total Other Expenses</b>	<b>185,000</b>	<b>-</b>	<b>185,000</b>	<b>898</b>	<b>2%</b>
<b>SUBTOTAL PROJECT COSTS</b>	<b>10,247,358</b>	<b>9,693,640</b>	<b>11,110,998</b>	<b>53,937</b>	<b>99%</b>
<b><u>DEVELOPER COSTS</u></b>					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	45,000	-	45,000	218	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	20,000	-	20,000	97	0%
Other	-	-	-	-	0%
<b>Total Developer Fee / Costs</b>	<b>65,000</b>	<b>-</b>	<b>65,000</b>	<b>316</b>	<b>1%</b>
<b>Total Costs</b>	<b>10,312,358</b>	<b>9,693,640</b>	<b>11,175,998</b>	<b>54,252</b>	<b>100%</b>

## Annual Operating Budget

## Alexis Apartments

## Final Commitment

<b>INCOME:</b>	<b>\$ Amount</b>	<b>Per Unit</b>	<b>% of Total</b>
Total Rental Income	\$2,091,492	\$10,153	99.53%
Laundry	\$9,855	\$48	0.47%
Other Income	\$0	\$0	0.00%
<b>Gross Potential Income (GPI)</b>	<b>\$2,101,347</b>	<b>\$10,201</b>	<b>100.00%</b>
<b>Less:</b>			
Vacancy Loss	\$72,981	\$354	3.60%
<b>Effective Gross Income</b>	<b>\$2,028,366</b>	<b>\$9,846</b>	

<b>EXPENSES:</b>	<b>Total Cost</b>	<b>Per Unit</b>	<b>% of Total</b>
Payroll	\$359,531	\$1,745	27.87%
Administrative	\$93,720	\$455	7.26%
Management fee	\$109,180	\$530	8.46%
Utilities	\$240,000	\$1,165	18.60%
Operating and Maintenance	\$277,836	\$1,349	21.54%
Insurance and Business Taxes	\$99,555	\$483	7.72%
Locality Compliance Monitoring Fee	\$0	\$0	0.00%
Other	\$0	\$0	0.00%
<b>Subtotal Expenses</b>	<b>\$1,179,822</b>	<b>\$5,727</b>	<b>91.46%</b>
Replacement Reserves	\$103,000	\$500	7.98%
Taxes & Assessments	\$7,200	\$35	0.56%
<b>Total Expenses</b>	<b>\$1,290,022</b>	<b>\$6,262</b>	<b>100.00%</b>

**Financial Expenses**

CalHFA First Mortgage	\$618,419	\$3,002
CalHFA 2nd Mortgage	\$0	\$0
Other Required Debt Service	\$0	\$0

<b>NET OPERATING INCOME</b>	<b>\$119,925</b>	<b>\$582</b>
-----------------------------	------------------	--------------

**Cash Flow** **Final Commitment** **CalHFA Project Number: 06-081-N** **Alexis Apartments**

	Rehab Yr-1	Rehab Yr-2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>RENTAL INCOME</b>												
Affordable Rents	1,453,704	1,490,047	1,527,298	1,565,480	1,604,617	1,644,733	1,685,851	1,727,997	1,771,197	1,815,477	1,860,864	1,907,386
2.50%												
Rental Subsidies	618,684	631,058	643,679	656,552	669,683	683,077	696,739	710,673	724,887	739,385	754,172	769,256
2.00%												
Unrestricted Units	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104
0.00%												
Unrestricted Unit Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL RENTAL INCOME</b>	<b>2,091,492</b>	<b>2,140,208</b>	<b>2,190,081</b>	<b>2,241,137</b>	<b>2,293,405</b>	<b>2,346,914</b>	<b>2,401,694</b>	<b>2,457,775</b>	<b>2,515,188</b>	<b>2,573,966</b>	<b>2,634,140</b>	<b>2,695,745</b>
<b>OTHER INCOME</b>												
Laundry	9,855	10,101	10,354	10,613	10,878	11,150	11,429	11,715	12,007	12,308	12,615	12,931
Other Income	0	0	0	0	0	0	0	0	0	0	0	0
2.50%												
<b>TOTAL OTHER INCOME</b>	<b>9,855</b>	<b>10,101</b>	<b>10,354</b>	<b>10,613</b>	<b>10,878</b>	<b>11,150</b>	<b>11,429</b>	<b>11,715</b>	<b>12,007</b>	<b>12,308</b>	<b>12,615</b>	<b>12,931</b>
<b>GROSS POTENTIAL INCOME</b>	<b>2,101,347</b>	<b>2,150,310</b>	<b>2,200,435</b>	<b>2,251,749</b>	<b>2,304,283</b>	<b>2,358,064</b>	<b>2,413,122</b>	<b>2,469,489</b>	<b>2,527,195</b>	<b>2,586,273</b>	<b>2,646,756</b>	<b>2,708,676</b>

