STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

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

Wednesday, May 14, 2008
9:36 a.m. to 12:38 p.m.

--oOo--

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

Yvonne K. Fenner & Associates
Certified Shorthand Reporters
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Minutes approved by the Board of Directors at its meeting held:
July 17, 2008
Attest: [signature]

A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson
President
Central Pacific Mortgage

PETER N. CAREY
President/CEO
Self-Help Enterprises

CAROL GALANTE
President
BRIDGE Housing Corporation

LYNN L. JACOBS
Director
Housing and Community Development

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

JOHN MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

HEATHER PETERS
for Dale E. Bonner
Secretary
Business, Transportation and Housing Agency

JACK SHINE
Chairman
American Beauty Development Co.

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CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

ROBERT L. DEANER II
Director
Multifamily Programs

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

SALLY LEE
Interim Director
Administration

JIM LISKA
Loan Officer
Asset Management

JIM MORGAN
Loan Officer
Asset Management

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Directory

RUTH VAKILI
Housing Finance Officer
Multifamily Programs

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

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Board of Directors Meeting - May 14, 2008

Table of Contents

Table of Contents, continued

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BE IT REMEMBERED that on Wednesday, May 14, 2008, commencing at the hour of 9:35 a.m., at Burbank Airport Marriott Hotel and Convention Center, Academy Room 4, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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Item 1. Roll Call

CHAIRMAN COURSON: Good morning. I'll call the meeting to order, and our first order of business is to call the roll.

MS. OJIMA: Ms. Peters for Mr. Bonner.

MS. PETERS: Present.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Here.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Here.

MS. OJIMA: Mr. Pavao for Mr. Lockyer.

(No audible response.)

MS. OJIMA: Mr. Morris.

(No audible response.)

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Thank you.

Ms. Bryant.

(No audible response.)

MS. OJIMA: Mr. Genest.

(No audible response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN COURSON: And let the minutes reflect that Mr. Morris has arrived with his coffee.

So we have a quorum.

MS. OJIMA: We have a quorum.

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Item 2. Approval of the minutes of the March 19, 2008 Board of Directors meeting

CHAIRMAN COURSON: The first order of business is in your binder, are the minutes of our last meeting, the March 19th meeting.

Is there a motion to approve the minutes?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Moved by Ms. Jacobs.

Is there a second?

MR. MORRIS: Second.

CHAIRMAN COURSON: Mr. Morris seconds.

Are there any -- is there any discussion, any changes to the minutes?

Seeing none, let's call the roll, then.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRMAN COURSON: Okay. Thank you.

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Item 3. Chairman/Executive Director comments

CHAIRMAN COURSON: Let me -- we have obviously a lot on our agenda today that we want to cover, and I want to make sure that at the end we have some time to have Bruce Gilbertson talk to us again, following up on what we talked about last time, the financial markets. And that's in the report section, so we want to make sure that we save enough time before we lose people from the Board to get an update 60 days after Bruce's and Tim's report to us at the last meeting.

Let me just spend a couple of minutes -- and I've chatted with a couple of you informally -- and talk a little bit about I've been in Washington for two out of the last three weeks. There's a lot of things going on.

You're probably well aware there's a bill that is now out of the House of Representatives which is sort of an omnibus housing bill. It includes the FHA modernization, which would include increasing FHA loan limits in that bill up to a maximum of $550,000.

It includes the government sponsored enterprise GSE reform. And that bill includes permanent -- making permanent the temporary loan limits which would be up to 125 percent of median sales prices, median values, with a maximum of 175 percent in high cost areas.

And that bill also has an affordable housing fund in it, but it's designated that the affordable housing fund would be split between HUD specified block grants, whatever that means, and the Treasury. So -- as opposed to what we thought might happen to some of that, there is a designation inside those two bills.

That bill passed the House and has crossed back over to the Senate. The Senate today is voting on their version of a housing bill -- oh, I'm sorry. In the housing bill, also there is a rescue fund wherein lenders would pay down principal balance, they'd refinance the borrower into a permanent fixed-rate loan using FHA insurance.

Senator Dodd has introduced and there's voting in the Senate today in the banking committee on a housing bill that has also a rescue fund that is very similar to what was in the House bill. It has too the GSE and the loan limit pieces. It has an affordable piece. And -- but it does have the FHA modernizations.

So what we have is sort of we've got a lot of things moving, and the question is will all of that be able to hit one spot for conference or resolve to get these things that have been on the table for such a long time into a conference where they can resolve. The Administration has indicated that they don't like it. They've threatened to veto. And there are those that will say that that will lead to negotiations. And, again, at the end we'll see what comes out of the Washington, D.C. legislative mill, but there's a lot of things moving in Washington.

The Governor's Office has been aggressive in supporting the higher loan limits, the permanent higher loan limits. I know the California Mortgage Bankers Association has contacted all other 50 state associations to ask their support for higher loan limits and contacted all the Congressional delegations also. So there's a big move for the loan limit opportunities here in California.

Having -- the other thing I'd like to do is -- it's time, we've obviously had a shift of folks that are on the Board and so with looking at some of the expiring terms on the committees have under the charter made some shifting and new appointments to our two committees.

So the Audit Committee will be chaired by Mr. Carey, and he will be joined -- and Mr. Carey's term, he's already on the committee, and his term ends in March of '09. Ms. Jacobs has agreed to serve on the Audit Committee. Her term will end in May '10 -- 2010. And Ms. Galante is on the committee, and her term expired, but being reappointed to serve out till '11 because she has a longer term. So that will be the Audit Committee.

I want to thank Mr. Shine for his service on the committee as Chair. Obviously the role of that committee took to a much more robust and expansive task than I think we -- when we appointed that about three years ago. And, Jack, I just appreciate your stick-to-it-iveness and your work on behalf of that.

MR. SHINE: Thank you.

CHAIRMAN COURSON: But he's going to move over to the Compensation Committee and has agreed to be a member of the Compensation Committee. On the Compensation Committee will continue to be Mr. Morris, who has been on -- when we split up the terms to start, Mr. Morris' term ended -- ends in September of '08. I'll continue on the Compensation Committee as Chair, and my term ends in September of '09. Mr. Shine, whose term will end in May of 2010. And Ms. Javits has agreed to join us on the Compensation Committee to give us four folks on that committee, and her term will end in May of '11.

So obviously, the committees are fluid. We try to keep them so we have people coming on and off as we do. Obviously, for some reason people may be reappointed when their terms end, people may want to move off and so on, but in the sake of having it organized, we now have the committees filled with the waterfall of terms that I think we all envision and call for in the charter.

Having said that, I have nothing else, and I'll turn it over to our executive --

MR. MORRIS: John.

CHAIRMAN COURSON: Yeah, I'm sorry, Mr. Morris.

MR. MORRIS: I think you have my term incorrect, so you might want to double-check on that.

CHAIRMAN COURSON: Okay. The terms were at the Board meeting on September 7th of '06, we appointed those committees. And at that point Mr. Czuker was appointed a one-year term, Mr. Morris a two-year term, and I was appointed a three-year term.

MR. MORRIS: Oh, I thought you meant -- okay.

CHAIRMAN COURSON: Yeah. No, not -- this isn't Board terms, these are committee terms. New reappointments as the terms expire.

MR. MORRIS: I got it.

CHAIRMAN COURSON: Okay. Thank you.

MS. PARKER: Good morning, Members.

I have mostly some personnel changes. The Agency seems to always be changing, a dynamic organization. And with that brings well wishes to people who are moving on and welcomes to people who are joining us.

So it's with mixed reviews or feelings that I make some personnel announcements. We have one retirement. Jackie Riley has left the Agency and left state government and retired after more than 30 years of commitment to state government in totality and most of that served with the California Housing Finance Agency. And Jackie will be enjoying her next phase of her life in retirement, and she has obviously served the State of California with distinction, and we've appreciated her commitment to the staff, the citizens of California and the Agency.

Also retiring is Jerry Smart. Jerry Smart, who has worked with the Agency for 26 years, is retiring at the end of the month. We were kidding Jerry the other day that when he came in 1982, '83, that the Agency was doing $23 million worth of production of single family lending. Last year we did 1.7 billion, so a little bit of a change over Jerry's years and obviously a big legacy for him as he moves along.

And that -- with that parting, we have a new person to announce: Gary Braunstein.

Gary, if you would stand up so everybody can see you.

Gary is joining the Agency at the moment as a consultant, a special consultant, to the Executive Director on Homeownership while he goes through the process of having his name submitted to the Governor for permanent appointment to the Director of Homeownership. So you will be meeting Gary. You'll be seeing a lot of him. And, again, I think it is an example of the testimony to the staff that we have had for the Agency and their commitment and the quality and caliber of staff that we're able to attract.

John has mentioned what's going on at the federal level, which we continue to watch very closely. I think that Bruce will give you a briefing on what's been happening since we last met with respect to our financial situation, and it's, you know, very good news from where we were at in March. We're progressing along as planned. He'll also give you a little bit of news about the trip that the two of us made to New York to talk to investors and have had positive feedback from that.

So I think we have good reports, at least certainly not gloomier reports, given what is happening in the marketplace, both in New York and obviously in California.

We continue to work on the REO program that we have mentioned to you about in our several meetings. It's included in our business plan today. We have been meeting with bankers to get some final terms and conditions for that program which we'll be reporting to you as we move along. We hope between now and the next time that we meet, we will have rolled that program out and successfully started lending some of the $200 million of additional bond cap received from CDLAC.

The last thing I just want to mention is that S & P was in last week to talk with Chuck and all of us about the MI fund, and we have not gotten official rating yet, but we expect to have one by the end of the month or the middle of next month. Every indication is that we should -- that the news should be positive.

So with that, Mr. Chairman, we'll look forward to presenting the Board material to you all today.

CHAIRMAN COURSON: I would like to go back and mention one thing, and I'd mentioned this to Steve Spears, our deputy. I've asked the staff, starting at the next meeting, to make sure we include in all of our Board books some reports and statistics on our servicing portfolio and our MI portfolio. We spent a lot of time looking at losses and delinquencies and trends and foreclosures and REOs, and I think that should be a normal part of our Board book that we receive.

