

**STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY**



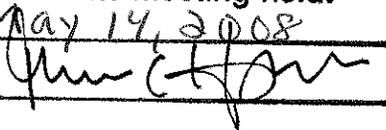
**BOARD OF DIRECTORS
PUBLIC MEETING**



**The Clarion Hotel
700 Sixteenth Street
Sacramento, California**

**Wednesday, March 19, 2008
9:33 a.m. to 2:09 p.m.**

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

May 14, 2008
Attest: 

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

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A P P E A R A N C E S

Board of Directors Present

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

PETER N. CAREY
President/CEO
Self-Help Enterprises

CAROL GALANTE
President
BRIDGE Housing Corporation

LYNN L. JACOBS
Director
Department of Housing and Community Development
State of California

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

THERESA A. PARKER
Executive Director
~~California Housing Finance Agency~~
~~State of California~~

HEATHER PETERS
for ~~Dale E. Bonner~~, Secretary
Business, Transportation and Housing Agency
State of California

BETTINA REDWAY
for State Treasurer Bill Lockyer
State of California

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A P P E A R A N C E S*Continued*Participating CalHFA Staff:

MARGARET ALVAREZ
Director
Asset Management

ROBERT L. DEANER II
Director
Multifamily Programs

BRUCE D. GILBERTSON
Director
Financing Division

EDWIN C. GIPSON II
Housing Finance Chief – Culver City
Multifamily Programs

THOMAS C. HUGHES
General Counsel

TIMOTHY HSU
Financing Risk Manager
Financing Division

ROGER KOLLIAS
Housing Finance Officer
Multifamily Program

CHARLES K. McMANUS
Director
Mortgage Insurance Services

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director
Legislation Division

A P P E A R A N C E S**Participating CalHFA Staff:***Continued*

GERALD F. SMART
Chief
Homeownership Programs

L. STEVEN SPEARS
Chief Deputy Director

RUTH VAKILI
Multifamily Programs
Housing Finance Officer

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OTHER SPEAKERS

STANLEY J. DIRKS
Orrick Herrington & Sutcliffe, LLP
Bond Counsel
Re Item 5

GEOFFREY MORGEN
First Community Housing
Re Item 4 Bay Avenue Senior Apartments

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CalHFA Board of Directors Meeting – March 19, 2008

1 BE IT REMEMBERED that on Wednesday, March 19,
2 2008, commencing at the hour of 9:33 a.m., at The Clarion
3 Hotel Sacramento, 700 Sixteenth Street, Sacramento,
4 California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR
5 and CRR, the following proceedings were held:

6 --oOo--

7 **Item 1. Roll Call**

8 CHAIR COURSON: I'd like to call the meeting to
9 order. And the first order of business is to call roll.

10 MS. OJIMA: Thank you.

11 Ms. Peters for Mr. Bonner?

12 MS. PETERS: Here.

13 MS. OJIMA: Thank you.

14 Mr. Carey?

15 MR. CAREY: Here.

16 MS. OJIMA: Ms. Galante?

17 *(No response)*

18 MS. OJIMA: Ms. Jacob?

19 MS. JACOBS: Here.

20 MS. OJIMA: Ms. Javits?

21 MS. JAVITS: Here.

22 MS. OJIMA: Ms. Redway for Mr. Lockyer?

23 MS. REDWAY: Here.

24 MS. OJIMA: Mr. Morris?

25 *(No response)*

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1 MS. OJIMA: Mr. Shine?

2 *(No response)*

3 MS. OJIMA: Ms. Bryant?

4 *(No response)*

5 MS. OJIMA: Mr. Genest?

6 *(No response)*

7 MS. OJIMA: Ms. Parker?

8 MS. PARKER: Here.

9 MS. OJIMA: Mr. Courson?

10 CHAIR COURSON: Here.

11 MS. OJIMA: We have a quorum.

12 CHAIR COURSON: I'd like to welcome Heather
13 Peters, who is going to join us, representing the
14 Business, Transportation, and Housing. Heather is a
15 deputy over there, and works closely among CalHFA, among
16 a lot of other things I learned about last week when we
17 met.

18 Heather, we look forward to you participating
19 with us and representing the Agency.

20 MS. PETERS: Thank you.

21 CHAIR COURSON: And I want to welcome Bettina,
22 who is here representing the Treasurer's office. I guess
23 Mr. Pavao is out of town on travel.

24 And so we welcome you today.

25 //

1 MS. JAVITS: Yes.

2 MS. OJIMA: Ms. Redway?

3 MS. REDWAY: Yes.

4 MS. OJIMA: Mr. Courson?

5 CHAIR COURSON: Yes.

6 MS. OJIMA: It has been approved.

7 CHAIR COURSON: Thank you.

8 --oOo--

9 **Item. 3. Chairman/Executive Director Comments**

10 CHAIR COURSON: Let me make a couple of
11 comments as we start.

12 One is you can see we have a full agenda.
13 We're going to, in deference to our court reporter, try
14 to go for an hour and a half or so, when there becomes a
15 natural break, and we'll try to take a little break.

16 We have some additional items, obviously, with
17 what's going on in the credit markets. That clearly, as
18 we've talked about in our past board meetings, has an
19 impact on the Agency and our responsibility as a board.
20 So in our part of the business plan item, you have an
21 additional handout called "Re-calibrating CalHFA's Risk
22 Profile" that we're going to do as part of our business
23 plan discussion.

24 And we'll obviously spend time, as we talked
25 about at the last Board meeting, and try to resolve

1 the remaining recommendations that are left in the
2 Compensation Committee discussions we've had and outside
3 counsel's report, and dispose of those today.

4 One of the things that I'd like to do, as
5 mentioned also, that those of us who were at the workshop
6 session that we had in February, I thought that the
7 presentation that we got from Citigroup and from John
8 Wagner was very, very valuable, as a Board. And I took a
9 lot of ideas away from that and followed up on some, and
10 thought that the presentations of both were timely, not
11 only from a Board standpoint, but certainly what Citi had
12 to say and what has transpired, it shows how fast things
13 have moved, even in the 30, 40 days that we had them and
14 the changes that we've seen over the last week or so.

15 I happened to be in Washington two of the last
16 three weeks, and have spent a good bit of time at
17 Treasury in dealing with people at Treasury. And I have
18 a new admiration for what they face.

19 You go in for a meeting on one topic, and what
20 they face while you're there and what they're going
21 through, it's remarkable. But regardless of the
22 Administration or not, I will say that I think the
23 Treasury, from what I've seen of the competence of the
24 staff there, has been very appropriate to respond in the
25 way that they've been responding.

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1 But I have a good thing to do. Our Executive
2 Director -- and I think most of you know, it's been on
3 our Web site -- was one of two recipients of the 2008
4 National Public Service Award. And this is the, really,
5 premier award for excellence for those who deal in public
6 service. And there were only two recipients this year.
7 And Terri Parker, our Executive Director, was one.

8 It's given by the American Society for Public
9 Administration. And the awards were held March 10th.
10 Terri was invited and traveled to Big D -- Dallas,
11 Texas -- and was one of the two national award winners
12 of this National Public Service Award.

13 So, Terri, on behalf of the Board, I grew these
14 in my garden, I potted them in Marcia's absence.

15 MS. PARKER: Oh, that's beautiful.

16 CHAIR COURSON: And so on behalf of the Board,
17 we want you to accept these with our congratulations on
18 representing the State of California and our Agency.

19 *(Applause)*

20 MS. PARKER: They're bigger than I am.

21 CHAIR COURSON: They've got more hair than I
22 do, did you notice?

23 MS. PARKER: Thank you. Thank you very much.
24 It was actually an honor just to be nominated for that.
25 They refer to this as the Nobel Prize for people in

1 government. And it was actually very nice to go. I had
2 my own personal Sally-Fields moment.

3 Thank you.

4 For somebody who works in public service, it's
5 an honor to have people look at your career and say you
6 did good, so...

7 CHAIR COURSON: And we're proud of you.

8 MS. PARKER: Thank you. Thank you.

9 CHAIR COURSON: The other thing I will remind
10 the Board, which when I look at this red light, the
11 microphones today are voice-activated. And so as you
12 have asides among yourselves, if you choose to do that,
13 you'll be having them with everybody here, because it
14 doesn't take much to turn the microphones on. When the
15 red light is on, you're on. So I'll just let everybody
16 know, new technology for us to deal with.

17 Having said that, I'll turn it over to Terri
18 for her report.

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

20 I'm going to make it brief because we do have a
21 jam-packed agenda for you.

22 I will just follow up with one thing that the
23 chairman said. We are going to be doing a special
24 presentation today that's entitled "Re-calibrating
25 CalHFA's Risk Profile."

1 I'm sorry, my apologies ahead of time that this
2 was not in your Board package sooner. The fact of the
3 matter is that Tim came in and did this on Sunday. We
4 just literally did it -- and part of it was because of
5 how quickly the market is moving. And we thought, given
6 what happened with Bear on Friday, that it seems like
7 this was a very important time for the Board to be
8 briefed on that, particularly as a precursor for a
9 discussion of our five-year business plan.

10 But I have three things to make announcements
11 on.

12 Last we met, we were in discussions about the
13 Housing Finance Agency applying on behalf of the State
14 of California for the \$180 million of foreclosure
15 counseling available in an appropriation by Congress
16 very late, at the end of 2007. CalHFA, on behalf of
17 the partners that we are working with, submitted an
18 application for \$12 million -- a little over \$12 million.

19 We have received to date a preliminary award of
20 \$8 million. So it is a significant amount, recognizing
21 that for the \$130 million that NeighborWorks has
22 preliminarily awarded, there was over 350-million
23 dollars' worth of applicants.

24 So I dare to say, I don't think anybody got all
25 the funding they were looking for. And it certainly is an

1 indication of how much need people see out there for this
2 kind of counseling across the country.