<b>VACANCY ASSUMPTIONS</b>												
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>LESS: VACANCY LOSS</b>	<b>72,981</b>	<b>74,805</b>	<b>76,676</b>	<b>78,592</b>	<b>80,557</b>	<b>82,571</b>	<b>84,635</b>	<b>86,751</b>	<b>88,920</b>	<b>91,143</b>	<b>93,422</b>	<b>95,757</b>

<b>EFFECTIVE GROSS INCOME</b>	<b>2,028,366</b>	<b>2,075,504</b>	<b>2,123,759</b>	<b>2,173,157</b>	<b>2,223,726</b>	<b>2,275,493</b>	<b>2,328,487</b>	<b>2,382,738</b>	<b>2,438,275</b>	<b>2,495,130</b>	<b>2,553,334</b>	<b>2,612,919</b>
-------------------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------	------------------

	1,189,158	1,230,779	1,273,856	1,318,441	1,364,567	1,412,347	1,461,779	1,512,942	1,565,895	1,620,701	1,677,425	1,736,135
<b>OPERATING EXPENSES</b>												
Expenses	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Expense Increase	7,200	7,344	7,491	7,641	7,794	7,949	8,108	8,271	8,436	8,605	8,777	8,952
Taxes and Assessments	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Tax Increase	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Percentage Increase Yearly	<b>1,196,358</b>	<b>1,238,123</b>	<b>1,284,347</b>	<b>1,429,082</b>	<b>1,475,380</b>	<b>1,523,297</b>	<b>1,572,888</b>	<b>1,624,212</b>	<b>1,682,481</b>	<b>1,737,456</b>	<b>1,794,352</b>	<b>1,853,238</b>
<b>TOTAL EXPENSES</b>	<b>832,008</b>	<b>837,381</b>	<b>739,412</b>	<b>744,075</b>	<b>748,345</b>	<b>752,196</b>	<b>755,599</b>	<b>758,526</b>	<b>755,795</b>	<b>757,675</b>	<b>758,982</b>	<b>759,681</b>

<b>NET OPERATING INCOME</b>	<b>441,500</b>	<b>441,500</b>	<b>618,419</b>									
<b>DEBT SERVICE</b>												
CalHFA - 1st Mortgage	0	0	0	0	0	0	0	0	0	0	0	0
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0	0	0
Other	1.88	1.90	1.20	1.20	1.21	1.22	1.22	1.23	1.22	1.23	1.23	1.23
<b>DEBT COVERAGE RATIO</b>	<b>390,508</b>	<b>395,881</b>	<b>120,993</b>	<b>125,657</b>	<b>129,927</b>	<b>133,778</b>	<b>137,181</b>	<b>140,107</b>	<b>137,376</b>	<b>139,256</b>	<b>140,563</b>	<b>141,263</b>