And I've asked Steve to provide one in the interim for us now so we can get a snapshot -- we looked at all those numbers two months ago -- give us sort of an interim snapshot that we can send to the Board and then have that as part of our regular reporting. Because clearly as a Board, that's something that should be of great concern to us. So we'll have that starting at the next meeting.

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Item 4. 07-022-A/N Mission Gardens

Santa Cruz/Santa Cruz

CHAIRMAN COURSON: All right. We're ready for the first project, which is Mission Gardens. It's on page 215 of your Board book. And Bob Deaner is going to kick us off.

MR. DEANER: Okay. Well, I'm going to turn it over to the loan officer to get into the details. We have a number of projects to get through, so we'll try to make it as quickly as we can.

MS. WHITTALL-SCHERFEE: The first project we're presenting today is Mission Gardens. Mission Gardens is a portfolio loan. It's part of the Agency's portfolio. This is a request for acquisition and permanent financing.

The buyer is Mission Gardens Affordable, LP. They are a limited partnership with -- managing general partners are Mission Gardens, AGP, LP, and the nonprofit is Las Palmas Housing and Development Corporation Foundation.

These projects are part of the Bentall Residential portfolio of loans that are currently with CalHFA. Bentall has 13 projects with us, and this would be an additional project.

The project was constructed in 1981. It is 50 units. The family and senior housing. It has 28 family units and 22 age-restricted senior units.

The request for financing is for a first mortgage acquisition rehab loan in the amount of $4,170,000. It's a fixed-rate, 5-percent, 24-month, interest-only, tax-exempt loan. In addition, because of the Section 8 that Jim is going to explain further, there is a second mortgage in the amount of $450,000, also at 5 percent. It will be 5-year fixed, fully amortized and tax exempt.

Upon completion of the rehab, the permanent loan is in the same amount. It's in the amount of $4,170,000 for five years for a 35-year fixed term, fully amortized. And they do have the option to prepay after year 15.

Jim is going to take you through the project. He's going to explain the rehab and the slides and the peculiarities of this project.

MR. MORGAN: James Morgan.

Here's a picture looking kind of west southwest of the site with Highway 1 located just south, Cabrillo Highway .11 miles south of that project.

Overhead view of -- aerial view of Mission Gardens.

Here we got a view of the subject's main entry.

The driveway.

We have a series of two town home buildings. There are eight town homes cordoned off into four town homes in each building.

This is the open space that's directly adjacent to the lot connected by a footbridge over a creek, which has the tot lots.

The one bedroom, senior one bedrooms. Two bedroom. And the two bedroom kitchen. These kitchens are typical of the ones, twos and threes.

As Laura said, this is an acquisition rehab. The rehab to structure is $1,056,000. It equates to about $21,123 per unit. Approximately 50 percent of that budget, or 533,000, is for the interior residential units. And almost half of that, or 257,000 is for new kitchen cabinets, counters, bathroom cabinets and counters. And the remaining funds are to be utilized to replace and install kitchen and bathroom sinks, faucets, lights, unit flooring and unit painting.

Approximately 36 percent, or $383,000, is for exterior building structure, exterior building repair. The majority of that rehab is for brand-new windows and sliding glass doors for all units, painting and stucco repairs and roofing.

The remaining portion, approximately 13, 14 percent, is for site work, and that's mostly grade modifications in the rear portion of the town home buildings where some of the dirt has been carved out by the tenants and they need some reinforcement. There will also be fence repair and fence replacement.

Relocation for the rehab, during the rehab, the relocation budget is approximately $50,000, a thousand dollars per unit. The average -- on this project and other projects, the average rehab or days displacement is about two days, but we've budgeted four days at $250 per day, a thousand dollars per unit, so we feel really secure with the relocation budget.

With the rents, I just wanted to point out on the rent chart, in our excitement to provide you with a hundred percent AMI, we forgot to update the 2008 rents on the rent chart, so that 700 in the one bedrooms is 763. One bedroom 50-percent rents is really 870. And the 926 is -- 60 percent rents are 979.

And on the two bedroom and three bedroom, same thing. Those rents at 912 are 979, and the 60 percent rents are $1,175. And on the three bedrooms, $1,008 is a 1,088 for the 50-percent rents, and two bedrooms is 1358.

It's on your -- it's on -- in your Board packet it's on the rent summary on page 223, but the cash flow we flexed the current income for 2008. It just didn't sink to that rent summary. Okay? I just wanted to make that clear.

Like Laura mentioned, this is a hundred-percent Section 8. The Section 8 contract expires June 2011. Bentall Residential will seek a renewal, an extension of that. The Section 8 rents are currently 30 percent below the market rents. The Section 8 for the one bedrooms is 1,065, and the market is 1503. Section 8 rents for the two bedrooms is 1262. The market rents are 1893. Then the three bedroom rents are 1386, and the market rents for three bedrooms in the Santa Cruz area are 2,239.

But even with those, with the half rents that the project is receiving, we have implemented a transition operating reserve of $156,000 just representing the subsidy piece.

The initial deposit to the replacement reserve has usually been a thousand dollars per unit. We've increased that to 1500 per unit. And replacement reserve for -- as an ongoing basis as a part of the annual operating expense is at $500 per unit per year.

In addition to the Section 8 funding, we also have the redevelopment agency of the City of Santa Cruz providing a million and a half dollars in subsidy dollars, a million coming in during acquisition and $500,000 coming in at perm. That's at 3 percent, 55 years residual receipts.

And with that, I'm ready to take any questions.

CHAIRMAN COURSON: Are there questions on the project?

Ms. Galante.

MS. GALANTE: This is not the first portfolio loan we've seen where I have trouble understanding based on the information I have, you know, what the existing loan is and what's happening with the -- this property is being sold from the current property owner to a new limited partnership?

MR. MORGAN: That is correct. So there is a sale. And we -- we are -- our regulatory agreement restricts any sale unless you have CalHFA approval, and part of the sale is that CalHFA is involved in the financing. And so we pay off our old loan. We put another 30-year regulatory agreement, another 55-year TCAC agreement on the property, and we do the -- we do the acquisition rehab based on the physical needs assessment.

MS. GALANTE: So what's the current balance of the current loan? In other words, this isn't just a refinancing of --

MR. MORGAN: No, this is not a refinancing. This is a payoff of the existing loan.

MS. GALANTE: And there's also a requirement of a change in ownership --

MR. MORGAN: That's correct.
MS. GALANTE: -- structure.
MR. DEANER: I was just going to mention that under our current scenario we don't -- the Agency doesn't have a refinance program, we just have -- the way of our old portfolio, of our old loans, 30-year loans with no prepays is -- is we have our new program, which is through a sale. It's got to go through an actual sale to an unrelated party, and then through the sale they have to then refinance with us.
And we look for, through those sales for the program either deeper affordability, extended affordability, or rehab. So we, you know -- to allow to get out of the original deal, we're getting -- you know, two of the three is what we're looking for, either deeper affordability or rehab.
MS. GALANTE: So this is a policy issue that I'm really frustrated by, and I don't know where to direct my frustration, but -- so are you telling me that the old owner is going to make money off this sale so that CalHFA can refinance, whereas if the current owner wanted to refinance and extend affordability, they could not do that?
MR. DEANER: Well, we currently don't have a refinance program because with this sale, they're going

in and getting new bonds, so they're getting new bonds and new tax credits. So with that, we can issue tax-exempt bonds and offer our standard tax-exempt pricing.

MS. GALANTE: Well, why couldn't you do that for the current owner?

MR. DEANER: If we did a sale -- if we did a refi, we'd have to -- we would have to pay off the old bonds and need new bonds or we'd have to issue taxable. That is the only way we could do that.

We are currently talking about putting together a refinance program within the Agency. We've had multiple discussions, and we are working on a potential program, but it's one that we don't have in place at this time. So for a current owner to sell, to get out of its project, if they want to is through a sale.

MS. GALANTE: Right. And I'm more concerned about current owners that want to refinance their current CalHFA mortgages. And this lack of refinancing program actually puts a person in a position of it being the only way to do that is to sell the property to a third party. And I don't think that's good --

MR. DEANER: Well, that's --

MS. GALANTE: -- policy.

MR. DEANER: That's why we are addressing it. We are addressing the fact that we are looking at a refinance program for the current owners. But, again, if we do that, we've -- you know, and if it does get established or if it doesn't get established but if it does, it's going to be on a taxable base versus a tax-exempt base because we'd have to pay off the old bonds with new taxable bonds, and so there is going to be a difference in pricing and such so the --

MS. PARKER: Carol, there's also some legal issues and I wanted to have Tom speak to that a little bit and talk a little bit about what we actually are proposing -- we've had discussions internally -- of doing to look at this issue.

MR. HUGHES: Well, again, it's -- I'm not sure this is on. It's quite complicated. Our own program combines elements of federal tax law and our own policy, but the core restriction is imposed by federal tax law, which requires with -- in connection with tax-exempt housing bonds for the property be sold to an unrelated buyer and substantial rehabilitation be done.

So that's -- so if we were to do refinancing, as Bob has said, we would have to do it on a taxable basis, which usually isn't competitive, I think is the key issue there. The other elements of the refinancing where we get greater or deeper affordability tend to be -- and the new CalHFA loan are the elements of our own policy that we've overlaid on that.

And we have put tremendous effort into trying to find a way to deal with the issue of prepayments, which we currently restrict, which involve primarily issues relating to the underlying financing that we do. We're actively involved in looking at that issue, but it's quite complex, and I can't say that there's a way around it at this point, but that's where we stand.

MS. GALANTE: Well, I'd like to not take up the time now to have that refinancing conversation obviously, but what I see in this particular project is not really new affordability, you know, some rehab. It's already a Section 8 project. And I see people making some fairly significant fees, and CalHFA providing a really great mortgage amount, and it doesn't seem like the optimal use of our financing.

MR. DEANER: Well, I think -- I think we are, but we are getting extended affordability because we are going to go out 55 years now with the new tax-exempt bonds, and we are getting $21,000 worth of new rehab in the projects, and yet the rents are still going to stay where they are.