3 Leading into the -- John and I were in
4 Washington a couple weeks ago for the NCSHA Annual
5 Conference. We used that trip to not only talk to
6 members on The Hill, going around and answering technical
7 questions -- a lot of questions about what's happening on
8 the ground in California by some of our congressional
9 members -- but we also use the opportunity to meet with
10 the COO of NeighborWorks and talk a lot about the
11 programs, being a partner with them.

12 I find them a very, very impressive group. We
13 haven't done very much with them, but they look like an
14 exciting partner. And I think the HFAs are going to be
15 looking to form more of a strategic alliance with
16 NeighborWorks in the future. And we chatted about that.

17 John and I also used the time to go and see the
18 Chief Business Officer of Fannie Mae. We took in to them
19 an "ask list," which included five things. Many of the
20 things that we've talked about: The need for liquidity,
21 the need for capital, the need for support for them on
22 our new Multifamily programs, now that Mr. Deaner has
23 been out lighting fires and bringing in deals.

24 We had a very good conversation. We have
25 follow-up meetings scheduled. We have had numerous

1 conversations just since the meeting in Washington. And
2 we hope that we will have real progress on many of these
3 five items.

4 The last item that I would like to make
5 announcements on, it's sort of a little bittersweet when
6 you have one of your staff that has served the Agency,
7 and in this case with six years of distinction and in a
8 senior manager role, Edwin Gipson is moving on. He is
9 going to be Deputy of Policy at the Community
10 Redevelopment Agency for the City of Los Angeles. So
11 this is Edwin's last Board meeting.

12 And for anybody who doesn't feel that we have
13 tortured him enough, if there are any good Edwin stories
14 out there, we're still looking for them.

15 And that concludes my remarks, Mr. Chairman.

16 CHAIR COURSON: Thank you.

17 Edwin, we appreciate your service to the
18 Agency, and we're pleased for you that you have a new
19 challenge and we know you'll perform well for the City.

20 MR. GIPSON: Thank you.

21 --o0o--

22 **Item 4.A. 07-028-C Tahoe Senior Plaza II**

23 **South Lake Tahoe/El Dorado**

24 CHAIR COURSON: We are into our projects.

25 Bob Deaner will -- Bob, are you going to take

1 us through?

2 MR. DEANER: Actually, Ed, since this is his
3 last Board meeting, we thought that he could run through
4 the two projects that we have for the Board.

5 MR. GIPSON: Certainly.

6 We have the two projects before you today --
7 have a seat in the middle and you can operate the
8 pictures -- there we go.

9 The first project we're bringing before the
10 Board today is Tahoe Senior Plaza II. It is a new
11 construction project. We are requesting a final
12 commitment for a construction loan in the amount of
13 \$4,730,000.

14 It is a 33-unit senior project located in South
15 Lake Tahoe, El Dorado County. The owners will be Tahoe
16 Senior Housing II, a limited partnership. And the
17 managing general partner will be Carmel Senior Housing, a
18 California nonprofit.

19 It is a two-story building on 3.19 acres. It
20 is an 18-month term construction loan they are requesting
21 at a variable interest rate.

22 And Roger Kollias is the loan officer, and he
23 will take us through the project details.

24 MR. KOLLIAS: In attendance today, representing
25 the project sponsor, American Baptist Homes of the West,

1 is Ansel Romero.

2 During construction, the source of construction
3 for this project -- let me go to the pictures first.

4 This is a view of the subject site looking to
5 the north. The project is located at the intersection of
6 Herbert Avenue and Pioneer Trail Road. Herbert Avenue is
7 to the left in the picture. Pioneer Trail is to the
8 right.

9 There is approximately 600 feet of frontage
10 along Herbert Avenue and 500 feet along Pioneer Trail
11 Road.

12 This site has never been developed. It's
13 bounded by densely wooded acreage, large-lot,
14 single-family homes. And the site will be developed so
15 as not to disturb, you know, as many trees and natural
16 habitation as possible.

17 Here is another view of the site.

18 Here is Herbert Avenue. Here is Pioneer Trail
19 Road.

20 This is a view of the site from the
21 intersection of Herbert Avenue and Pioneer Trail Road.
22 This is Herbert Avenue. This is Pioneer Trail Road.

23 This is a view to the west from Pioneer Trail
24 Road.

25 And this is an artist's rendering of the site

1 plan.

2 Here, we have Herbert Avenue. Here we have
3 Pioneer Trail Road.

4 The ingress and egress to the project will be
5 off of Herbert Avenue. There will be a public bus stop
6 erected right at the intersection on Pioneer Trail Road
7 at the intersection of Herbert Avenue and Pioneer Trail
8 Road.

9 This is an artist's rendering of the project
10 elevations.

11 And this is Tahoe Plaza -- is Tahoe Senior
12 Plaza. This is a sister project in South Lake Tahoe.
13 It's an existing 45-unit senior project that was
14 developed in 1999. It is approximately three to
15 three-and-a-half miles from the subject.

16 And these two projects will participate in
17 various events and, you know, participate in various
18 activities together.

19 MR. GIPSON: And it's of a similar construction
20 style.

21 MR. KOLLIAS: Yes.

22 The financing for this project during the
23 course of construction will be proceeds from a South Lake
24 Tahoe Home loan, as well as the California Housing
25 Finance Agency construction loan.

1 Permanent sources of financing, which will
2 provide funds for the repayment of the CalHFA
3 construction loan, will include a South Lake Tahoe home
4 loan, South Lake Tahoe Redevelopment Agency loan, a
5 project sponsor loan, as well as tax credit equity.

6 The Agency will regulate 20 percent, or seven
7 of the units at 50 percent AMI.

8 The Home regulatory agreement and the RDA
9 regulatory agreement will both regulate 32 of the
10 33 units at 50 percent AMI for a period of 55 years.

11 The CalHFA regulatory agreement will regulate
12 the project for the qualified period. Because this loan
13 will be paid off after construction, our loan will remain
14 in effect for a period of time afterwards which is known
15 as the qualified project period.

16 MR. GIPSON: Let me elaborate. That will be
17 the regulatory agreement will remain after the
18 construction loan.

19 MR. KOLLIAS: Yes.

20 Okay, the project rents for the subject
21 project at \$515 for the one-bedrooms and 611 for the
22 two-bedrooms, versus a market rent of \$848 for the
23 one-bedrooms and \$1,053 for the two.

24 MR. DEANER: I'm helping him say the numbers.

25 MR. KOLLIAS: I didn't see the things right

1 there.

2 The improvements will consist, again, of a
3 two-story 33-unit senior apartment project. Common-area
4 amenities will consist of: an elevator, various
5 recreational rooms, conference rooms, offices, and a
6 common-area kitchen and laundry area.

7 On-site parking will be provided for
8 35 vehicles. And the project sponsor, American Baptist
9 Homes of the West, will provide various services to the
10 project.

11 There will be computer services, planned
12 activities both inside, field trips, coordination with
13 the sister project, Tahoe Senior Plaza, and arts and
14 crafts, cultural, gardening, as well as, you know, just
15 various little social events.

16 MR. GIPSON: With that, we're seeking approval
17 for a construction-only loan for the Tahoe Project.

18 CHAIR COURSON: Are there questions?

19 Yes?

20 MS. JAVITS: I had a couple of questions.

21 What is 50 percent of AMI? What is AMI in this
22 case?

23 MR. KOLLIAS: I don't have the -- what is AMI
24 or what is the dollar amount of AMI?

25 MS. JAVITS: Yes, the dollar amount.

1 MR. KOLLIAS: I don't have that with me.

2 MS. JAVITS: Okay, I was just curious as far as
3 the relative affordability and who we're really talking
4 about. A lot of seniors who might need affordable
5 housing, that are on Social Security? I just didn't know
6 where this sits. Okay.

7 Second -- most of my questions are about the
8 property management budget.

9 So the property -- so on page 363 we're looking
10 at a payroll of 38,556.

11 Do we know how this compares to the management
12 of any similar types of buildings for the elderly?

13 I was just curious how you do due diligence on
14 that. Do you look at other facilities that are operated
15 by Baptist Homes? Or do we know that this is comparable
16 to what they've budgeted for other similar facilities?

17 MR. KOLLIAS: Yes, we do compare this with
18 other projects, and it is comparable with other projects.

19 MR. DEANER: And it would be comparable with
20 the current sister property.

21 MR. KOLLIAS: Yes.

22 MS. JAVITS: And does the Agency look at the
23 other facilities that are operated by Baptist Homes when
24 we get a project like this? Or how do we assess whether
25 these are well-managed facilities, generally?

1 MR. GIPSON: Historically -- we'll talk in
2 global terms -- historically, the Asset Management unit
3 takes a look at all the operating budgets for a project,
4 and existing projects, since they are managing or
5 monitoring most of the projects in the portfolio. So
6 when we have a loan that's coming before you, as part of
7 our due diligence as well, we send over the operating
8 budget to them to take a look at:

9 One, if it's a new borrower, they'll go out and
10 take a look at some of their existing projects and look
11 at their operating budgets for comparison purposes.

12 If it's an existing borrower, we already have
13 it online. And then they also line up those particular
14 budgets against other properties we know of that are
15 being operated in the area that are of a similar type and
16 nature.

17 That is what the normal process is.

18 This one has a little bit more uniqueness to
19 it because it's a construction-only loan. So taking a
20 look at the sister property just helps provide us some
21 guidelines that, yes, they will be able to operate it
22 after they pay off our construction loan.

23 MS. JAVITS: I mean, obviously, the quality of
24 any project that CalHFA has provided financing to is
25 important.

1 MR. GIPSON: Absolutely.

2 MS. JAVITS: So I was curious on the due
3 diligence side.

4 And then I was wondering on the reserve side,
5 there's no replacement reserve, there's no operating
6 reserve, there's no rent-up reserve.