Cash Available for distribution

**Cash Flow** **CalHFA Project Number: 06-081-N** **Alexis Apartments**

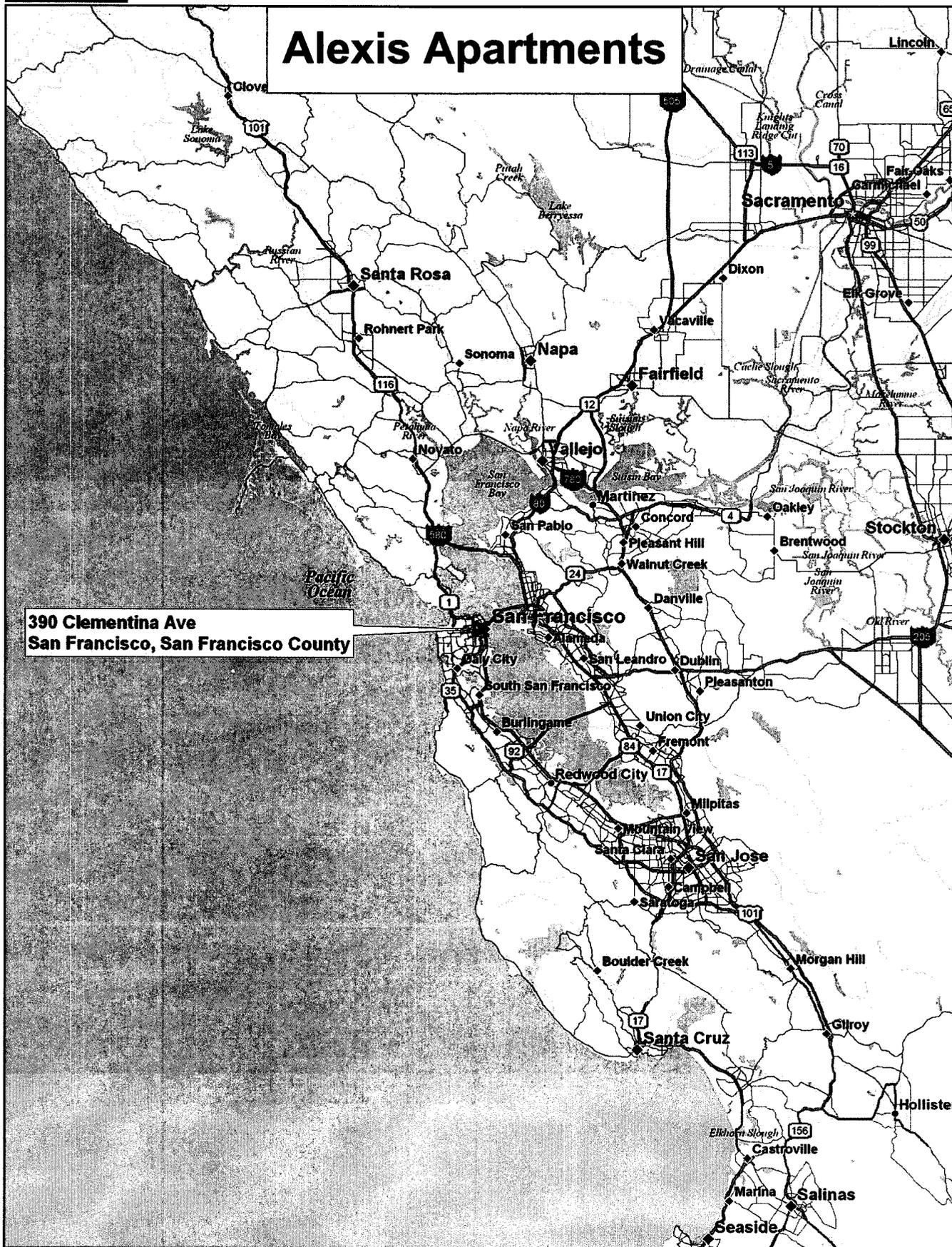
	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<b>RENTAL INCOME</b>										
Affordable Rents	1,955,070	2,003,947	2,054,046	2,105,397	2,158,032	2,211,983	2,267,282	2,323,964	2,382,063	2,441,675
Rental Subsidies	784,641	800,334	816,340	832,667	849,321	866,307	883,633	901,306	919,332	937,719
Unrestricted Units	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104
Unrestricted Unit Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL RENTAL INCOME</b>	<b>2,758,815</b>	<b>2,823,385</b>	<b>2,889,490</b>	<b>2,957,168</b>	<b>3,026,456</b>	<b>3,097,394</b>	<b>3,170,019</b>	<b>3,244,374</b>	<b>3,320,499</b>	<b>3,398,437</b>
<b>OTHER INCOME</b>										
Laundry	13,254	13,585	13,925	14,273	14,630	14,996	15,370	15,755	16,149	16,552
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>TOTAL OTHER INCOME</b>	<b>13,254</b>	<b>13,585</b>	<b>13,925</b>	<b>14,273</b>	<b>14,630</b>	<b>14,996</b>	<b>15,370</b>	<b>15,755</b>	<b>16,149</b>	<b>16,552</b>
<b>GROSS POTENTIAL INCOME</b>	<b>2,772,069</b>	<b>2,836,970</b>	<b>2,903,415</b>	<b>2,971,441</b>	<b>3,041,086</b>	<b>3,112,389</b>	<b>3,185,390</b>	<b>3,260,129</b>	<b>3,336,648</b>	<b>3,414,990</b>
<b>VACANCY ASSUMPTIONS</b>										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>LESS: VACANCY LOSS</b>	<b>98,151</b>	<b>100,605</b>	<b>103,120</b>	<b>105,698</b>	<b>108,340</b>	<b>111,049</b>	<b>113,825</b>	<b>116,671</b>	<b>119,598</b>	<b>122,577</b>