So when we do look at these transactions, we are -- we are requiring that we get extended, deeper or rehab in the project. So there is a benefit to -- to the project, and we might be getting an owner out that no longer really wants to manage it, and we're getting a new owner in that would be more proactive.

CHAIRMAN COURSON: Other questions?

Is there a motion? There's a resolution on page 235 to authorize this final loan commitment. Is there a motion?

MS. JACOBS: Move approval.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MR. MORRIS: (Waves hand.)

CHAIRMAN COURSON: Mr. Morris seconds.

Is there any further discussion from the Board?

Any discussion from the public?

Seeing none, then let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

CHAIRMAN COURSON: Mr. Shine has had to leave the Board meeting.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

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

CHAIRMAN COURSON: Okay. Thank you.

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Item 4. 07-006-C/N Fourth Street

San Jose /Santa Clara

CHAIRMAN COURSON: Let's move then to the Fourth Street Apartment project, which is on page 237 of the Board book.

MS. WHITTALL-SCHERFEE: Fourth Street Apartments is a request for construction and permanent loan financing. This is a new construction project. It will be a hundred units. It will be a tenant population that's developmentally disabled or at risk of homelessness for 35 percent of the units.

This project is currently at CDLAC. We're requesting CDLAC approval.

The request is for an acquisition construction loan totaling $33,965,000. 30 million of that is tax-exempt bond money at 5-percent fixed for 24 months, interest only. The 3,965,000 of taxable money will be at 6.8 percent, fixed rate for 24 months, interest only as well.

The permanent loan is expected to be $9,590,000. Because of the 35-percent developmentally disabled population, this is considered a special needs loan, but because of the size of the loan, we agreed that we would do a stepped interest rate. So we're starting at 3-and-a-half-percent fixed interest rate for years one through ten. It then increases the 4 and a half percent during years 11 through 20. And it becomes a 5-percent fixed rate at years 21 through 35.

The borrower will have the option to prepay this loan after the first 15 years at their discretion. Otherwise the loan will continue with the terms we've just described.

Ruth is going to discuss the project and explain a little bit more about the financing and what is being built.

MS. VAKILI: Good morning.

The Fourth Street project is located in San Jose, and from this aerial you can see the back of the project -- do I have a little pointer? I have a pointer -- is Highway 101. To the side of the project is

880. And in the distance is downtown San Jose, which is about two miles away along First Street, which is two blocks down, is public transportation via a light rail system, and the developer First Community Housing's project on Gish Road and First, which is just two blocks from this project. The project is very well oriented towards public transportation.

And here's a closer view of the project. It is in an area that is a mix of light industrial hotel and residential uses and is fairly well located to public services, shopping, light rail that takes you to the downtown where all services are available.

The project currently has a commercial building, which will be demolished prior to start of construction.

And here is the back of the site. It's .75 acres on which there will be a nine-story high-rise building. There will be two stories of parking and seven stories of residential.

This is an elevation. It's a little fuzzy, but you get the picture.

Here you can see how the parking is arranged with the buildings on top. And you are not seeing things here. You are seeing two cars stacked in the parking structure. There will be 36 lifts which for the two- and three-bedroom units will stack the cars, two parking spaces per unit. And 36 lifts will have one car at the bottom and lift the second car for that unit to the top, which I believe in the city of San Jose this is something that's relatively new. This is more of an urban type of construction and an urban type of project. The parking requirements are more of a suburban nature, which increase the parking for this building necessitating the use of parking lifts.

The project will consist of 39 one bedrooms, 31 two bedrooms and 30 three-bedroom units. 35 percent of the units will be rented at 25-percent AMI to developmentally disabled population.

The project will have a lot of interesting features to it. There will be a living roof on top, which not only serves for open space and is accessible to the tenants, but it also will be a site -- the living roof will provide insulation and will treat stormwater runoff and will improve the air quality and reduce urban heat. There are -- to the site.

There are also other green features in this project similar to what First Community Housing typically builds in their properties -- energy efficient windows, low-flow water utilities and things such as that.

I think that one thing to note about the project is due to the urban nature of it and the high-rise, the costs of construction are higher than what you would normally see and what we have seen typically in the past.

When you take out the elements that are related to high-rise construction, things such as requiring a tower crane and a man lift to the project, the parking lifts, the additional parking under suburban design standards, and also consider the fact that we are building with steel frame rather than wood construction, and there are additional elements required by the fire department when you're going over seven stories of construction, all of these factors added up to a fairly substantial increase in the cost of the project.

After taking these factors out, the cost per unit would be more in the range of about 408,000 a unit, rather than what we currently have. And it is the nature of this kind of high-rise structure that we have these type of costs.

The services for the developmentally disabled population in the project will be provided by Housing Choices Coalition, an organization that we're very familiar with, who has also provided services to several of our other projects and has worked closely with First Community Housing in the past. There will be a range of services for the population consisting of things such as social activities, resident coordination, training for independent living.

As I said, the affordability for these units will be at 25-percent AMI. The other populations -- the units will be rented between 45 to 60 percent AMI.

Included with the financing that CalHFA is providing will be MHP, the City of San Jose, HCD's infrastructure grant money. San Andreas Regional Center is also providing a substantial amount of money. And this is dedicated -- this is the result of the developmentally disabled population. And there's a tax credit equity of 17 -- a little over 17 million involved in the project.

One thing to note is that the appraised value was not received until yesterday, so that's why this section is blank. After a quick read of the appraisal, the permanent value of the property on a permanent basis is $13 million. Our loan to value is 74 percent. The value during construction is 39,974, and our loan value is 85 percent.

Are there any questions?

CHAIRMAN COURSON: Questions on the project?

Ms. Javits.

MS. JAVITS: I had a couple of different questions. One is on page 239 it says the site is zoned 55 units an acre and this is a hundred on .75 acres. Has that been approved?

MS. VAKILI: I'm sorry, I couldn't hear your question very well.

MS. JAVITS: On page 239 under site, it says the site is zoned with a general plan overlay allowing for 55 units per acre, and this is a hundred units on .75 acres. I just wondered if there's been some special approval or...

MS. VAKILI: There was a density increase due to the location of the property near transit. And the general plan overlay also allowed for a little of a parking reduction due to the developmentally disabled population.

MS. JAVITS: But it has been -- it has received approval.

MS. VAKILI: Yes, it has. The only further approvals necessary are just building permits.

MS. JAVITS: And then at the bottom of page 241 there's a mention of the liquification in case of an earthquake. I'm just curious about the mitigation for that, if we've experienced that before and if we've had any problems in the past. It says -- it says there's mitigation.

MS. VAKILI: The mitigation would be the type of foundation that is designed, which is a mat foundation. And that's fairly typical for this area.

MS. JAVITS: Okay. And then I mean the cost per unit is extremely high, and you talked about that. But have we ever done a project at this level of cost per unit? Is this the highest we've ever done?

MS. VAKILI: Yes, it is. It is. And because of that, I wanted to do some research to see what elements really were causing the cost increase. It's something that -- it's a level that we haven't gone to before.

When I also considered the fact that we haven't done a high-rise building such as this before, the last project we did, which new construction was five stories, so this is a different animal for us. The costs are different. The elements are different.

This is an urban design in a suburban area with suburban requirements. The City not only required higher parking than what would normally be required in an urban setting, they also required a rescue air system in the project. They required an additional stairwell for emergency access. There are a lot of different design elements than we've previously dealt with, and it's clear when I took out these elements from the cost, we're looking at a project that is more in the range of what we're used to.

MS. JAVITS: Have we seen -- were you able to find any other projects comparable anywhere else to look at for comps?

MS. VAKILI: The appraisal was able to. San Jose is actually doing a lot of new construction, mostly for sale, and some apartments specifically downtown with these kind of elements. I believe in 2005 they required, you know, the fire protection elements that I just mentioned in all projects that are seven stories and above. It's fairly typical to have these kinds of costs associated, but still seemed high, according to our measure.

MR. DEANER: And I was going to mention, in my past I financed some mid-rise projects in Berkeley that were not for disabled, but still mid-rise apartments in and around that area, very dense, with this type of parking. And the cost per unit was, you know, in that four or five hundred thousand dollar range.

This parking -- the parking structure in itself, most folks probably haven't seen it. I've seen it. It's pretty -- it's a pretty amazing -- how they bring the cars. It brings them up. It brings them over and it's all -- I mean that in itself probably adds, you know, a good chunk to the costs overall.

But in some of the other parts like Berkeley -- San Jose, I know, is not as dense as the Berkeley area, but your costs can get in the four and five hundred thousand dollar range.

MS. JAVITS: I mean, I think the spirit of the questions is similar to what Carol raised. I just think, you know, we have limited resources. We can only do so many multifamily buildings. If we could do twice as many units for the same costs, is this the highest and best use of our resources? And I mean, that's kind of the nature of the question. And I know you have to look at what's on the -- what's in the market, what's coming to us, but --

MR. DEANER: But I think, you know, the population target that it's going after and all the other subsidies of money that's going into this project, you know, offset at the end a very small permanent loan. So there's a number of other factors that would, you know -- would also like to see the project get built. And this is deeply affordable, 25 percent, 35 percent, 45 percent, and that's a part of our mission statement.

MS. JAVITS: Thank you.

CHAIRMAN COURSON: Other questions on the project?

MS. GALANTE: I just --

CHAIRMAN COURSON: Ms. Galante, yes.

MS. GALANTE: I have two. So you talk about the in-fill grant they clearly haven't been awarded yet, so is this conditioned on them getting their --

MS. VAKILI: It is conditioned upon getting the in-fill grant. If that doesn't --

MS. WHITTALL-SCHERFEE: It is reflected in the write-up, that it is a condition.

MS. GALANTE: My other question, which is more philosophical, I guess, but maybe the appraiser looked at this, and it's something I think we all need to pay attention to. I'm not against this, but the issue of the proportion of special needs versus you do have some 60-percent rents here and, you know, is there a marketing issue with, you know, the extremely low income rents, special needs population, and the higher 60-percent rents, and has anyone looked at that?

MS. VAKILI: The appraisal -- I got it yesterday, so I was only able to take a brief review, but the appraisal does acknowledge the fact that you have mixed population and does go through some of the implications of that in terms of the absorption. And we do have to take into account that there may be absorption issues. That's one of the reasons why we have a 24-month return and have capitalized interest reserve to cover the entire term.