7 Is there --

8 MR. KOLLIAS: Because this is a
9 construction-only loan, we are not requiring those
10 reserves. However, the tax-credit equity partner is and
11 will be requiring reserves for replacement and for
12 operating expense.

13 MS. JAVITS: So if we --

14 MR. KOLLIAS: We are not -- I'm sorry.

15 MS. JAVITS: So the future budget would be
16 different?

17 MR. KOLLIAS: The future budget would have it,
18 yes.

19 MS. JAVITS: All right, thank you.

20 CHAIR COURSON: Other questions regarding the
21 project?

22 *(No response)*

23 CHAIR COURSON: Comments?

24 *(No response)*

25 CHAIR COURSON: On page 369, there is a

1 resolution to approve the project.

2 Is there a motion to do so?

3 MS. JACOBS: So moved.

4 CHAIR COURSON: Ms. Jacobs moved.

5 Is there a second?

6 MS. JAVITS: Second.

7 CHAIR COURSON: Ms. Javits seconds.

8 Any further discussion from the Board?

9 *(No response)*

10 CHAIR COURSON: Is there any public comment on
11 the project?

12 *(No response)*

13 CHAIR COURSON: Seeing none, then let's call
14 the roll.

15 MS. OJIMA: Ms. Peters?

16 MS. PETERS: Yes.

17 MS. OJIMA: Mr. Carey?

18 MR. CAREY: Yes.

19 MS. OJIMA: Ms. Jacobs?

20 MS. JACOBS: Yes.

21 MS. OJIMA: Ms. Javits?

22 MS. JAVITS: Yes.

23 MS. OJIMA: Ms. Redway?

24 MS. REDWAY: Yes.

25 MS. OJIMA: Mr. Courson?

1 CHAIR COURSON: Yes.

2 MS. OJIMA: Resolution 08-06 has been approved.

3 --o0o--

4 **Item 4.B. Bay Avenue Senior Apartments**

5 **Capitola/Santa Cruz**

6 CHAIR COURSON: Okay. And the second project
7 this morning is the Bay Avenue Senior.

8 Edwin?

9 MR. GIPSON: Yes. Ruth Vakili is the loan
10 officer on Bay Avenue Senior Apartments.

11 This is the final request -- commitment
12 request -- for acquisition/construction and permanent
13 financing on a 109-unit senior apartment. It is
14 currently an existing project of about 96 units that will
15 be modified and expanded to become a 109 unit project.
16 35 percent of the units will be set aside for a
17 special-needs population.

18 The first mortgage acquisition/construction
19 loan is in the amount of 22,470,000 for a 24-month term,
20 and with a permanent loan of 6,600,000 at a 3 percent
21 interest rate for 35 years.

22 And I'll allow Ruth to go through the project
23 details.

24 Thank you.

25 MS. VAKILI: Good morning.

1 This is a picture of the project which is
2 located in Capitola. It was a beautiful day when they
3 took that picture.

4 The project is located less than half a mile
5 from downtown Capitola, four miles from Santa Cruz,
6 directly across the street from a major shopping center
7 that has a large grocery store, pharmacy, a variety of
8 services, and a senior center.

9 Here is a close-up of the property. There are
10 six buildings currently, and it has a pool, covered
11 parking presently.

12 Here is a typical kitchen project, although it
13 will have substantial rehab.

14 The units are, themselves, in fairly good
15 condition.

16 And here's a typical bedroom.

17 This is a rendering of the new building that
18 will be constructed in place of one building that will be
19 demolished. The new building will have 33 units. The
20 old building that's being demolished is currently vacant,
21 with 16 units.

22 And here's a layout of the site.

23 The rents for the project will be at
24 30 percent, 50, and 60 percent, although I'd like to
25 point out that the 60 percent rents are actually rented

1 to the tenants at the same level as 50 percent.

2 The difference between the market rents in the
3 one-bedrooms at \$1,100 and 30 percent rents and 50's are
4 substantial.

5 The two-bedroom market rents are \$1,300,
6 although they are rented at between \$507 to \$873.

7 The project itself was built in 1971. It's
8 currently 96 units.

9 As I said before, one of the buildings will be
10 demolished. And in its place, a 33-unit building will
11 be built, it is elevator-serviced. And the project, upon
12 completion, will be 109 units, with 64 one-bedrooms and
13 45 two-bedroom units.

14 This project is -- its existing tenant base in
15 the project will be relocated throughout, during
16 construction, and placed in vacant units that have
17 already been remodeled. So the phasing of the project
18 will start with the first building being demolished. And
19 once that's built, then this unit, this building will be
20 occupied. And then the next phase of construction will
21 consist of two buildings, and so on, and so on, so that
22 the tenants can stay in place and will be moved to newly
23 rehabbed or newly constructed units.

24 The tenant population is scheduled to be --
25 35 percent of the units will be rented to a population

1 defined as chronically-ill and at risk of homelessness.

2 The project qualifies for a lower interest rate
3 for CalHFA's permanent loan at 3 percent in 35 years.

4 I'd like to point out, though, that should at
5 any time the project fail to qualify for the
6 special-needs financing with the 35 percent population,
7 then our interest rate would go to 5 percent.

8 Also included in the financing for this project
9 is an MHP loan of that 6,879,000. The City of Capitola
10 is providing a state HOME loan of 1,900,000; and the
11 Redevelopment Agency for the City of Capitola is
12 providing a loan of 765,000.

13 We're also projecting tax-credit equity of
14 10,913,000 and income from the operations during rehab
15 and construction of \$550,000.

16 A couple of things I'd like to point out on
17 page 777.

18 There is a changed page, and --

19 CHAIR COURSON: 377, maybe?

20 MR. DEANER: 377, yes.

21 CHAIR COURSON: We have big books, but they're
22 not that big.

23 MS. VAKILI: Thank you. I didn't want to
24 surprise you.

25 Due to technical difficulties, I needed to

1 change this page so that the numbers would show up
2 clearly instead of X's.

3 Our construction financing is tax-exempt,
4 21,580,000, and taxable, 890,000 during construction, at
5 a fixed rate of 5 percent.

6 Our first mortgage at 6.6 million is at
7 3 percent for 35 years.

8 One more thing I'd like to point out on this
9 page, is that the appraised value was given as a verbal;
10 and it came in late in the game. And so I am asking
11 for approval subject to review of our appraisal and
12 acceptance of it at no more than 90 percent
13 loan-to-value.

14 I'd like to point out on the following page,
15 on the sources and uses of funds, a correction there to
16 correct an overage in the sources of funds. So there
17 were a couple of minor issues I wanted to point out to
18 you.

19 Now, going over to the plan of relocation for
20 this property, a relocation plan is in place, which will
21 generally take the tenants and keep them in place, work
22 with the tenant base. And the existing tenants that are
23 in place right now are presently occupying and renting at
24 these affordability levels. There will not be any
25 displacement of the tenants due to overqualification or

1 underqualification.

2 And so these rents were established and
3 restricted in a way to maintain the existing tenant base.

4 The relocation plan will also be customized to
5 assist the tenants and keep them in place. And the
6 objective is to move the tenants only one time.

7 We're estimating right now that the cost of the
8 relocation on-site will be \$200,000. And that is in the
9 budget.

10 The special-needs component of this project
11 will consist of 39 units being rented to seniors, with
12 at least one of the tenants in the unit having a chronic
13 illness.

14 The qualification for the tenant base will be
15 from the County of Santa Cruz Human Resources Agency.
16 And services will be provided by partnerships with the
17 Senior Network Services, which will provide training and
18 counseling; the Central Coast Center For Independent
19 Living; and the In-Home Supportive Services.

20 These partners will provide the services,
21 provide the qualifications, and assistance that these
22 tenants need to remain in place.

23 There will also be other services for all of
24 the tenants, which will consist of social-service
25 opportunities, exercise, nutrition, wellness. And we do

1 have in the budget a part-time service provider to assist
2 in the coordination of all the levels of services for the
3 tenants.

4 The developer for the project is First
5 Community Housing. We have done three projects with
6 First Community Housing, all of which have gone through
7 construction, and now are in the permanent phase.

8 We also have in the works, we're looking at
9 two more projects with First Community Housing. And so
10 they've all been very successful, and we're looking
11 forward to continuing our relationship.

12 The contractor is Branagh Construction, who has
13 also built one of the projects for First Community
14 Housing, and has formed a very good partnership.

15 The architect is OJK Architects, who's also
16 designed one of their previous projects.

17 So together, with the management company of
18 John Stewart Company, First Community has formed a very
19 good partnership that we are familiar with.

20 Are there any questions?

21 CHAIR COURSON: Questions on the project?

22 Discussion?

23 Ms. Javits?

24 MS. JAVITS: I was just wondering, on page 372,
25 you define "homelessness," household income is 20 percent

1 of AMI. But then on page 378, there's no rent level,
2 rents identified at that level. The rents are all
3 identified at 30 percent of AMI or above. I just was
4 curious about that.

5 MS. VAKILI: This kind of population would be
6 at the 30 percent rents.

7 MS. JAVITS: Okay, so they may be at 20 percent
8 of AMI, but they're going to be at the 30 percent rent
9 level, is that --

10 MS. VAKILI: Well, they're intended to be --
11 they're actually intended to be at the 30 percent.

12 MS. JAVITS: 30 percent of AMI?

13 MS. VAKILI: Yes.

14 MS. JAVITS: Again, do we know what the AMI is
15 in that, the dollar amount?

16 MS. VAKILI: That's a good question, and we
17 don't show that on here.

18 MR. GIPSON: We have that. It doesn't show up
19 on this document, but it shows up on our working
20 documents, so you can always see that.

21 MS. JAVITS: Okay.

22 MS. PARKER: We can include that for the
23 future.

24 MS. JAVITS: That would be great. Just in
25 terms of who the target population is, and what are

1 those --

2 MS. PARKER: I would assume that would vary
3 geographically.

4 MR. GIPSON: Yes, it does.

5 MS. JAVITS: Great, great.

6 And then in terms of the relocation, I was just
7 trying to understand. So everybody's going to be
8 relocated on-site?