<b>EFFECTIVE GROSS INCOME</b>	<b>2,673,918</b>	<b>2,736,365</b>	<b>2,800,295</b>	<b>2,865,743</b>	<b>2,932,746</b>	<b>3,001,340</b>	<b>3,071,564</b>	<b>3,143,458</b>	<b>3,217,060</b>	<b>3,292,412</b>
<b>OPERATING EXPENSES</b>										
Expenses	1,796,900	1,859,792	1,924,884	1,992,255	2,061,984	2,134,154	2,208,849	2,286,159	2,366,174	2,448,990
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	9,131	9,314	9,500	9,690	9,884	10,082	10,283	10,489	10,699	10,913
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	108,150	113,558	113,558	113,558	113,558	113,558	119,235	119,235	119,235	119,235
Percentage Increase Yearly	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL EXPENSES</b>	<b>1,914,181</b>	<b>1,982,663</b>	<b>2,047,942</b>	<b>2,115,503</b>	<b>2,185,426</b>	<b>2,257,793</b>	<b>2,338,368</b>	<b>2,415,883</b>	<b>2,496,108</b>	<b>2,579,138</b>
<b>NET OPERATING INCOME</b>	<b>759,737</b>	<b>753,702</b>	<b>752,353</b>	<b>750,240</b>	<b>747,320</b>	<b>743,547</b>	<b>733,197</b>	<b>727,575</b>	<b>720,952</b>	<b>713,274</b>
<b>DEBT SERVICE</b>										
CalHFA - 1st Mortgage	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>DEBT COVERAGE RATIO</b>	<b>1.23</b>	<b>1.22</b>	<b>1.22</b>	<b>1.21</b>	<b>1.21</b>	<b>1.20</b>	<b>1.19</b>	<b>1.18</b>	<b>1.17</b>	<b>1.15</b>
Cash Available for distribution	141,318	135,284	133,934	131,822	128,901	125,129	114,778	109,156	102,533	94,855