One of the positives in this kind of a project is that only 9 percent of the units are at 60-percent levels. 75 percent of the units are at 50 percent or below. That is an offsetting factor, but we always have to be aware of the absorption issues and retention issues, which is why we covered that in our underwriting.

MS. WHITTALL-SCHERFEE: And we also have another project in San Jose with this same developer that had the 35-percent developmentally disabled and the 50, 60 mix, and that's Gish. And we were able -- we're comfortable that they're going to be able to rent up at a level that was similar and in a time frame that is similar to what we experienced with Gish.

MS. GALANTE: Great. Thank you.

CHAIRMAN COURSON: Other questions?

There is a resolution on page 257 to authorize the approval and commitment. Is there a motion?

MS. GALANTE: I'll move.

CHAIRMAN COURSON: Ms. Galante moves.

Is there a second?

MS. JAVITS: I'll second.

CHAIRMAN COURSON: Ms. Javits seconds.

Any further discussion from the Board?

And any discussion from the public?

Seeing none, then we'll call the roll.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-14 has been approved.

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Item 4. 08-003-C/N Salinas Gateway Apartments Salinas/Monterey

CHAIRMAN COURSON: Okay. We are on to the Salinas Gateway Apartments in Monterey County.

MS. WHITTALL-SCHERFEE: And we are trying to bring up our pictures for you.

Salinas Gateway Apartments is also a request for new construction and permanent loan financing, but it's for a project that's in Monterey County. It's in Salinas.

The project is a 52-unit apartment family complex that will be also a special needs population -- a special needs project, I'm sorry. 50 percent of the units are going to be reserved for residents with developmental disabilities, and 50 percent will be for residents with chronic illness.

The owner will be Salinas Gateway, LLC, and, again, this is a project with First Community Housing, a nonprofit corporation, as the managing general partner.

The request is for acquisition construction financing in the amount of $12,190,000 as a first mortgage at 5 percent fixed, 24 months interest only, and that is all tax-exempt money. There will also be a second, which is not -- has nothing to do with Section 8. This is a residential receipt gap loan. It starts as a 24-month interest-only loan at 3 percent, and it continues during the permanent loan phase as a 30-year term that is due and payable with the permanent loan, when the permanent loan repays.

Currently we estimate that we will be able to have a permanent loan in the amount of $400,000 at 5-percent fixed, 30 years fully amortized and prepayable within 15 -- at the end of the 15-year period if the borrower so chooses. At this point that $400,000 loan is going to be dependent upon what other sources of financing come into play, because there's a lot of other financing on this project, but that's what the project needs right at this point in time.

And Ruth is going to take you through the pictures and describe the project in a little bit more detail.

You did receive replacement pages on this project because the project summary, we were able to add in the appraisal information. We did receive that a week ago, and there were some corrections made on the cash flow that Ruth will also explain.

MS. VAKILI: The project is located near the core downtown area of Salinas. This is Market Street here. And the downtown area is along this stretch.

The location really couldn't be any better for a walkable site. Amtrak is right here. And a half block away is the bus station. The next picture will show that a little more clearly. You can see buses going by the site here. And there's our bus station. So it's really a transit oriented project.

The tenants of the property, 50 percent will be with developmental disabilities, 50 percent will have chronic illnesses. This kind of a project with its proximity to public transportation is a perfect combination and something that is very much needed.

This is a picture of the front of the property. There were existing buildings which have been demolished. The sale of the property closed about a year and a half ago with financing from the City of Salinas.

And here is a view from the front to the back of the property.

The property will consist of 25 studios, 21 one bedrooms and six two bedrooms. All of the units will be rented at 30-percent AMI. The two bedrooms are estimated to be -- here's a picture. The two-bedroom units, we project that some of the population will require a live-in, and the two bedrooms will accommodate that kind of a living situation.

Included with this project will be over 2,000 square feet of commercial space on the ground floor. And residential will be three stories above. Parking will be at ground floor.

And one of the features of this project will be that prior to our conversion, the project will be condominiumized. A condo map and CC&R will be recorded, and on a permanent basis our deed of trust and our regulatory agreement will only remain on the common area interests related to the residential and residential portion of the building. Prior to conversion, the commercial piece will close the sale.

The appraised value for that commercial piece is 990,000. And the commercial piece has already started marketing with a couple of prospective buyers interested in the property. Its location close to downtown is excellent for that kind of a use. So I wanted to note that this is the transaction that will happen prior to conversion.

This project will also have a living roof, similar to Fourth Street. The living roof serves as a calculation towards the open space requirements and also a sound insulator, and it provides the stormwater runoff offset.

The project has a conditional use permit for high-density residential, and within that use permit the City approved a reduction in parking requirements due to the population and its excellent access to public transportation.

The services for the population will be coordinated by Housing Choices Coalition, which will provide a variety of coordination and service needs.

The San Andreas Regional Center is also involved in this project, not only monetarily but also in terms of coordination. And for the developmentally disabled population, the San Andreas Regional is also providing a subsidy on an annual basis. In my write-up I had stated that the subsidy is 72,000 annually. It's actually 79,500, and that is for -- the commitment is for 30 years, and the subsidy has a commitment to increase at 5 percent per year, which is a very beneficial subsidy provided by the center.

In addition to our financing, there is an array of other financing sources. The City of Salinas is providing HOME and RDA money. San Andreas Regional is also providing a loan, and the income from commercial sales proceeds is expected to be 900,000. We're also anticipating the HCD in-fill infrastructure grant program and tax credit equity.

Are there any questions on this project?

CHAIRMAN COURSON: Questions on Salinas Gateway Apartments?

Ms. Javits.

MS. JAVITS: Well, I just -- I wanted to applaud the projects that are mixed and have developmentally disabled. I think it's an important thing for us to be doing, despite the costs. But I just wanted to raise two questions here, kind of broader questions here. One, do we ever get or can we get a list of our borrowers that shows us how many loans we have outstanding to each borrower in what amount for what purpose?

MR. DEANER: I believe we have that. I'd have to get Margaret from our asset management group, and I believe she's put that together. I'm not sure if she's here, but we can -- yeah, we can get that.

MS. JAVITS: If we could get that periodically, I think it would be useful to see who our major customers are and --

MR. DEANER: We could bring that to the next meeting.

MS. JAVITS: -- and at what pace and that kind of thing.

MR. DEANER: We could put it up as a slide for you.

MS. JAVITS: That would be great.

CHAIRMAN COURSON: Margaret, maybe you can --

MS. ALVAREZ: Actually, I just wanted to mention that that was a report I believe I gave in January.

CHAIRMAN COURSON: That was in the package when we went through the business plan.

MS. ALVAREZ: It was recently, the last few months.

MS. JAVITS: It would be great to see periodically.

MS. ALVAREZ: I can't remember off the top of my head, but it's -- what the numbers were, but it was --

MS. JAVITS: Yeah, I thought we had that.

MS. ALVAREZ: -- pretty insignificant when you took the totality of the portfolio for any one borrower's risk.

MS. JAVITS: Great. If we could see it periodically, that would be great -- that would be great.

And then second, I just thought this was sort of an instructive and something I just wanted to raise later with the business plan on the question I've raised before about management costs and replacement reserves and the differences between different projects. And here we have two projects. They're mixed use. They're for developmentally disabled. And they have slightly different structures in terms of per unit property management costs, reserves, et cetera.

And I'd like to just understand that a little better because we see all these different costs, and I know that there are many factors that influence that. One I wonder about is is there anything we've learned about the asset itself when we set these property management rates or, you know, the borrower does, or the replacement reserves in terms of the asset itself and how long before we're asked to refinance rehab? You know, is there any relationship between the two? So I want to raise it later in the context of the business plan, but I just thought this offers an instructive example.

CHAIRMAN COURSON: Okay. Are there other questions or comments?

The resolution to approve this project is on page 279. Is there any motion?

MR. CAREY: So moved.

CHAIRMAN COURSON: Mr. Carey moves.

Is there a second?

MR. MORRIS: (Waves hand.)

CHAIRMAN COURSON: Mr. Morris seconds.
Any further discussion from the Board?
Or any discussion from the public?
Please call the roll.
MS. OJIMA: Thank you.
Ms. Peters.
MS. PETERS: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Ms. Galante.
MS. GALANTE: Yes.
MS. OJIMA: Ms. Jacobs.
MS. JACOBS: Yes.
MS. OJIMA: Ms. Javits.
MS. JAVITS: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Courson.
CHAIRMAN COURSON: Yes.
MS. OJIMA: Resolution 08-15 has been approved.
CHAIRMAN COURSON: Okay. Thank you.

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Item 5. 07-014-A/S Grand Plaza

Los Angeles/Los Angeles

CHAIRMAN COURSON: Our last project to talk about is a revisit of a project that we looked at and approved in January. There have been some changing circumstances, and Jim has joined us at the table and it's all yours.

MR. DEANER: You ready, Jim, to give us the update on Grand Plaza?

MR. LISKA: Good morning, Mr. Chairman, Members of the Board. Getting up this morning, I'm always looking for a positive side, something that, you know -- to add to my -- as I look at this whole process. And I find this, you know, those that have the privilege of staying overnight at the Marriott, but there's a little note here, and it's for the housekeeping person, but it says, "Sure, life can be messy, but that's why we're here."

And with that, yes, we are here today to revisit Grand Plaza. We spent a lot of time on this project. As you know, we approved this back in January of 2008. Just to refresh your memory it's a 302-unit senior citizen project. Average age is something like 78. A lot of the residents are Mandarin, Cantonese, and they are very concerned about what's taking place at this project.

When we entered into this relationship back in January, we had two administrative partners, AIMCO and the Richmond Group, and we had a managing nonprofit general partner, Las Palmas Foundation. What we have before us, what has evolved over the last few months is that we now have a buyout in which AIMCO is leaving the project, and we have the Richmond Group, which is the primary administrative general manager, and we still have the managing nonprofit Las Palmas.