9 MS. VAKILI: Yes.

10 MS. JAVITS: Do you know, roughly, how many
11 people are being relocated, or might be relocated?

12 So I guess how many are now living there. Is
13 everybody going to be relocated?

14 MS. VAKILI: Everybody will be relocated.

15 The project is almost fully occupied, except
16 for the 16 units.

17 MR. DEANER: It would be 76.

18 MS. JAVITS: 76 people relocated?

19 So they're all going to be relocated on-site;
20 right?

21 MS. VAKILI: Yes.

22 MS. JAVITS: So the budget is for just kind of
23 basic moving expenses from one unit to the other?

24 MS. VAKILI: Yes, it is. It's for the moving
25 expenses, to pack them, for the supplies.

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1 MS. JAVITS: Move them back and forth? Yes.

2 MS. VAKILI: Actually physically moving the
3 tenants, so they don't have to do it themselves.

4 MS. JAVITS: Okay, and then in terms of John
5 Stewart Company, I mean, again, have comps been done?
6 Have you looked at other John Stewart elderly projects to
7 see if this is the same level?

8 I'm just curious about the due diligence. I
9 mean, I know that we're looking at the loan and the
10 construction. But ultimately, we've invested in the
11 asset and we want to be sure it's well-managed.

12 MR. DEANER: We also again use our Asset
13 Management group, and we send them the numbers. They
14 verify other projects we may have in the area and come
15 back to us and say if it's reasonable or not.

16 MS. PARKER: And, Carla, Margaret is in the
17 audience, if you -- Margaret would be happy to come up.

18 MS. ALVAREZ: They're calling it quite well.

19 MR. DEANER: We work as a team and make sure
20 that the Asset Management folks are looking at the
21 numbers that they make sense.

22 MS. JAVITS: All right, thank you.

23 CHAIR COURSON: Mr. Carey?

24 MR. CAREY: Do you understand that the asbestos
25 and lead assessments are not done yet?

1 MS. VAKILI: Initial assessments have been
2 done, and the Phase II assessment is in the works to
3 identify exactly where the components are and how to
4 mitigate them. And so once everything has been
5 completely defined, then we'll have a remediation plan.

6 MR. CAREY: And do you feel the budget
7 adequately incorporates funds to cover the work that
8 might surface?

9 MS. VAKILI: I do. And also with any rehab
10 project, sometimes you don't know what you're getting
11 into until you get into it.

12 We have a 10 percent contingency as well as a
13 very well-planned budget from the contractor.

14 So they have an idea of where the components
15 are and how to remediate; and we also have a 10 percent
16 contingency, which will take care of issues that are over
17 and above what we expect.

18 MR. CAREY: Thank you.

19 CHAIR COURSON: Other questions?

20 Ms. Galante?

21 MS. GALANTE: I apologize for --

22 CHAIR COURSON: Let the record show that
23 Ms. Galante has joined us and will be counted as present.

24 MS. GALANTE: Thank you.

25 I apologize for being late and for missing the

1 first presentation as well. But I wanted to ask, really,
2 for both of these, whether the tax credit equity investor
3 has been identified and committed?

4 MS. VAKILI: For my project, I believe that
5 they're still working on -- I'm sorry, Geoffrey Morgen
6 might be able to speak more clearly on that for me.

7 MR. MORGEN: Hi, I'm Geoffrey Morgen. I'm with
8 First Community Housing. We're working right now with
9 community economics. Obviously, everyone is aware of the
10 volatility of the tax credit market.

11 What we've done is we've priced these at below
12 10 percent -- or, literally, 10 cents less on the dollar
13 than we were pricing them six months ago.

14 MS. GALANTE: So what are you estimating --
15 what's this \$10 million --

16 MR. MORGEN: This is in the low nineties. So
17 in the range of about somewhere between 91 and 94¢.

18 MS. GALANTE: Okay, thank you.

19 CHAIR COURSON: Other questions?

20 On page 391 is a resolution. But I
21 understand -- correct me if I'm wrong, we're approving
22 this resolution, but it's also subject to review of the
23 appraisal and confirmation of a 90 percent LTV?

24 MS. VAKILI: Yes, correct.

25 MS. GALANTE: I'm sorry, let me follow up on

1 the tax credit.

2 So the tax credit investor will be identified
3 and will join the partnership before the construction
4 loan closes?

5 MS. VAKILI: Yes.

6 MS. GALANTE: Okay, thank you.

7 CHAIR COURSON: Okay, so is there a motion to
8 approve Resolution 08-07 with the addition that the
9 approval is subject to staff review of the appraisal and
10 confirmation of a 90 percent LTV?

11 MS. JACOBS: So moved.

12 CHAIR COURSON: Ms. Jacobs moved.

13 Is there a second?

14 MS. GALANTE: Second.

15 CHAIR COURSON: Ms. Galante seconds.

16 Is there any further discussion from the board?

17 *(No response)*

18 CHAIR COURSON: Any discussion or comment from
19 the public?

20 *(No response)*

21 CHAIR COURSON: Seeing none, we'll call the
22 roll.

23 MS. OJIMA: Ms. Peters?

24 MS. PETERS: Yes.

25 MS. OJIMA: Mr. Carey?

1 MR. CAREY: Yes.

2 MS. OJIMA: Ms. Galante?

3 MS. GALANTE: Yes.

4 MS. OJIMA: Ms. Jacobs?

5 MS. JACOBS: Yes.

6 MS. OJIMA: Ms. Javits?

7 MS. JAVITS: Yes.

8 MS. OJIMA: Ms. Redway?

9 MS. REDWAY: Yes.

10 MS. OJIMA: Mr. Courson?

11 CHAIR COURSON: Yes.

12 MS. OJIMA: Resolution 08-07 has been approved.

13 MR. DEANER: Okay, thank you.

14 CHAIR COURSON: Bob, thank you.

15 --o0o--

16 **Item 5. Discussion, recommendation, and possible action**
17 **regarding the adoption of a resolution amending**
18 **existing Board Resolution 08-04, to permit the**
19 **use of additional forms of bond indentures to**
20 **finance multifamily housing projects**

21 CHAIR COURSON: The next item on our agenda is
22 regarding approval of some additional bond indentures for
23 Multifamily.

24 You have numerous documents in your folder on
25 the indenture. And I think Bruce Gilbertson's going to

1 walk us through that.

2 MR. GILBERTSON: Good morning.

3 Good morning. In your Board binder you'll have
4 Resolution 08-08, which is simply an amendment and
5 restatement of a Board resolution the Board adopted in
6 January of this year which was numbered 08-04. It's the
7 annual multifamily financing reauthorization for the
8 Agency to issue its bonds up to certain limits and under
9 certain situations.

10 This amendment today is simply an amendment to
11 allow us to issue bonds under an additional form of
12 financing, or an additional form of bond indenture for a
13 program that we have previously been a part of. It will
14 be used to finance a subordinate multifamily loan.

15 Specifically, section 3 of the prior resolution
16 would be expanded to add an additional bond indenture,
17 the Multifamily Housing Revenue Bond Subordinate Loan
18 Indenture.

19 The prior resolution, it has about 20 different
20 indentures, forms of indentures that are eligible for the
21 Agency to issue for purposes of lending to multifamily
22 affordable housing sponsors.

23 None of the priorly approved forms of indenture
24 would allow for us to issue bonds in the form that we
25 would like to for a project that the Board approved at

1 the January meeting this year as well.

2 Just to go through the form of the indenture
3 quickly. And certainly I can respond to questions you
4 might have. It's a limited-obligation indenture, the
5 form of a conduit financing. CalHFA has not done a lot
6 of conduit financing, historically. This bond would be
7 issued specifically to finance subordinate loans for
8 multifamily properties. These are unrated securities.
9 They're privately placed. They have to be placed to
10 sophisticated investors who understand the corresponding
11 risks and there would be significant restrictions for the
12 transferability of the securities from one investor to
13 another.

14 No additional credit enhancement from CalHFA.
15 So the security for the bond that will be issued -- and
16 this bond, in particular, for Grand Plaza, is three and a
17 half million dollars. They will bear the risk that the
18 loan does not perform as anticipated over the term of the
19 financing.

20 Grand Plaza was the project that was approved
21 by the Board at the January meeting. It's a portfolio
22 loan being sold to another investor. And we plan to
23 close the bonds and the related real estate transaction
24 in April of this year.

25 With that, I'd be willing to answer any

1 questions.

2 CHAIR COURSON: Questions on the request?

3 MS. GALANTE: The purchaser of the subordinate
4 bond in this case, is it a related party to that?

5 MR. GILBERTSON: It really is an unrelated --
6 I'd look to bond counsel to make sure that I'm not
7 misspeaking. But it's an unrelated entity that has an
8 association with the borrower in this project.

9 Is that a fair statement?

10 MR. DIRKS: I think that's a fair statement.

11 MR. DEANER: Yes.

12 MR. DIRKS: I'm sorry, this is Stan Dirks.

13 We need them to be unrelated for tax purposes,
14 although they may very well have business and other
15 relationships with the borrower.

16 MR. DEANER: And it may be a trust but
17 unrelated through one of their entities. We're
18 finalizing that for the closing mid April.

19 CHAIR COURSON: Other questions on this
20 request?

21 *(No response)*

22 CHAIR COURSON: On page 394, there is the
23 resolution that we're being -- the recommendation that
24 has been made that we approve.