**Cash Flow** CalHFA Project Number: 06-081-N **Alexis Apartments**

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
<b>RENTAL INCOME</b>										
Affordable Rents	2,502,655	2,565,222	2,629,352	2,695,086	2,762,463	2,831,525	2,902,313	2,974,871	3,049,242	3,125,473
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	956,473	975,602	995,114	1,015,017	1,035,317	1,056,023	1,077,144	1,098,687	1,120,660	1,143,074
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104	19,104
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL RENTAL INCOME</b>	<b>3,478,232</b>	<b>3,559,928</b>	<b>3,643,571</b>	<b>3,729,207</b>	<b>3,816,884</b>	<b>3,906,652</b>	<b>3,998,561</b>	<b>4,092,661</b>	<b>4,189,007</b>	<b>4,287,651</b>
<b>OTHER INCOME</b>										
Laundry	16,966	17,390	17,825	18,271	18,727	19,196	19,676	20,167	20,672	21,188
0	0	0	0	0	0	0	0	0	0	0
Other Income	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>TOTAL OTHER INCOME</b>	<b>16,966</b>	<b>17,390</b>	<b>17,825</b>	<b>18,271</b>	<b>18,727</b>	<b>19,196</b>	<b>19,676</b>	<b>20,167</b>	<b>20,672</b>	<b>21,188</b>
<b>GROSS POTENTIAL INCOME</b>	<b>3,495,198</b>	<b>3,577,318</b>	<b>3,661,396</b>	<b>3,747,477</b>	<b>3,835,612</b>	<b>3,925,848</b>	<b>4,018,236</b>	<b>4,112,829</b>	<b>4,209,678</b>	<b>4,308,839</b>
<b>VACANCY ASSUMPTIONS</b>										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>LESS: VACANCY LOSS</b>	<b>125,642</b>	<b>128,783</b>	<b>132,002</b>	<b>135,302</b>	<b>138,685</b>	<b>142,152</b>	<b>145,706</b>	<b>149,349</b>	<b>153,082</b>	<b>156,909</b>
<b>EFFECTIVE GROSS INCOME</b>	<b>3,369,557</b>	<b>3,448,535</b>	<b>3,529,393</b>	<b>3,612,175</b>	<b>3,696,927</b>	<b>3,783,696</b>	<b>3,872,530</b>	<b>3,963,480</b>	<b>4,056,596</b>	<b>4,151,930</b>
<b>OPERATING EXPENSES</b>										
Annual Expense Increase	2,534,705	2,623,420	2,715,239	2,810,273	2,908,632	3,010,434	3,115,800	3,224,853	3,337,722	3,454,543
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	11,131	11,354	11,581	11,812	12,049	12,290	12,535	12,786	13,042	13,303
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	119,235	125,197	125,197	125,197	125,197	125,197	131,457	131,457	131,457	131,457
5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL EXPENSES</b>	<b>2,665,071</b>	<b>2,759,970</b>	<b>2,852,017</b>	<b>2,947,282</b>	<b>3,045,878</b>	<b>3,147,921</b>	<b>3,259,792</b>	<b>3,369,096</b>	<b>3,482,221</b>	<b>3,599,302</b>
<b>NET OPERATING INCOME</b>	<b>704,485</b>	<b>688,565</b>	<b>677,376</b>	<b>664,893</b>	<b>651,049</b>	<b>635,774</b>	<b>612,738</b>	<b>594,385</b>	<b>574,375</b>	<b>552,628</b>
<b>DEBT SERVICE</b>										
CalHFA - 1st Mortgage	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
<b>DEBT COVERAGE RATIO</b>	<b>1.14</b>	<b>1.11</b>	<b>1.10</b>	<b>1.08</b>	<b>1.05</b>	<b>1.03</b>	<b>0.99</b>	<b>0.96</b>	<b>0.93</b>	<b>0.89</b>
Cash Available for distribution	86,067	70,147	58,958	46,474	32,630	17,356	(5,680)	(24,034)	(44,044)	(65,791)

# Alexis Apartments

**390 Clementina Ave  
San Francisco, San Francisco County**



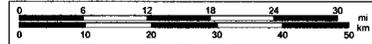
Data use subject to license.

© 2005 DeLorme. Street Atlas USA® 2006 Plus.