When we went into this with our financing transaction, we had a first mortgage of $16,400,000, and then we were trying to do something very creative with the B piece of $3 and a half million through a private conduit financing. And I think both internally and externally we've worked very hard on this project to try and get it to the table and get this rehabilitation, what have you.

And we, in fact, had the involvement where our executive director issued two letters outlining benchmarks, steps, that had to be taken in order for us to make this a conclusion where we could get this under rehabilitation.

Unfortunately, we did sell bonds April 24th of $16,400,000 on the first mortgage, the tax-exempt A piece. The B piece we have a deadline of June 2nd, and we had extensive conversations as late as last night with CRA, the County Redevelopment Agency, which is involved in this project. They have CC&Rs on this project. We also had local participants from the community attending the meeting, trying to go through it. We had a representative from the Richmond Group. We had the managing general nonprofit. And we had myself and Margaret Alvarez, who is the chief of our asset management division, at that meeting.

And I think in conclusion, you know, reluctantly we have come to the conclusion that the B piece will be recaptured. We will return that to CDLAC. It may not be a bad thing, since we understand that CDLAC is oversubscribed and that money can probably be better used.

And AIMCO at this point -- I mean AIMCO is out. And the Richmond Group has indicated that they will still continue in the transaction and put in the money that would have been the B piece. I admire them stepping up to the plate, still wanting to do the transaction and move forward on this.

Another final piece in this is that -- and I ask that we, the committee, the Board cut this latitude to us that we still want to see if we can close this project in late June and not have to go back to the Board, but another piece is that the tenants are concerned. The CRA is concerned here in the City about increases that we were proposing. As you may recall in our earlier Board session, we were going to limit not more than a 6-percent increase for existing tenants, even though this project will be a hundred percent low income tax credit project with 30 percent at 50 percent and 70 percent at 60 percent.

There is no Section 8 project based at this project, but there is 150 approximately Section 8 housing vouchers, which are portable, obviously with the tenants. We are willing to step back, and we're making a recommendation here to step back and work with the Richmond Group to see that -- how we can reanalyze. Instead of a 6 percent, that maybe we can look at a 4 percent, 4 percent, 4 percent for the first three years, rent increase to the existing tenants, followed by possibly another three years at 5 percent and then top capping it at the seventh year at a 6-percent increase.

This is an ambitious look to see how we can structure this and maintain the integrity of the rental structure and not cause an undue rental increase to existing tenants. CRA has advocated this. The tenants organization has advocated this. Our reply is that we will look at this with the Richmond Group and see how we can structure it.

Our piece that I'm recommending is that we step back and work with our finance department, my director, Bob, and housing asset management, Margaret, to see how we can restructure this and maybe extend the initial rehab period to construction period from 12 to 24 months.

We do have existing reserves, replacement reserves, on this project that we can possibly utilize. And then we also -- even though this is a non-Section 8 project, maybe we did have some foresight when we went and entered into this transaction, but we do have an existing transition operating reserve of approximately $570,000.

I believe that we can set up a sinking fund to create a rental subsidy to help offset the proposed rental increases that were going to take place. And we can step back and do a 4-, 5-percent increase to the existing tenants so that they have a comfort level and they still have a place where they feel that they can pay the rent and not be squeezed along with the other economic factors that are influencing their lives today and that we can offset, you know, what the Richmond Group is trying to accomplish here. So it will be a structured rental increase that will be offset by the sinking fund, and I truly believe that we will have enough money to do that.

So I'm asking not only that we're losing a co-general partner here, which is primarily what this resolution was about, but also that we take the -- that we get a -- within this collar, this parameter, that we're looking at to look at restructuring how we want to derive rent increases over the first three years so that we can create a comfort level to the tenants in the project.

With that, I'm open for questions.

CHAIRMAN COURSON: Questions?

MR. DEANER: I'm looking at this side of the table, so.

CHAIRMAN COURSON: Well, I'll -- obviously, this has been an acrimonious situation between some of the principals involved. Is that over now?

MR. DEANER: Yeah.

MR. LISKA: Yes, it is over. We believe we truly have a great solution, a good partnership, a partnership that wants to move forward on this. And based upon that belief, you know, we want to see what we can do to work with them and make this a successful project.

MR. DEANER: And we should mention too with this new structure that we are restricting all of the rents. The old structure was the old 80/20 where it was only 20 percent of the units at 80 percent of median income and the rest at market. Under the new structure, we're at 30 percent at 50 and the rest at 60. So it is deeper affordability and a better structure for the tenants, with some slight increases that we're trying to work with them that it's amenable for everybody.

CHAIRMAN COURSON: And are we satisfied that the Richmond Group, who obviously is picking all of this ball up and moving forward, have we worked with them before, we have experience with them and are confident in their capabilities?

MR. LISKA: I have not personally worked with the Richmond Group before, however, I do know their -- I do know of the Richmond Group. I do know of projects that they have done other than our financing. I feel comfortable that they are committed. They do want to become involved in this project. They want to move forward.

And, in fact, you know if they do make this investment of $3 and a half million, that is a real commitment saying, "We are going to put our money where our mouth is, and we are committed to doing what we can to work with this project."

They also wanted to go back and revisit with the tenants and maybe do a better job than what was done previously of trying to explain the rent increases, how they are going to occur, how it's going to be softened. They are willing to look at and they are analyzing right now how they can do these minimal gradual rent increases rather than maybe the 6 percent that we were discussing previously.

So I -- they are receptive, and I -- obviously I feel that they do -- are making the outreach and they do want to enter into a partnership with us.

CHAIRMAN COURSON: Other questions?

Ms. Galante.

MS. GALANTE: There's obviously a lot of back story here, and I'm not sure I am understanding really exactly where we are. I can see you're trying to make lemonades out of -- lemonade out of lemons here. So let me, just if I could, back up a minute.

I'm trying to understand the exact status that we as CalHFA are in with relationship to this project and if we just said, you know, this doesn't pass this mettle test and we don't want to do it, where are we?

MR. DEANER: We would --

MR. LISKA: We have already, you know, sold bonds for $16.4 million. You know, we -- yes, it's an ugly situation with CDLAC. You know, if we have to return those funds, I think we can have an adequate explanation on why we did what we did and what our reasoning process was when we made that decision to go forward and go for -- expend an increment of tax-exempt bonds, but we'd have to unwind that deal, and that would be -- you know, that has some ramifications to us.

On the other hand, you know, we are giving back this

B piece that, you know, that we thought that we could go forward on. It just didn't work out. So we're halfway in, and we're halfway out.

You are right. I don't want to present before this Board who shot John, how we got, you know, where we are. But I think right now it's just we do have a -- I think now that the partnership has been settled, we have somebody dedicated to this project. They do want to move forward. They do want to sink their own hard money into this deal and based upon that they're willing to revisit this whole tenancy and rent-increase issue. We're going to be their partner in this, and we'll go back and we'll also see how we can contribute and still give them a proper rate of return on their investment and, you know, have this a successful project.

MS. GALANTE: So -- so this is an existing property?

MR. LISKA: This is existing.

MS. GALANTE: It has an owner that's going to get paid off to the tune of $20 million?

MR. LISKA: $23 and a half million.

MS. GALANTE: $23 and a half million.

MR. LISKA: Yes, ma'am.

MS. GALANTE: I mean, I'm just going back to this, let me call it, churning issue that we're involved with a little bit here. So we've got a current owner. You've got someone who wants to buy it, pay $23 and a half million, and we are turning ourselves inside out and upside down to make the loans work so we can pay off what appears to be a nonprofit corporation $23 million. I mean, you know, I had some concerns about this last time around, but, you know, AIMCO is buying the B piece, et cetera, et cetera. So that's one concern.

The other concern is I have a lot of respect for the Richmond Group, but they're a tax credit equity investor, they're not developers. So -- so has Las Palmas as the nonprofit GP ever been a sole developer?

MR. LISKA: No. Las Palmas has never been a sole developer. They have always been in concert with a specialized or administrative general partner.

But this is not churning. I mean this is -- you know, the tax credit period was up back in December of 2006. I'd have to refer back to my notes. And, yes, we have gone through a period of time looking at is this an unrelated transaction? And it's been -- but you do have the partners that have moved back and forth. And we are showing that, you know, it is an unrelated transaction.

But you still have to have that, somehow, this infusion of tax-credit money to move into it and extend the affordability. What we're talking about, the existing tenants, we're trying to keep them in place.

We're trying not to what I call unduly impact them with an increase in rent. We're still not at the 50-percent, 60-percent levels when we start out. And this whole procedure of working over somehow this next five to seven year period is to gradually increase those tenants in place without penalizing them and forcing them to move out to someplace else because they can't pay a 50-percent AMI or they can't pay a 60-percent AMI, and it's been a real struggle.

And your point earlier on refinancing, I mean, we have been grappling with this now easily for the last 18 to 24 months. And this is high on Bob's radar, to try and come up with some type of program that works and makes sense to this group. And we're just not there yet. And it's not for lack of trying, either. I mean, we have spent a lot of brain damage just exploring what you're advocating.

MS. PARKER: Let me just say one other thing for the Board members. Bob, when he first came on, sort of picked this up and has been living it. But this project has involved all of the multifamily staff, including myself and Tom, a great deal of his legal time.

When we started the serious discussions about this really last year, it was almost, you know, what is the worst of all evils? What's the -- there was no necessarily great solution to this. And I think we tried to come in here and do something that at the end of the day we thought would have the most benefit for the tenants impacted. Because if we had not been involved, we -- there was no regulatory restrictions on the rent increases that the owners could have given to a substantial number of the tenants.

And, you know, so this is -- this is a -- there has been a lot of local controversy about this. And what we try to do, again, is to come in and save a project and keep as much affordability and get more affordability for tenants who otherwise -- what we had understood that the threat was they would have to find some other kind of housing. The rents would be raised, and there would be -- you know, that would be the way it would be.

So I think what we're trying to do now, we've taken a very hard line from the standpoint of we've already sold bonds for the 16.4 million, but we were adamant that we were not going to go forward with committing another $3-plus million worth of bond cap for a project and in that sense particularly as Jim said the demand before CDLAC is so great and in that sense pretty much said, "If you want to continue to go through this, you're going to have to put your own money up."