25 Is there a motion to do so?

1 MS. GALANTE: I so move.

2 CHAIR COURSON: Ms. Galante.

3 Is there a second?

4 MS. JACOBS: Second.

5 CHAIR COURSON: Ms. Jacobs seconds.

6 Is there any discussion? Any further
7 discussion from the Board?

8 *(No response)*

9 CHAIR COURSON: Any comments from the public?

10 *(No response)*

11 CHAIR COURSON: Seeing none, let's call the
12 roll, please.

13 MS. OJIMA: Ms. Peters?

14 MS. PETERS: Yes.

15 MS. OJIMA: Mr. Carey?

16 MR. CAREY: Yes.

17 MS. OJIMA: Ms. Galante?

18 MS. GALANTE: Yes.

19 MS. OJIMA: Ms. Jacobs?

20 MS. JACOBS: Yes.

21 MS. OJIMA: Ms. Javits?

22 MS. JAVITS: Yes.

23 MS. OJIMA: Ms. Redway?

24 MS. REDWAY: Yes.

25 MS. OJIMA: Mr. Courson?

1 CHAIR COURSON: Yes.

2 MS. OJIMA: Resolution 08-08 has been approved.

3 CHAIR COURSON: Okay, thank you.

4 --o0o--

5 **Item 6. Update on Bay Area Housing Plan Financing**

6 CHAIR COURSON: And the next item on our agenda
7 is the Bay Area Housing.

8 Bruce, I think you're going to also report on
9 that?

10 MR. GILBERTSON: Yes.

11 CHAIR COURSON: An old project and a new face.

12 MR. GILBERTSON: Exactly.

13 Kathy has given the Board frequent updates
14 regarding the status of the loan program related to the
15 Bay Area Housing program. I think at this point we
16 thought we should revisit and just talk about where we
17 are in the financing end for the 65 to 70 individual
18 homes that we're providing the financing for, for the
19 developmentally disabled, those individuals that are
20 being moved out of the Agnew state facility.

21 So two years ago, just tracing back the
22 history, we came to the Board and asked for financing
23 authorization to issue bonds for purposes of this
24 program. We earmarked the total debt issuance at about
25 \$120 million at that time. I think today, we are

1 thinking it's probably less than that. It's probably
2 \$105 million.

3 Then last fall, we came back to the Board one
4 more time to modify that resolution that authorized the
5 financing for this program so that we could include,
6 similar to the prior action of the Board, another form of
7 bond indenture that we could use in conjunction with the
8 issuance of debt to finance these properties.

9 Many of the delays having to do with this --
10 by now, we would have thought we would have issued all
11 the bonds, the loans would be in place and, you know, the
12 Bay Area Housing program would be behind us. There have
13 been a number of delays with the acquisition of
14 properties, the modification of the properties, and
15 putting them into service.

16 I believe at this point we have purchased loans
17 from the construction lender that total about twenty or
18 twenty-five million dollars.

19 We are hoping to kind of do our financing in
20 increments of forty or fifty million dollars and visit
21 the financial markets perhaps twice over the next
22 12 months to finalize the financing for these properties.

23 From a financing perspective -- and I know the
24 Board is very aware of this -- this is an unusual credit.
25 These loans have very high loan-to-value ratios. There

1 is no general or moral obligation from the State of
2 California supporting these. And in a large part, it's
3 an appropriation-backed financing. So we've strategized
4 and scratched our heads over the last couple years
5 thinking through what are the options for the Agency.

6 Initially, I think the agreement that we had
7 with the State Department of Developmental Services, the
8 Regional Centers, and Hallmark, the developer, was that
9 the Agency, if nothing else, would attach its general
10 obligation rating as a credit enhancement to the bonds,
11 and then the bonds would be marketable in the investment
12 community.

13 You know, perhaps our timing wasn't so great.
14 But last spring, about a year ago this time, we started
15 thinking that maybe we ought to try to preserve the
16 capital of the Agency and not extend the general
17 obligation rating of the Agency. So we talked about
18 trying to create a limited obligation credit that would
19 be backed by the appropriations that flow through the
20 state department by the leases and the lease insurances
21 provided by the regional centers, together with the
22 reserve requirements that are embedded in the financing
23 that we offered to the regional centers.

24 We spent an awful lot of time last summer on
25 this working with bond counsel, developing not only a

1 prospectus that we could use for marketing the bonds,
2 developing the indenture, talking with the rating
3 agencies. And those conversations with the rating
4 agencies, quite frankly, are ongoing at this time.

5 So this has stretched out over a period of
6 about six or seven months.

7 Of course, in the backdrop of all of this, the
8 financial markets have not been performing very well.
9 And one of our strategies with a limited obligation bond
10 was that we would access the bond insurance community,
11 and ask them to credit-enhance these particular bonds.

12 Of course, many of those bond insurers -- and
13 I've reported to you in the past on this -- have had
14 rating downgrades and actions that they don't live up to
15 the AAA standards that that industry was supposed to hang
16 onto forever, basically. So we've faced some challenging
17 times.

18 More recently, in February or late January, we
19 heard back from Standard & Poor's -- one of the two
20 bond-rating agencies that we had been discussing this
21 credit with. They were able to go and do a credit
22 assessment of the financing as we presented it to them.
23 And this was on a limited-obligation basis, secured by
24 the underlying loans, the real estate that backs the
25 loans, the lease assurances, the debt reserve that is

1 embedded into our loan program, as well as the collateral
2 reserves.

3 We were hoping to get to the point where they
4 would classify that as an investment-grade bond, which
5 basically means it would have a BBB rating.

6 After many conversations, they came back from
7 credit committee, they informed us that it was going to
8 be, in their minds, viewed as a high speculative grade,
9 okay. "High speculative grade" is in the BB category.
10 Typically, you can't enhance that with bond insurance.
11 So it was kind of a setback for us in those plans.

12 What we have done, since we still have ongoing
13 discussions with Moody's Investor Services, their issues
14 are somewhat different, quite honestly, than the issues
15 that Standard & Poor's has raised in these conversations.
16 They're very focused on the likelihood of a bankruptcy
17 event and what will happen in the event of a bankruptcy
18 to the Regional Center, to the NPO, or any of the other
19 related entities.

20 At this point, I would say that we are hopeful
21 within the next 30 to 45 days that we would conclude
22 those conversations, and we would get some kind of a
23 preliminary rating from Moody's.

24 As you might also imagine, these rating
25 agencies are very, very busy these days, as they're

1 trying to keep up on all the things that are going on in
2 the marketplace. So their time is coming at a premium as
3 well.

4 But we've informed them that we need to move
5 forward. We still have plans that we would issue, at
6 least the first installment of bonds for purposes of
7 financing these loans, sometime in the spring or summer
8 of this year, and the second installment would be either
9 later in this calendar year or very early in calendar
10 year 2009.

11 It's looking more and more likely that we may
12 have to pledge some of the Agency's capital or G.O. in
13 some form to enhance this credit to make it marketable
14 in the marketplace. I think we're going to exhaust all
15 of the other avenues that we have available to us before
16 we make that decision.

17 But we thought it was important that we come
18 before the Board today and give you an update on this.
19 This is something that has stretched out now for about
20 two-and-a-half years, as we've been working through it.

21 With that, I'd be more than willing to answer
22 any questions.

23 CHAIR COURSON: Questions on Bay Area Housing
24 and this new phase that we are in now as the projects
25 start to -- housing gets completed and we're starting to

1 move into the -- well, really the last phases of the
2 project?

3 MS. PARKER: Bruce, maybe it is worthwhile to
4 point out that we have continued to have meetings with
5 our partners as recently as this last week: The
6 Department of Developmental Services, Hallmark, the
7 Regional Centers.

8 And as these projects have essentially taken
9 longer and their access to some of these lines of credit
10 from us have gone on longer than we originally intended,
11 we have gone back and, as painful as it might be, pressed
12 upon additional fees and compensation for this mostly
13 because, at this particular point in time, we need to --
14 we feel very much that we need to cover as much of the
15 expenses. I'm not saying that all of it is; but to the
16 extent that we can, the lines of credits, if they are
17 getting extensions from the banks or charging them, we're
18 not charging them as much. But we are essentially going
19 in and getting some additional compensation for this to
20 cover what is the use of our G.O. and the extension of
21 our credit facilities because it is lost opportunity for
22 other parts of the business that we would be doing.

23 So I wanted to let you know we are trying in
24 this environment to make sure that we really are
25 managing, in the one sense, our fiscal constraint but

1 also trying to meet our public benefit.

2 CHAIR COURSON: Ms. Javits?

3 MS. JAVITS: If we needed to pledge capital
4 from CalHFA, would that come back to the Board, or is
5 that a discretionary decision? Or how does that work?

6 MR. GILBERTSON: At this point, the financing
7 resolutions that the Board has adopted would provide us
8 the discretion to use a form of a bond indenture that has
9 the capital pledged from the Agency.

10 And the easiest way for us to do this would be
11 to attach the Agency's General Obligation ratings to the
12 bonds.

13 But we certainly, at any point, would inform
14 you of what we do as we progress through this.

15 MS. JAVITS: Thank you.

16 CHAIR COURSON: Ms. Galante?

17 MS. GALANTE: And if we needed to do that, what
18 impact are you saying that that would have on the
19 Agency's other, either financing obligations or other
20 business?

21 MR. GILBERTSON: I don't think it would have
22 any direct impact.

23 What we do as an agency, we have a limited
24 capital base that is supportive of our general obligation
25 pledges. And we have pledged those in a number of ways.

1 The most often means by which we pledge the
2 Agency's general obligation is to attach it to all of our
3 core Multifamily Bond financing activity. So the two
4 projects that we just reviewed -- Bayview and -- I can't
5 remember the other one -- but, anyway, those would be a
6 part of a bond financing that has the Agency's general
7 obligation rating attached to it. Okay, so that's a
8 pledge of our general obligation.

9 Again, the balance sheet of the Agency, we have
10 about \$1.3 billion. We work with the rating agencies.
11 There's haircuts on that equity balance. And then we
12 work through what is the available G.O. capital base of
13 the Agency that's pledged for a variety of purposes.