www.delorme.com



Scale 1 : 1,100,000



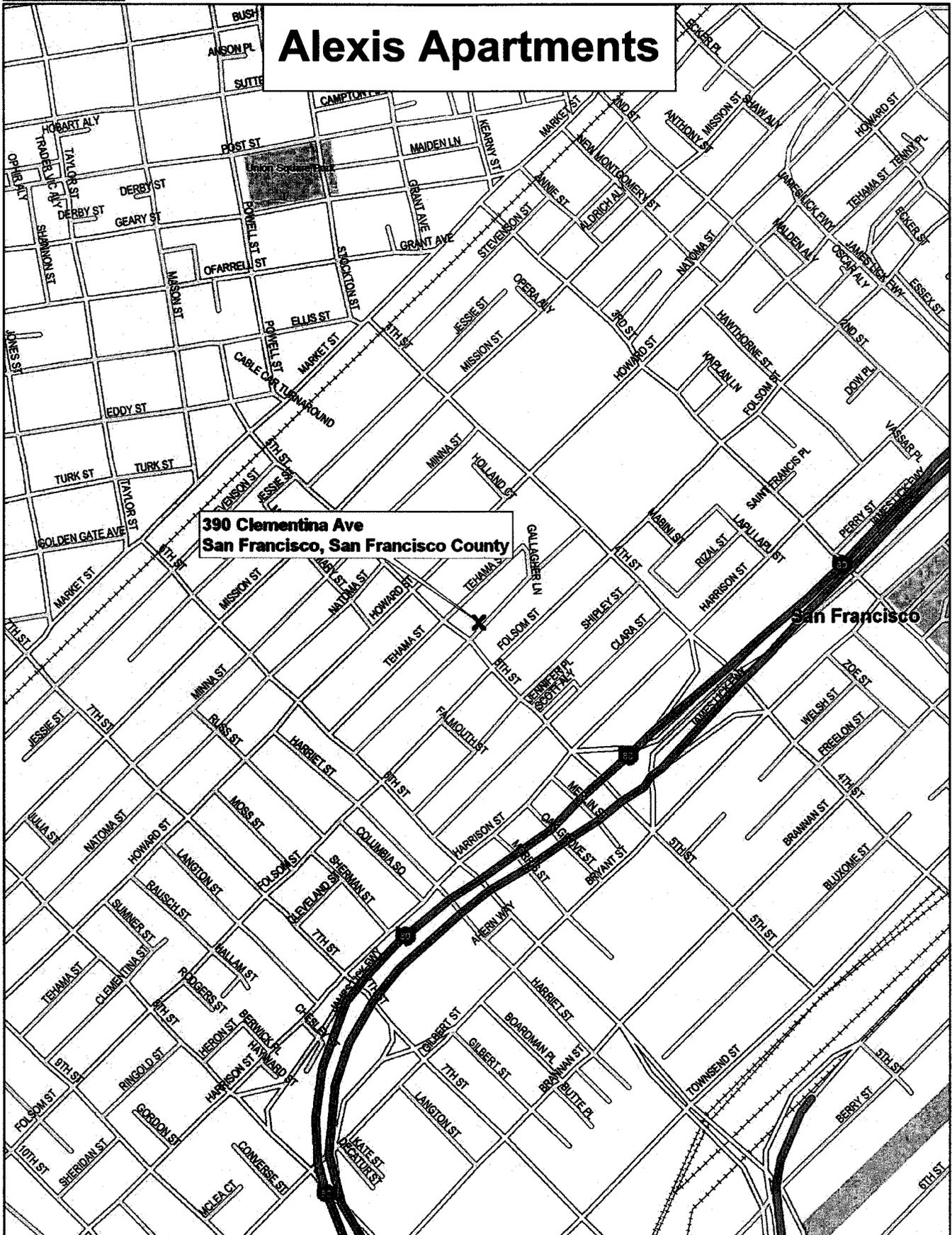
1" = 17.36 mi      Data Zoom 7-5

**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

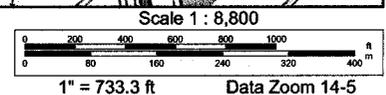
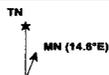
# Alexis Apartments

**390 Clementina Ave  
San Francisco, San Francisco County**

**San Francisco**



Data use subject to license.  
 © 2005 DeLorme. Street Atlas USA® 2006 Plus.  
 www.delorme.com



**THIS PAGE  
INTENTIONALLY  
LEFT BLANK**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44

RESOLUTION 07-30

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Alexis Apartments of St. Patrick's Parish, a nonprofit corporation (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City and County of San Francisco, State of California, to be known as Alexis Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on June 4, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>MORTGAGE AMOUNT</u>
06-081-N	Alexis Apartments San Francisco, California	\$8,830,000 Rehab First Mortgage \$9,600,000 Perm First Mortgage

1 Resolution 07-30

2 Page 2

3

4

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.

13

14 I hereby certify that this is a true and correct copy of Resolution 07-30 adopted at a duly  
15 constituted meeting of the Board of the Agency held on November 15, 2007 at Burbank,  
16 California.

17

18

19

20

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

21

22

23

24

25

26

27

28