So we have tried to be as economical of use of the resources, tax-exempt financing, and also be mindful of the tenants. And I think as we sometimes say around the office, it's not so much that we've been as creative as we can. It's kind of it is what it is.

CHAIRMAN COURSON: Questions?

At what stage does the $3 and a half million -- do we see that $3 and a half million in this project from Richmond?

MR. LISKA: At closing. When does that cash come in? Is that your question?

CHAIRMAN COURSON: Yes.

MR. LISKA: At closing. And again, we're targeting closing for late June, and that's why part of this discussion is to ask the Board to give within this discussion, which is a little bit extended of the resolution presented before you, it's been evolving, but I think we're at a point now where it makes sense. We want to close the deal. We want to move forward. We want to get this project under rehab. We want to go back to the tenants one more time to explain what is transpiring in the rents, which is more important to them than what we're doing with the scope of the rehab.

CHAIRMAN COURSON: Ms. Galante.

MS. GALANTE: Yeah, I guess, a question and comment. I understand that there's a dilemma here with the regulatory period expiring.

MR. LISKA: Correct.

MS. GALANTE: I just have an instinct -- and you can correct me if I'm wrong -- that there's an empty threat, that if this property were not sold, you know, I just don't see anybody coming in here to buy this property and kick these people out and increase the rents. So I feel like we're responding to what's really an empty threat. You know, we've seen some of these controversial projects in Los Angeles where that has happened before.

MR. LISKA: Yes.

MS. GALANTE: And you know, if we weren't enabling people to pay this kind of money to buy this asset, I'm not sure the rents would really go up, but I understand that, you know --

MR. LISKA: Well, you know, you do. You have a for profit, and the dilemma is if you don't have a pure hundred percent nonprofit, you are right. I mean, you know, people want to move on in life. They want to do something else. They want to -- you know, they're trying to establish a stage. They're trying to retire. They're trying to -- whatever reason, they have now made an economic decision that they want to sell their property.

And what is lost -- what shouldn't be lost in this conversation is, yes, this project does have the possibility of going up to market. Will it? You are correct. There's a lot of political intrigue here, a lot of political machinations going on as far as how this is developing and evolving.

But I think what everybody -- we don't want to lose sight of, our ultimate consumer here is that tenant and how can we keep that tenant living in the project with minimal rent increases and yet do the sort of stuff that we want to do as far as extending that affordability. And again the tax-credit project doesn't do it just by itself. And the soft financing is very tough these days. It's drying up. It's not there.

And so stepping back, I -- your comment is appropriate, but on the other hand I think what we are doing, again, is we're gently moving towards where we're recapitalizing this project to fix it up. We're trying to curtail excessive rent increases to the existing tenants. And, yes, the bottom line is we do have an exodus of a partnership. A divorce is a divorce, and you just have to move on in life. And --

MS. PARKER: Carol, let me say one more thing, you know, because we -- we spent a great deal of time, I did personally, about this item. I don't like idle threats. We had several meetings with these parties. And the problem -- part of the problem, too, to remind everyone, is this is a project that's in our portfolio, and I think there was some delight expressed by some of the parties that to the extent that they then -- because the regulatory agreements were off portions of these units, they could raise the rents, and it -- you know, this would be our project and it would be a reflection on us that people could point to as a convenient entity to go to as a governmental entity, how you could let this happen.

We -- we tried to do the best job we could do with the circumstances that were presented to us to address exactly the kinds of concerns that you're raising, and we hope that as staff we have done the best job and you will accept our recommendations as recognizing that we took all of those issues into consideration.

MS. GALANTE: And I appreciate that, Terri, and I can see -- I can see the torture on Jim's face that, you know, you guys have worked this really hard. I partly am drilling down so much because I will vote for it.

MR. LISKA: I appreciate that.

MS. GALANTE: But I have to say I am going to look extremely hard in the future at these developments where there is essentially a sale of a portfolio loan. The sellers are getting too much money from these sales, and we are enabling it. And we are enabling it through this threat that the rents are going to go up, that they're going to be able to go sell these on the open market. I do not think that's a really -- a real reality today. I don't think they could sell this on the open market for the kind of money they're talking about, and they're not going to get away with throwing these people out on the streets in Los Angeles. I just don't -- I mean, that's in my heart of heart, you know, now we're playing a game of poker here and you guys have done the best you can, given those set of circumstances, and no one maybe wants to take that risk, but I'm going to look very hard at these in the future because I don't like what I'm seeing.

And I do think that if you had a refinancing program that was an option for existing owners, you know, you could separate a little bit where people are really just trying to make -- actually do real rehab and make a current portfolio project better versus people who are just, you know, trying to get out and make a lot of money, so.

MR. LISKA: Well, as a sidebar, maybe we should spend some time with you and explore some of your observations and maybe go through some of the mechanics with you, and can just see, you know. I mean we have worked on this, I think, on and off over the last few months, and we are still in a stuck position.

In conclusion, I did get a crib note here on Richmond so I want to share it with you because you asked the question. Richmond has developed nearly 15,000 units throughout the country and -- I know, but a lot of it was new construction, but, you know, I think they're on the right path. And, again, money speaks loudly, where they're actually putting in $3 and a half million here. And I would like this group to take that into consideration, that they are committed when you talk that type of money into this deal.

CHAIRMAN COURSON: Are there any other questions or comments on the project?

There is a resolution on page 281.2. That is a resolution that will authorize the modification of the final loan commitment that we approved in January. Is there a motion to approve that resolution?

MS. PARKER: Mr. Chairman, just a point of clarification.

CHAIRMAN COURSON: Yeah.

MS. PARKER: I'm not sure that we need to ask for what might be a modification to this resolution, given what Jim has asked for specifically, and I would ask Tom to give us some sense of that. Do you believe the resolution as stands is broad enough to encompass what Jim had asked the Board to give them, flexibility if they need to make some adjustments to the rent considerations over the next one to seven years?

Jim, is that correct?

MR. LISKA: That's correct, yes. I'm not asking for anything with financing terms or anything else, but I am looking at the -- revising the cash flow and increases and I just want to disclose --

CHAIRMAN COURSON: We are authorizing a change in the ownership structure.

MR. LISKA: Yes.

CHAIRMAN COURSON: So clearly that is an activity that would be approved by the Board.

MR. HUGHES: And, again, this reflects partially the dilemma that we have to provide these documents in advance, and the deals change sometimes on a daily basis. The resolutions do provide that it's subject to terms in the staff report and the conditions or terms that are imposed by the Board in the minutes of the meeting. So we can -- we can either -- that would probably suffice or we can actually write into the resolution any additional terms that --

MS. PARKER: Or ask the Board, whoever makes the motion, to take that into consideration in the motion.

MR. HUGHES: Right. And if there are -- usually if there are substantial terms that the Board imposes, which doesn't come up very often but does happen, then we usually go back and take the resolution and rewrite it to reflect what actually happened. The resolutions are only drafts in trying to anticipate in the future, really.

CHAIRMAN COURSON: I'm not -- the Chair is not clear what that all -- should we approve this resolution, or is there another motion that would be appropriate?

MR. HUGHES: I think a potential motion would be to approve the resolution subject to any additional terms that were discussed and -- with the Board and reflected in the minutes, which is pretty much in there, but we can go and -- I'm saying we can either take the existing resolution or, if you prefer, we can write in additional terms that were discussed.

CHAIRMAN COURSON: Well, unless I'm missing something, the second part of the resolution says the executive director may modify the terms and conditions of the loan as described in the staff report, which we've talked about increasing rents, we've talked about 4, 5, 6 percent, provided the major modifications as described below would come back to the Board and points those out, so I'm -- I guess I'm not sure what's not in the resolution that should be there.

MR. LISKA: Well, I think what's not in the resolution, again, is we will be recapturing this B piece. We sort of said at the bottom all other -- if I have the right resolution, all other terms and conditions, financing, loan amounts, models -- okay. So all right. Sorry. But that is a change.

MS. PARKER: Well, and I have the chance to make modifications within a certain percentage.

(Reporter interruption.)

MS. PARKER: My authority is to make some modifications within certain financial percentages. I just --

CHAIRMAN COURSON: Well, increasing the amount of the loan by 7 percent.

MS. PARKER: It can be --

CHAIRMAN COURSON: Which is what's in the resolution.

MS. PARKER: Right. It can or major modifications. We're just trying to be mindful of, you know, of making sure that the Board is clear, given where we need to go with this project.

MR. HUGHES: Right. What I would propose is that I can simply modify this resolution to reflect anything that is -- it will be approved to the extent of anything that's in the minutes.

CHAIRMAN COURSON: I'll make --

MR. HUGHES: Plus the Board's comments.

CHAIRMAN COURSON: My suggestion is we approve, if the Board desires that action would be to approve this resolution. Clearly we have a record. We have a discussion about the ownership change. We have a discussion about the B piece. We have a discussion of the rental plan over a five to seven year period. So it's all there on the record. And I think that by voting yes a director would be voting based upon the facts that they --

MR. HUGHES: Correct.

CHAIRMAN COURSON: -- were provided.

So I'll come back and ask my same question. Is there a motion to approve resolution 8-16?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Mr. Carey seconds.

Is there any further questions from the Board?

Any discussion from the public?

All right. Then let's call the roll, please.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Thank you. Resolution 08-16 has been approved.

CHAIRMAN COURSON: And thank you for all your presentation today and for your work on this project that has been difficult.

We're going to do one more report on the Bay Area Housing and then take our break. I think it will be a brief.

Kathy, thank you.

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Item 6. Update on Bay Area Housing Plan

MS. WEREMIUK: Chairman Courson, Members of the Board, it's a pleasure to be here with you again today.

I thought I would do this in color today. This is an update, not a discussion of a project. Sorry about that. Someone fixed my slides and fixed them slightly incorrectly.

The Board committed $105 million on this project. We currently on a staff basis have approved 51 of the 60 group homes that were previously -- that the Board gave us authority to approve. It's around $80 million. We estimate that when we purchase all of the loans we'll be at 101,720,000. That number, I think, will go down a little bit. Numbers have been going down as we purchase houses.

The regional centers to date have put in $10,785,000 in equity. They're committed to put in 9,455,000. They're above that amount. They have 11-3. I also anticipate the full 11-3 will go in by the time that we close the transaction.