14 We talk about this as "capital adequacy."

15 It's probably been about nine or ten months
16 since we've had serious conversations with the rating
17 agencies regarding capital adequacy. But I don't believe
18 that there's anything that has occurred in the last nine
19 or ten months that would have seriously degraded the
20 capital balance of the Agency.

21 MS. GALANTE: Thank you.

22 CHAIR COURSON: Other questions for Bruce on
23 this issue?

24 *(No response)*

25 CHAIR COURSON: Bruce, thank you.

1 MR. GILBERTSON: Okay.

2 --oOo--

3 **Item 7. Report of the Chairman of the Audit Committee**
4 **regarding status of Committee review of issues**
5 **relating to the dissolution of the**
6 **Compensation Committee; the development of**
7 **compensation policies and procedures; changes**
8 **to compensation process, and the contracting**
9 **authority of the Executive Director; together**
10 **with possible recommendations to the Board,**
11 **and discussion and possible action by Board**

12 CHAIR COURSON: We're going to move into agenda
13 Item Number 7, which deals with the Audit Committee and
14 the issues before them. And page 455 is where we'll be
15 looking.

16 In your Board book, it's not only a summary
17 memo that I've asked counsel to put forth for us as we
18 consider this, but also the minutes of the last Audit
19 Committee meeting.

20 MS. PARKER: Heather, do you need a book?

21 MS. PETERS: No, I'm good.

22 CHAIR COURSON: Let me talk -- as we know,
23 just, to make sure everybody's on the same page,
24 obviously we all went through, as we all know, retention
25 of outside counseling, taking a look at our compensation

1 issues, and issues surrounding that. Part of that
2 report, counsel came back and made some very specific
3 recommendations.

4 In addition to that, as the Audit Committee
5 dealt with this, there were other recommendations made
6 that are here. As you can see, one by Mr. Morris. And
7 that has been added to this list.

8 So I think what we have in front of us in this
9 memorandum are all of the issues that were contained in
10 the outside counsel's report, plus a couple that have
11 been added for further discussion.

12 We talked about at the last Board meeting, that
13 I think the Board expressed very strongly the desire to
14 deal with these issues and put it behind us so we can go
15 on about our business. They've been before us for almost
16 a year now. So we're prepared to do that today.

17 Unfortunately, Mr. Shine, who is the chair of
18 the Audit Committee, as you know, as I said at our last
19 meeting, has been having some difficult back issues and
20 has not been able to travel. So he is not with us today.

21 It's unfortunate that Mr. Morris isn't here
22 because, obviously, he has had what I would say a fairly
23 intense interest in this discussion, in these topics, and
24 is not with us. But we do have a quorum, and it's my
25 intent as chair, unless the Board sees otherwise, that

1 we're going to deal with these, put them behind us, and
2 move on with the Agency's business and make some
3 decisions.

4 Having said that, therefore, let me make a
5 suggestion. In looking at these, Item 1 deals with
6 contractual arrangements and agreements, not just in the
7 area of compensation, but in other areas also. So my
8 suggestion is, let's set that one aside and deal with
9 that at the end. It's a little bit different of a topic
10 than the others. The others are specific onto the
11 Compensation Committee and the way we deal with our
12 compensation.

13 So if it's okay with the Board, we'll set that
14 one aside and come back to that. Because I think the
15 right place to start is Item 2. And this was an issue
16 that I raised for consideration as we went through
17 looking at this. And that is, the question is, should
18 we, in fact, have a Compensation Committee?

19 Let me go back and remind the Board that we put
20 together a compensation committee. And that was formed
21 as -- and approved a charter actually back in September
22 of 2006. So we have a Compensation Committee charter.

23 The Compensation Committee calls for the chair
24 to appoint a minimum of three people, and they are
25 appointed for rotating terms. And the Compensation

1 Committee that was originally appointed was appointed in
2 September of 2006. And the members of the committee were
3 Ed Czucker, who is now no longer on the Board. And
4 knowing Ed's term was ending, he was appointed for a
5 one-year term. John Morris was appointed for a two-year
6 term, so his term would expire off of the committee in
7 September. And I was appointed for a three-year term,
8 so I would have another year and a half. So that's the
9 way that the committee is comprised now.

10 So the question was raised -- and I know that
11 the Audit Committee, and Mr. Carey and Ms. Galante are on
12 that committee, and have talked about this -- the
13 question is, do we want to have a Compensation Committee?
14 Do we want that committee to, you know, perform certain
15 tasks that are set forth in the charter, reporting back
16 to the Board for -- obviously, the Board has to make the
17 ultimate approval.

18 Or the alternative is, with all the discussion
19 we've had, when we had this over that a year ago on
20 compensation, is have the Board itself act as a
21 compensation committee itself, and not have a separate
22 committee. And that's the question before the Board.

23 MS. JACOBS: I think given the size of the
24 Board and the fact that we have vacancies, this is a
25 really smart way to do it. So I would be supportive of

1 this.

2 Does this take a motion?

3 CHAIR COURSON: Well, I guess I'm -- to
4 eliminate the Compensation Committee or have a
5 compensation committee?

6 MS. JACOBS: I think to sustaining the
7 existing --

8 CHAIR COURSON: If we're going to -- if the
9 Board's decision is to not have a Compensation Committee,
10 then there would be a motion, really, to, I guess,
11 abandon the charter, if you would, or revoke the charter
12 and the Board there, then there just wouldn't be a
13 committee. We'd deal with it as a board.

14 If the decision is to continue with the
15 Compensation Committee -- I don't know if we -- I
16 certainly want a sense of the Board on each of these
17 items, the way we're going to proceed. So whether it
18 takes a motion or whatever action we want to take, I want
19 to get it on the record so we don't have any questions
20 going forward with how we're going to deal with each of
21 these.

22 MR. CAREY: I would just say, given some of the
23 discussion, that I think it would be helpful for there to
24 be an action either way so that we have a vote to point
25 back to, that represents the majority of the Board.

1 CHAIR COURSON: Counsel?

2 MR. HUGHES: Mr. Chair, I'd point out that
3 probably each one of the items that's covered in this
4 memo is subject to being handled a little bit
5 differently. For example, with the Compensation
6 Committee, as the Chair noted, there is an existing Board
7 resolution which creates the committee and adopts the
8 charter. So certainly a change to that requires another
9 resolution and a possible amendment or revocation of the
10 charter.

11 Some of the other issues that are on here
12 involve other external documents.

13 The contracting procedures, the Board may
14 recall in 2005, the Agency adopted a regulation that
15 would need to be changed. So each one of these is a
16 little bit different in terms of the process.

17 MS. JAVITS: Mr. Chair?

18 CHAIR COURSON: I'm sorry, Ms. Javits?

19 MS. JAVITS: I just had a question.

20 So at the end of this note in the Board binder,
21 it says the committee was going to review the minutes,
22 formalize recommendations, and bring them to the Board.

23 I guess I was looking forward to getting
24 recommendations, since you all had discussed this in a
25 lot of detail. And I wasn't prepared to go through each

1 of these items without recommendations. So I guess I'm
2 wondering --

3 CHAIR COURSON: The chair of the Audit
4 Committee chose not to have that committee meet.

5 MS. JAVITS: So there is not a consensus and
6 there is not a separate recommendation?

7 CHAIR COURSON: They have not met since our
8 discussion in January.

9 The last meeting was the meeting of the minutes
10 that you see, which was November, which gives you a
11 character of some of the discussion.

12 We went back, and I went back at the
13 instruction of the Board, to the Audit Committee chair to
14 request, on several occasions, that we have a meeting,
15 and trying to accommodate where that meeting was and so
16 on. And, frankly, as late as probably three or four
17 weeks ago, had that discussion, and the chair just did
18 not call the meeting.

19 MS. JAVITS: So I guess, I think what would be
20 helpful to me, at least, from those who did participate
21 in that original meeting, was there, on each of these --

22 CHAIR COURSON: Right.

23 MS. JAVITS: -- is there any sense of the group
24 about what they would recommend? And if not, what was
25 the difference of opinion? I mean, that would be

1 helpful.

2 CHAIR COURSON: Ms. Galante and Mr. Carey are
3 on the committee. They're two of the four. So I think
4 they can probably give us that sense.

5 MS. JAVITS: Just to move this along
6 expeditiously.

7 CHAIR COURSON: Yes, right, right.

8 MS. PARKER: That's also the reason why, from
9 the last meeting, we included the meeting minutes.

10 MS. JAVITS: Yes, I understand that.

11 MR. CAREY: I can't speak for the committee,
12 but I think that my recollection, a rather painful
13 reading of the minutes, that there were, I think, three
14 who would suggest continuing the Compensation Committee,
15 and one who suggested that it be incorporated into the
16 routine of the Board.

17 MS. JAVITS: Okay.

18 MR. CAREY: My own personal point of view is
19 that given the challenges of arranging a public meeting
20 for four Board members, also the challenges of arranging
21 a special meeting for the Board is overwhelming, and I
22 think it would just make it impossible for there to be
23 thoughtful, rational work done outside of a Board
24 meeting. And I don't think we want to spend four or five
25 hours doing what a compensation committee would do at a

1 Board meeting.

2 CHAIR COURSON: And, Ms. Jacobs, was that going
3 to be your motion?

4 MS. JACOBS: Yes, more or less. More or less.
5 I'm sort of with Carla here as I'm not quite
6 sure exactly what format we should run things in.

7 CHAIR COURSON: Look, we've dealt with this
8 issue for over a year. This has been like herding cats
9 and pushing a rope. And it's been terribly frustrating
10 for the Board and for everybody involved. It has been
11 very, very difficult to get the chair to call Audit
12 Committee meetings on a timely basis and to deal with
13 these issues.

14 When they've been called, certainly, at least,
15 the two members that are here have certainly been there
16 to participate. And Mr. Morris has, I think,
17 participated in all those Audit Committee meetings, too.
18 And for some reason, at the last meeting, we just can't
19 seem to get any closure out of the committee.