Our original commitment expiration was set to be September 30th of this year. The project is going to have a three-year build-out and not a two-year build-out. We've currently extended our commitment to March 31st, but Bank of America, who's our partner and construction lender in this, has a commitment only to September 30th and we won't be completed by then, so we anticipate that they will extend again and that we will likewise have to extend or be requested to extend for six months.

Bank of America was only -- only had a commitment to lend up to $60 million to be able to take properties off of their line. We committed 60 million in -- from our line of credit with which we're purchasing properties. The first bond sale date we're not sure of yet. Bruce Gilbertson gave you a report on that at the last Board meeting. Bruce and Tom have been -- are still in discussions with Moody's. We anticipate that we will be getting some report back from their credit committee over the weekend, I believe. Tom might want to speak to those discussions.

MR. HUGHES: Yes. Bruce and I have been in a number of conversations with Moody's, and we are hoping that we can get some action by them this week. If not, the Moody's representatives will all be in Tucson at the NCSHA event, and Bruce and I are going down there. And if they haven't resolved the issues, we'll be meeting with them in Tucson to provide any additional work that they need.

MS. WEREMIUK: We have had a good series of discussions with them on the bankruptcy issue and with great materials presented by Tom, and they were satisfied with the presentations that we gave, so we -- we don't know what the outcome would be.

To date 33 of the homes are completed. We have an estimated purchase total of 57 million, with those houses that are currently complete. We've purchased 13 of them. Eleven are in the closing process. Closing process takes about five weeks. It's a pretty quick turnaround to close on these.

And there are another 13 homes that have either completed or are in final punch, but we haven't yet started our piece of the closing process. And ours really starts when the regional center accepts the home and the lease payments start to flow. This deal is funded with lease payments, so we don't get -- we don't start our closing process until the regional centers have started to pay on their releases.

The remaining 28 properties are in a later phase. Eight of them are already in construction. Seven the Agency has approved, and they're waiting to be transferred to Bank of America and picked up by Bank of America. And ten are currently owned by the owner. Mechanics Bank has a loan on them, but we haven't yet approved them, and they haven't been transferred to the banks, so construction doesn't start until they get into the Bank of America line.

Construction has started to go very quickly on these, but the last ten are new construction, and we don't have a time line yet on how long it's going to take to newly construct the last of the homes. Branna

Construction has been involved in that. We've been really thrilled that the level -- because of probably the difficulties in the housing industry, the level of contractors that have been able to be pulled into this has really gone up, and we have seen speed and quality as a result.

I thought I would just -- I'm going to show you one of the homes that we recently stabilized and agreed to purchase. It's in Alameda. It has a loan purchase amount of a million-two. The rehab on it was $330,000. A lot of rehab, mainly because of the accessibility. The regional center put in almost 200,000 in equity. We will be holding 200,000 in reserves. The total development cost was a million -- almost a million-five on a three-person home. It's going to serve people with behavioral difficulties. The service provider will be a nonprofit.

They purchased the property for 719. The appraisal was 725. The as-completed appraisal with the 330 of rehab went up 125,000, and we're generally seeing a small increase in appraised value, although in some instances we do a second -- a third appraisal on these and we've seen some decreases in actual value in -- especially in this market, price -- values have gone down about a hundred thousand.

Our loan to value with all of the reserves financed is 152 percent, but we're really funded by a lease, and the lease payments have started.

This is the home as completed. And I'm just going to go through these a little quickly to give you a sense of what the final finishes and the final product looks like. It's a very livable environment. The residents and the families of the residents who have moved in have been delighted. It's had very good reception.

This particular home is licensed. It will be staffed 24 hours a day so that we don't need handicapped accessible kitchens, but the home is completely outfitted for people to be able to be in wheelchairs if they needed to be.

The laundry facility is a major piece of this.

Very nice living spaces.

And this is a bedroom. People who are living here may have lived in Agnews for 40 years, never had a bedroom of their own before, have always shared.

The bathroom facilities, of course, are completely handicapped. A little bit of sense of humor in the bathrooms.

And this is a staff bathroom.

Outdoor facilities there are completely accessible to the residents.

CHAIRMAN COURSON: Thank you, Kathy.

MS. WEREMIUK: Thank you.

CHAIRMAN COURSON: Any comments?

We're going to -- I really appreciate it, and it's nice to see some of these plants that we talked about a few years ago come to fruition.

We're going to take a break. We'll come back at 11:30 and continue on with our meeting.

(Recess taken.)

CHAIRMAN COURSON: The -- I would like as the chair -- if this was -- if my grandsons had done one of this, even a grandfather would have sent them to time out. After talking about including reports and servicing reports and MI reports, it's been pointed out to me -- I found it actually on my own, I must admit. On page 421 are those reports. So I will tell you that I have been outed in the fact that I always read the book diligently up to the report section, which I save for my later enjoyment, and so I did not see those pages in there. So the reports are there.

And we have talked a little bit at the break about maybe even making them a little more extensive and so on, but they're important. They are on pages 421 to 424, and I'd call your attention to them. They follow up on the discussion we had in January.

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Item 7. Discussion and possible action regarding changes to the Compensation Committee Charter

CHAIRMAN COURSON: Okay. Having said that, the next item on our agenda is a follow-up item and approval item to our discussion at the -- at our last meeting. And we know we spent a substantial amount of time talking about at the Board level the eight recommendations -- the nine recommendations that had been encompassed as part of the outside counsel's work and some recommendations put forth by Board members regarding compensation, compensation practices, the compensation committee charter.

And on page 303 we have -- Tom has issued a memo briefly summarizing really what we talked about. And you know that -- I'll just recap that there were resolutions 1, 2, 3, 4 and 6. When we talked about that, we made a decision to retain the compensation committee, that contracts that would be entered into would be reviewed by the compensation committee, and then the committee would then take that recommendation to the full Board to enter into the contract, and the executive director would be authorized and directed to sign. That was -- I had a long discussion on that, and that was the essence of that conversation.

The second thing we've talked about the -- item No.

5 or the recommendation No. 5 and talked about that the committee would create a balanced compensation process avoiding the perception of any conflict of interest, and staff would be involved to the extent necessary to provide the information under any contract that we entered into.

And then we went on and considered items that had to do with conflict of interest. We spent a great deal of time talking with that and other, if you will, conflict of interest provisions that guide the work at the Board and made a decision not to take any action.

So what staff has done, the legal staff has done, is took those actions which we approved at the Board meeting and put them in resolution form. And those are on page 305 and 307, 309. So I hope you've looked at those. One of the questions is -- there's no action necessary unless someone on the Board believes that the content of those resolutions or the actions we took are inconsistent with what the intent of our activities were.

And having said that, our -- the other thing that we did then is we instructed staff to take the actions that we approved and amend for our consideration the existing charter of the Compensation Committee. So what you have on page 311, 312 and 313 are the changes to the compensation committee charter that result from the actions that we took in March.

And our task here today is to look at those changes, have any discussion that we want to have, and the action that will be in order will be a motion to approve the amended or the revised compensation committee charter that is in front of us.

Comments? Questions? Discussion?

Motion to approve the revised charter?

MS. PETERS: Motion to approve.

CHAIRMAN COURSON: Ms. Peters makes a motion to approve the revised compensation committee charter.

Is there is a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Discussion?

Is there any discussion from the public?

Mr. Hughes, you're sitting there looking like you may want to say something.

Okay.

MR. HUGHES: I'm amazed that I haven't had to.

CHAIRMAN COURSON: All right. If not, then if there's no further discussion, we have a motion and a second to approve the revised charter. Let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-17 has been approved.

CHAIRMAN COURSON: Thank you.

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Item 8. Discussion, recommendation and possible action regarding the adoption of a resolution approving the Five-Year Business Plan for Fiscal Years 2008/2009 to 2012/2013

CHAIRMAN COURSON: We're going to spend the rest of our -- not the rest of our time. We want to make sure we get some time for the financing report, but our next item -- two items, one is the business plan, and the second is the budget.

As you know, at our last meeting we spent a substantial amount of time, a good part of the time, talking about the business plan. And Terri is going to lead us through that, but I think it's fair to say that what we're looking at today is really sort of the finalization of the -- we had presentations by all the different staff managers last week -- or last meeting, and this really takes that -- those discussions and puts them in final form.

So with that I'll turn it over to Terri.

MS. PARKER: Thank you, Mr. Chairman.

With that introduction, yes, what we have proposed and obviously if you look in your book and beginning on page 323, you'll notice that very spiffy color, while it's not a tab, it does provide a -- a header for the introduction of the business plan.

We very much appreciated the very productive conversation, discussion, of the Board at the March meeting of our recommendations and perspectives of what we should be bringing back to you in the financial environment, what's happening on Wall Street, what's happening in the California real estate market.

And we -- as Bruce will go through in his later reports, I think we have positive news with the proposal that we put in place at that point in time, and this is a continuation of that. We think we are on the right track.

So this really reflects the March proposals as far as proposed production levels and lending programs. It continues to recognize in that sense that there are difficulties in Wall Street with access to liquidity and concern about the amount of variable rate debt we have and an approach to try to mitigate that going forward.

Also it continues an approach to obviously focus on rental housing production through the introduction of the MHSA program where we expect to actually make loans this year. The continuation of Bay Area Housing and an increase in the construction and acquisition loan programs that we have, not done as much volume as we have had in the past.

We are focusing our efforts in the single family area from -- away from some of the special lending programs that we did, HELP, RDLP, Habitat, to really use those resources to be available to deal with the delinquencies that we're seeing in our own portfolios, to be able to get those houses back in the market, back in the homes of first-time homebuyers, to, one, obviously make sure that there's a positive -- as much of a positive recapture to our balance sheet as we can, but also to continue to provide affordability at this point in time to first-time homebuyers in California.

I would briefly mention that we did -- when we did this business plan, tried to include a little bit more information in the executive summary. I hope you found the information that we tried to include in that a good introduction for what is to follow as far as a proposed plan.

If you will notice, we have included on page 7 what we believe will be close to our production levels for the current year. We are not expecting to meet our homeownership goal of 1.5 billion, but rather have been 85 percent of the goal. Obviously that's a reflection of what's happened with the marketplace.