20 And I have tried -- and assisted by counsel and
21 our executive director -- to push the chair to bring
22 us recommendations so we could have some solid
23 recommendations of that committee; and it just didn't
24 happen.

25 And so, frankly, rather than let it go another

1 60 days, I've put it in the book, at the instruction of
2 the Board, and see if we can't just roll up our sleeves
3 and plow through this stuff and get it behind us, because
4 I'm not sure it's going to happen any other way.

5 MS. GALANTE: Okay, so if I could just
6 reiterate maybe some comments I made at the Audit
7 Committee meeting -- and it is frustrating for the Audit
8 Committee to kind of start and stop dealing with this
9 subject matter. I don't think when we set up the Audit
10 Committee, we really anticipated that we'd be dealing
11 with these kinds of issues as opposed to your more
12 typical audit issues. So there have been a lot of
13 conversations. And I understand the full board hasn't
14 been privy to those.

15 But my personal view is, there were some bumps
16 in this process because it was the first time it was
17 happening. But that doesn't mean that the idea of having
18 a compensation committee was a bad one. I think it was a
19 good one.

20 How certain subject matters that the
21 Compensation Committee took on, I think the external
22 legal report that we had done, I think, pointed out some
23 things that we could do better. So I would be prepared
24 to second Lynn's motion, if she agrees with what I'm
25 saying here, that we continue to have a Compensation

1 Committee, but that that compensation committee's job be
2 a little clearer in terms of the process.

3 And one thing that I think -- I believe, Peter,
4 there was consensus on, is that the hiring of any
5 compensation consultant, the salary-survey type of
6 document, that that should be more squarely in the
7 Compensation Committee's purview as opposed to staff's
8 purview. Not that staff couldn't be involved in
9 soliciting proposals, but that picking that consultant
10 and giving direction to that consultant -- you know,
11 there should have been, in retrospect, more Compensation
12 Committee involvement in that.

13 And if we keep a compensation committee and we
14 make that as one major change -- and there might be a
15 couple of other ones that we would like to add to shore
16 up the scope of the Compensation Committee -- I think we
17 have -- we had a workable process. It was just the first
18 time through, and we didn't touch all the bases perhaps
19 that we could have, in retrospect.

20 CHAIR COURSON: And having said that, actually,
21 since we're just talking here, if you really look at 2,
22 3, and 4 -- the items -- it suggests, I think, what
23 Ms. Galante said is that if you have a compensation
24 committee -- and then I'm thinking about accumulating all
25 together and giving them all at one time -- and then it

1 goes on to say that they do have the task -- the
2 committee has the task of conducting an independent
3 review of any agreements relating to compensation -- that
4 would be if we went out and got a salary agreement or
5 have somebody to help us with policies or procedures or
6 so on -- and that the Compensation Committee would
7 recommend back to the Board any work instructions or
8 contracts for the Board's approval.

9 So that really sort of -- and that's where I
10 think some of the process changed the last time. I mean,
11 some of the issues in the report was that the retention
12 of Watson Wyatt to do a salary survey was done without --
13 what the Board deemed -- members of the Board at that
14 point deemed not enough consultation and not enough, I
15 think, discussion about the scope of that before the
16 contract itself was signed.

17 And I think that's where the train started to
18 go off the rails. And I think this puts it back clearly.
19 I would take this that the Compensation Committee would
20 consider, if and when it's time to do another survey or
21 engage any outside counsel or contract, bring the scope
22 of that back to the Board before the contract itself is
23 executed, and make sure that the Board has input for
24 those recommendations, and then go out and execute the
25 contract.

1 That's what I take -- that's my reading of 2,
2 3, and 4. And having been at a couple of the Audit
3 Committee meetings, I think that's the intent.

4 Ms. Peters?

5 MS. PETERS: Just two questions. One is, from
6 my reading of the minutes, which is all I have to go on
7 since I'm new to the Board here, would it be correct to
8 characterize for those of you who are in the room, that
9 those items, 2, 3, and 4, the consensus seemed to be
10 3-to-1 in favor of 2, 3, and 4, of those in the room? Or
11 was there a breakdown separate for the different
12 elements, 2, 3, and 4?

13 MR. CAREY: I think so.

14 At the most basic level of this, what we have
15 is a situation where we had a new compensation process
16 that was put in place.

17 In any other situation, we would be pleased
18 with the results and feeling that, for an initial
19 process, it was very well done. And, in fact, the
20 independent consultant said that very clearly in the
21 report, which isn't to say that there aren't options for
22 changing the process to enhance it next time. And that's
23 really where we're moving.

24 We had one Board member who disapproved of the
25 process and all the subsequent conversations, and that's

1 tending to drive some of this.

2 I think that the majority in each situation,
3 whether at the board level or the committee level, are in
4 favor of moving forward, retaining the Compensation
5 Committee, and outlining an improved process for next
6 time.

7 MS. PETERS: That was my reading. I just
8 wanted to make sure.

9 MR. CAREY: Right.

10 MS. PETERS: And another question. How is
11 Number 4 different from the last part of Number 3?
12 Number 3, we're saying that the committee would review
13 and approve scope-of-work documents; and Number 4 seems
14 to be a subset of scope-of-work documents.

15 CHAIR COURSON: Yes, and those -- 3 and 4 were
16 taken -- correct me if I'm wrong, Counsel -- were taken
17 directly from the letter from outside counsel, so...

18 MR. HUGHES: Actually, each one of these
19 items -- at least numbers 1 through 7 -- is verbatim
20 from Mr. Shine's e-mail to me that defined the issues.
21 I didn't edit those.

22 CHAIR COURSON: So I think you're right, I
23 think that 3 and 4 really work -- it's a process. It all
24 works together. And as I said before, I think it sets up
25 a standard that the Audit Committee -- or not the Audit

1 Committee -- the Compensation Committee needs to be the
2 driver in terms of consideration and the scope of any
3 outside contracts or work, and all subject to review and
4 approval of the scope of that, by the Board, before any
5 contracts are executed.

6 Ms. Javits?

7 MS. JAVITS: So Number 4, you could strike from
8 "Should..." to "...Board of Directors," and then it could be,
9 3 would flow, "...to key exempt management any scope of
10 work documents, including any work or instructions..."? I
11 mean, that's basically what we're talking about there?
12 This is something --

13 CHAIR COURSON: *(Nodding head.)*

14 MS. JAVITS: Okay, and then so 2, 3, and 4,
15 it seems like one resolution could encompass the
16 continuation of a compensation committee, 2, 3, and 4.

17 I'm wondering about 6.

18 CHAIR COURSON: I was looking at that. Let's
19 talk about that while we're -- I'm sorry.

20 MS. JACOBS: If I could backtrack just a touch
21 here.

22 CHAIR COURSON: Please.

23 MS. JACOBS: It seems to me that the consensus
24 is to keep the Compensation Committee.

25 CHAIR COURSON: Yes.

1 MS. JACOBS: The consensus is to have the
2 Compensation Committee not make major decisions on its
3 own but to make recommendations to the Board, and the
4 Board make final decisions.

5 CHAIR COURSON: Yes.

6 MS. JACOBS: Okay, I think, you know, 1, 2, 3,
7 and 4 kind of say different parts of that.

8 But am I reflecting what everybody's saying?

9 MS. GALANTE: *(Nodding head.)*

10 MS. JACOBS: Yes?

11 CHAIR COURSON: That's certainly my -- and,
12 again, I would think -- again, remember where this came
13 from, and I think that the intent here is that the
14 Compensation Committee needs to do, frankly, the work
15 that a committee should do in terms of background and
16 scope and determinations and RFPs and so on, and bring
17 all that to the Board before executing any agreements for
18 input and approval.

19 MS. JACOBS: Okay. I mean, I would make that a
20 motion, if that's the appropriate format, or just a --

21 MS. JAVITS: I was only raising Number 6
22 because I thought it might perhaps be encompassed in a
23 single -- you know, a single motion.

24 MS. JACOBS: I'm happy with whatever way you
25 want to do it.

1 CHAIR COURSON: Let's talk about 6 for a
2 minute.

3 6, for those of you that don't have it, is
4 talking about the Executive Director: Should the
5 executive director have the authority to sign contracts
6 on behalf of the Agency? Now, should the chair of the
7 Compensation Committee, or designees, have the authority
8 to sign agreements, or contracts, as opposed to the
9 Executive Director?

10 I don't think that's the way this reads,
11 necessarily.

12 But here I think was the issue: The issue is
13 twofold: One is, once the Board makes the decision to
14 enter into a contract that has to do with the
15 compensation and so on, such as with a Watson Wyatt or
16 what have you, is should that contract be, I'm going to
17 say, negotiated and executed by the Chair of the
18 Compensation Committee or their designee, part one.
19 Because the question was the last time, that was a
20 different -- the process of selecting Watson Wyatt was
21 different. So that's part one of this, as I see it.

22 Part two, it goes on and says, if this
23 person -- so I would read this, as the Chair of the
24 Compensation Committee or their designee -- should they
25 be precluded from doing that if they have any business

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RESOLUTION 08-12

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Mission Gardens Affordable, L.P., a California limited partnership (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 Santa Cruz, Santa Cruz County, California, to be known as Mission Garden 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 March 24, 2008, 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 and any terms and conditions as the Board has designated in the Minutes or the Board Meeting, in relation to the Development described above and as follows:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>MORTGAGE AMOUNT</u>
07-022-A/N	Mission Garden Apartments Santa Cruz, Santa Cruz County California	\$4,170,000.00 Acq/Rehab First Mortgage \$ 450,000.00 Second Mortgage \$4,170,000.00 Permanent First Mortgage

1 Resolution 08-12

2 Page 2

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

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14 I hereby certify that this is a true and correct copy of Resolution 08-12 adopted at a duly
15 constituted meeting of the Board of the Agency held on May 14, 2008 at Burbank, California.

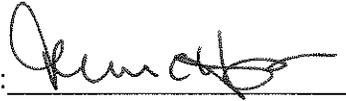
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ATTEST:



Secretary

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RESOLUTION 08-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Fourth Street Apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in San Jose, Santa Clara County, California, to be known as Fourth Street 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 March 18, 2008, 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 and any terms and conditions as the Board has designated in the Minutes or the Board Meeting, in relation to the Development described above and as follows:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>MORTGAGE AMOUNT</u>
07-006-C/N	Fourth Street Apartments San Jose, Santa Clara County	\$33,965,000.00 Construction 1 st Mortgage \$ 9,590,000.00 Permanent 1 st Mortgage

1 Resolution 08-14

2 Page 2

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

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14 I hereby certify that this is a true and correct copy of Resolution 08-14 adopted at a duly
15 constituted meeting of the Board of the Agency held on May 14, 2008 at Burbank, California.

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ATTEST:



Secretary

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RESOLUTION 08-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Salinas Gateway, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Salinas, Monterey County, California, to be known as Salinas Gateway 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 January 18, 2008, 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 and any terms and conditions as the Board has designated in the Minutes or the Board Meeting, in relation to the Development described above and as follows:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>MORTGAGE AMOUNT</u>
08-003-C/N	Salinas Gateway Apartments Salinas, Monterey County, California	\$12,190,000.00 Construction 1 st Mortgage \$ 300,000.00 Permanent 2 nd Mortgage (HAT Funds) \$ 400,000.00 Permanent 1 st Mortgage

1 Resolution 08-15

2 Page 2

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

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14 I hereby certify that this is a true and correct copy of Resolution 08-15 adopted at a duly
15 constituted meeting of the Board of the Agency held on May 14, 2008 at Burbank, California.

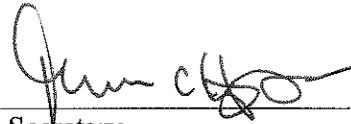
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ATTEST:


Secretary

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RESOLUTION 08-16

RESOLUTION AUTHORIZING MODIFICATION OF
A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency Board of Directors (the "Agency") adopted Resolution 08-01 approving a Final Loan Commitment to Grand Plaza Preservation, L.P., a California limited partnership (the "Borrower"), the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of Los Angeles, Los Angeles County, California, to be known as Grand Plaza Apartments (the "Development"). Additionally, the Agency adopted Resolution 08-04 approving the Agency's Multifamily Bond Indentures, the Issuance of Multifamily Bonds, Short-Term Credit Facilities for Multifamily Purposes and Related Financial Agreements and Contracts for Services and adopted Resolution 08-08 which amended and restated Resolution 08-04. (Resolutions 08-01, 08-04 and 08-08 shall be hereinafter collectively be referred to as the "Commitment"); and

WHEREAS, a modification of the Commitment 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a modification of the 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 modification of the Commitment, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above.

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.

1 Resolution 08-16

2 Page 2

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4 I hereby certify that this is a true and correct copy of Resolution 08-16 adopted at a duly
5 constituted meeting of the Board of the Agency held on May 14, 2008 at Burbank, California.

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ATTEST: 
Secretary

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RESOLUTION 08-17

RESOLUTION REVISING COMPENSATION COMMITTEE CHARTER

WHEREAS, the California Housing Finance Agency (the "Agency") has adopted Resolution 06-16 approving the charter of the Compensation Committee; and

WHEREAS, the compensation process in 2006 and 2007 was reviewed by outside counsel and various recommendations have been made for changes to that process; and

WHEREAS, the Board adopted Resolutions 08-09, 08-10 and 08-11 at the March 19, 2008 Board meeting; and

WHEREAS, Resolutions 08-09 and 08-10 directed that certain changes be made to the Compensation Committee charter adopted by resolution 06-16, and

WHEREAS, the Board has reviewed the revised charter attached hereto,

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

1. The attached "Compensation Committee Charter Revised May, 2008" is approved and adopted.

I hereby certify that this is a true and correct copy of Resolution 08-17 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 14, 2008, at Burbank, California.

ATTEST:



Secretary

California Housing Finance Agency
Compensation Committee Charter
Revised May, 2008

Mission

The Compensation Committee (the "Committee") is a committee of, and reports to, the Board of Directors of the California Housing Finance Agency (the "Board"). Through this Charter, the Board delegates certain responsibilities to assist the Board in fulfilling its oversight responsibilities in the compensation of key exempt management with the Agency. In performing its duties, the Committee will recommend to the Board compensation policies and procedures designed to attract and retain the best personnel to allow the Agency to achieve its goals and remain competitive in the marketplace.

Membership

The Committee will be comprised of no fewer than three voting members of the Board, to be selected by the Chair of the Board to serve on a rotational basis with staggered terms. The Committee Chair will be designated by the Board Chair.

Authority

The Committee was established by Board Resolutions 06-16 and revised by Resolution 08-17. The Committee will act in an advisory capacity to the Board. Staff of the Agency will serve as a resource to Committee. The Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. All employees of the Agency are directed to cooperate as requested by members of the Committee and the Committee will have complete access to Agency records and data.

Meetings

The Committee will meet as often as its members determine is necessary, but not less frequently than twice each calendar year. The committee will report its proceedings and recommendations to the full Board, at the first regular meeting of the Board following a Committee meeting. All meetings of the Committee shall be open public meetings subject to the same notice and agenda procedures as are regular meetings of the Board. Any personnel evaluations may be held in closed session to the extent permitted or required by the Bagley-Keene Act; provided, however, that discussions of compensation issues shall take place in open session.

Minutes

Minutes of each meeting will be prepared and sent to all members of the Board. The Committee minutes need not be verbatim. Minutes of the Committee will be presented to the Committee for review and approval at the next meeting of the Committee. Minutes of Committee meetings are public records unless exempted under the California Public Records Act or other applicable law.

Duties

The Committee will conduct the following activities:

1. Make recommendations to the full Board to enable the Board to carry out its duties and functions under Health and Safety Code section 50909;
2. Periodically cause to be conducted salary surveys that will form the basis of the design of a compensation plan that will attract and retain senior executive personnel qualified to lead the Agency in its mission and maintain its competitive posture in the marketplace. Such surveys will be conducted by independent outside advisors based on a comparison of compensation plans and compensation levels of other state and local housing finance agencies, other comparable agencies of the State of California, non-profit housing agencies, for-profit institutions and other relevant labor pools;
3. The Committee shall review any proposed contracts to engage consultants needed to carry out its duties under this Charter, including the outside advisor conducting the salary survey required by Health & Safety Code section 50909. The Committee shall make recommendations regarding such contracts to the Board, and the Board shall consider such recommendations. In the event that the Board approves any such contract, the Board shall direct the Executive Director to sign such contract on behalf of the Agency;
4. It shall be the policy of the Board and Committee to avoid any conflicts of interest in connection with the exercise of its duties. In carrying out its responsibilities under this Charter, the Committee shall endeavor to create a balanced process that avoids the appearance of conflicts of interest to the extent reasonably possible, while permitting the involvement of staff in a way reasonably necessary to accomplish its purposes and duties under this charter.
5. Periodically review and evaluate, with the assistance of Agency management, staff and outside advisors, the structure and level of Agency compensation of those senior executives whose salaries are established by the Board pursuant to section 50909;

5. Annually review the performance of the Executive Director;
6. Based on the annual review of the Executive Director's performance and the results of the salary surveys conducted by independent outside advisors, make a recommendation to the Board for the compensation level of the Executive Director;
7. Annually review that portion of the Agency's budget containing the compensation of key exempt management and recommend to the Board approval or amendments to those compensation levels. The Committee's recommendation will be based on a review of performance evaluations completed by the Executive Director and the results of the salary surveys conducted by outside advisors;
8. Review and discuss management succession at least annually;
9. Review legal and regulatory matters that may have a material impact on the Agency's compensation philosophy, structure and plans.

Other Committee Duties

In addition to the duties outlined above, the Committee annually will also:

1. Conduct a review of its performance, including a review of its compliance with this Charter;
2. Review and assess the adequacy of this Charter taking into account all legislative, regulatory and contractual requirements applicable as well as any best practices, and, if appropriate, will recommend Charter amendments to the Board.

RESOLUTION 08-18

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution 07-15 adopted on May 10, 2007, which committed the Agency to a Business Plan for the years 2007/2008 through 2011/2012; and

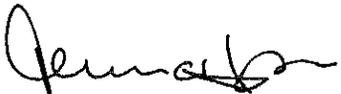
WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2008/2009 through 2012/2013 annual update of the Business Plan, in order to adjust to the ever changing economic, fiscal and legal environment, which updated Business Plan is designed to assist the Agency to meet its statutory objectives, to address the housing needs of the people of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

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

1. The updated 2008/09-2012/13 Five-Year Business Plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.
2. In implementing the updated Business Plan, the Agency shall strive to satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and caps, and to satisfy any other requirements of the Agency's bond and insurance programs.
3. Because the updated Business Plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing circumstances, the Executive Director shall have the authority to adjust the Agency's day-to-day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated Business Plan.

Resolution 08-18
Page 2

I hereby certify that this is a true and correct copy of Resolution 08-18 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 14, 2008, at Burbank, California.

ATTEST: 
Secretary

Attachment

RESOLUTION 08-19

CALHFA OPERATING BUDGET

FISCAL YEAR 2008/2009

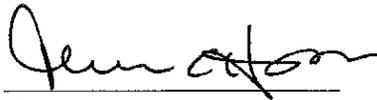
WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2008/2009 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund for fiscal year 2008/2009.

I hereby certify that this is a true and correct copy of Resolution 08-19 adopted at a duly constituted meeting of the Board of the Agency held on May 14, 2008, at Burbank, California.

ATTEST:



Secretary

Attachment