The mortgage insurance program has met a greater percentage of its goal, but that's really more a reflection of the percentage of loans in our portfolio that have MI coverage as opposed to alternative MI or some FHA or VA type loans.

Multifamily, I think that's hopefully perceived by the Board as good news with us trying to do 114 percent of what our goal was. And I think a lot of that is a reflection of being able to now be a hundred percent staffed with senior managers and the talented staff in multifamily we have.

Special lending programs, the percentage of goal is down, but that's really a reflection of our suggestions of not doing the second half of some of these programs to redirect those resources into really our first mortgage lending program.

We can go through the slides. And as you can see, we have a proposal to do $6 billion in first mortgages. We are going to continue to do our down payment assistance program.

Some of what we continue to have as a challenge to us is the impact of our MI and the tightening in the credit market with respect to loan to values, credit scores, et cetera, that we are having to absorb, just like the rest of our colleagues in the HFAs and in that sense in some respects the rest of the lending market, period.

I think the one benefit about it is that we are going to try to be -- use what flexibility we have in this real estate loan program where we have got $200 million to continue to have the flexibility of providing a hundred-percent LTVs, trying to get discounts on these properties from some of the current owners of those properties to provide as much affordability to the 800 to a thousand loans that we will be able to do once we kick this program off.

We have proposed for multifamily a billion and a half. And, again, that's a combination of new acquisition loans, Bay Area, MHSA. We are just about to complete the interagency agreement with the Department of Mental Health. There has been ten counties, I believe, that have committed their MHSA funds to the tune of $105 million that as soon as the interagency agreement is signed will be transferred to the California Housing Finance Agency for us to begin to approve.

In-house we have talked to -- Kathy and her staff have talked to potentially 43 to 45 projects that may be applying for those MHSA funds, so we feel we're really ready to rock and roll finally on that.

The plan in total is 10.2 billion. It is down from the prior years, but again, that's a reflection, if nothing else, some of the constraints that we're under, some of what's -- the market constraints are. But we feel it's a -- hopefully a realistic and achievable goal.

This gives you the landscape of the five years. Again, it's a -- shows you by single family, multifamily, asset management, the GO bond programs, what we have proposed as production levels for us to come back and measure our performance against for this next fiscal year and the upcoming future to give certainty to our lending community. Clearly the current year -- well, the 2009/10 -- excuse me, 2008/9 year will be what we'll be talking about in a few minutes when we present our operating budget to you.

This really is a segue into our operating budget, so I'm going to stop here and really open this up for questions to the Board from the standpoint of the resolution for the business plan.

CHAIRMAN COURSON: Are there questions on the business plan?

There is a resolution. Somebody will have to help me.

MS. JAVITS: I do -- I have several questions.

CHAIRMAN COURSON: Oh, please, go ahead.

MS. JAVITS: Thank you for all -- all this is tremendous work. It's very informative and, you know, I think trying to do really well with given the constrained resources and the changes in the market.

With that, I did have a couple of different questions. And I asked this last time. And there's a lot of detailed background here on the numbers of people that have been affected by the mortgage meltdown, but in terms of who we're going to impact with the money that we're allocating to these different programs -- and I know that that's difficult to assess because, you know, you have to make some assumptions in order to do that, but do you know at all -- I mean, if we've looked at the allocation to, for example, on page 335 to homeownership versus multifamily, the number of people who may be put into a home as a result of what our investment at what income levels? Do we know that? Or can we make some assumptions and figure that out?

I mean, because as a Board, I mean, you've drilled down on this much more deeply than we can, but sort of at that high level are we using our resources to impact as many people as possible and, if so, at what income levels?

MS. PARKER: You know, part of it is somewhat of a crystal ball. I think what we can say on the homeownership side is we have looked at the percentages of our loans in this last year that are going to low incomes increasing from what it has been in prior years.

I think we can also say that what we have proposed to do and this chart that Bruce has here really shows where we're proposing to use the HAT funds, and that's really -- I think this is the funds that's the greatest amount for the Board to decide where it wants to set priorities and make maximum public benefit.

But as -- because of the limited amount of bond cap that we will have to do first mortgage lending programs and the demand that we have been faced with that what we have been doing over the last several months is either increasing our rates, tightening our underwriting criteria, or we will eventually get to a point in time that we will be restricting the income limits or sales prices that we will be imposing because we will have more demand than we can achieve.

What we will do then is to push down our criteria so that we will reserve our greatest amount of mortgage lending to those people who have lowest incomes and certainly in high impacted areas. But it's almost a situation where we can tell you what we can do, but what will come in the window is difficult for us to project, depending on, again, what will be in the market that, you know, will be out there.

I don't know whether Bob can do a better job of what he has been seeing coming in the pipeline of trying to give you a feel for the projects that he is seeing on the multifamily side. But I don't -- I don't know and I certainly can't say that we've tried to get in and do the depth of the kind of analysis that you're asking for, Ms. Javits, because I'm not quite sure how we'd do it.

MS. JAVITS: Okay. I have a few thoughts about that, but I think we can talk about that off line, and I think it would be useful to us to know how many people we're touching and at what income levels with the money that we've got. I mean, I think that helps us figure out --

MS. PARKER: We certainly can --

MS. JAVITS: -- what allocations make sense.

MS. PARKER: -- report to you because we have detailed reports and we'll bring these next time to you. We can show you, you know, where our loans are, what the income levels are, what the ethnicities of the markets we serve. Because, you know, the greatest proportion of our loans really go to minority borrowers, so we can show you, you know, loans, location, where they're going, some demographics, and perhaps that would at least be a good start for us. We do have those same kinds of slides for income levels on the multifamily side. I think we used to include them and maybe we just have neglected to continue to provide --

MS. JAVITS: That would be great.

MS. PARKER: -- what we have in the past.

MS. JAVITS: And numbers of people. That would be great.

Just a couple of other questions on this piece. One, the impact of any potential federal legislation, how have you thought about that?

MS. PARKER: I think what we've said in our document is that we've tried to make assumptions for this business plan on what we know today. And certainly with respect to the business plan and the operating budget, if there are changes that provide us significant opportunities, that we need to come back to the Board for either -- to propose new programs and/or impact on the operating budget, you can be assured we will be here.

But right now we are assuming this based on the current constraints that there are in the marketplace, the current constraints that there are in bond cap, which I have to tell you that's one of our major constraints on the homeownership side. We could do more lending if we were able to have more bond cap.

CHAIRMAN COURSON: Ms. Peters.

MS. PETERS: I just wanted to add on that note that the Governor recently sent a letter to Congressional leaders on a number of issues, including loan limits, and in that letter he supported additional bond cap.

CHAIRMAN COURSON: Yeah, that's the pending legislation for the $10 billion of additional bond cap for two years.

MS. PARKER: You know, in addition to the other --

CHAIRMAN COURSON: Oh, Mr. Carey.

MR. CAREY: I just want to reinforce I appreciate hearing the emphasis on the reach to the low income and the minority borrowers in homeownership. I think that it's easy in trying times to back away from that reach. And I was struck by the term stringent underwriting in here several times, and I just want to be sure that -- and I'm hearing it very effectively and I appreciate it -- that our reach is towards those that others can't lend to in the world of homeownership.

MS. PARKER: Right. We have gone to partners with Fannie Mae. We've gone to our partners Genworth to try to push our ability to do as high a loan to value as we possibly can. And, you know, in some areas we've been successful and some areas we -- we have not been, but that's not going to defray from continuing to make the arguments.

I guess I would also add that, as Mr. Courson said earlier in his comments about what's happening in Washington, if the Dodd bill is any indication of what might come out of some kind of housing stimulus, a good part of those moneys may be moneys that really are more targeted to the kinds of programs that our sister state agency the Department of Housing and Community Development has devised and working with localities to try to do some kind of foreclosure mitigation programs, which, again, since the State has so many housing problems with subprime and Alt A, the opportunity to try to have us see if we can provide a number of different kinds of programs, leverage one another, have as many arrows in the quiver, tools in the toolbox, that complement one another, that's what we're trying to achieve.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: Just, I guess, two other things. One, so I'd assume, then, that same -- pretty much the same answer. I know that Director Jacobs has been going around the state talking to folks about permanent source potentially, and so that could have implications, I would think, in terms of how we would choose to allocate our funds. So is it more or less a wait and see on that also?

MS. PARKER: Right. I mean I think right now we've tried to do this for predictability to our borrowers of what we know, and until something changes and then we would come back and see if there are things that we could add value, depending on what the final decisions are.

It will be very different about what role CalHFA could play if there is additional bond cap funds for the homeownership side than if there is funds that are more along the grant side for acquisition of properties by nonprofits. What we would then -- and I've had some conversations with a couple of people who are looking at this, what we might be able to do in that case is while the Housing Finance Agency can't loan money for that or own properties, we might be able to work with either nonprofits or localities that would be acquiring them for once they are acquired, rehabbed, whatever, and ready to go back out to market, that we could be a source of funds for the first-time homebuyers. If, again, we have -- within our housing cap resources.

And if, again, we are limited, then we would be looking at what ways do we want to use scarce limited resources of forced mortgage programs.

MS. JAVITS: And just -- a final thought is just as the markets are changing so dramatically I think, you know, we should keep challenging ourselves to make sure that we're using our money to add value to the marketplace, rather than duplicating what anybody else in the marketplace is doing, and I just think in a time of really rapid change, that may look different a year from now than it looks this year, and we need to continually test ourselves.

And I think it's important for us as a Board. I want to assert that in the sense that, you know, we look at numbers and we want you marching toward those numbers and seeing that you're hitting those goals. We should be hitting the goals by adding value, not just to hit the goals.

MS. PARKER: Well, you know, I -- certainly I appreciate, you know, the Board. This is the -- we need the Board to essentially give us, you know, the directions of what we -- and then we will memorialize that and carry that through.

One other thing I -- I don't know how much we talked about this in March, but because of the limited bond cap, we are trying to work through another possible opportunity for us to create capital at low interest rates by working with Fannie Mae and creating a loan program whereby we could make loans and sell them to Fannie on the basis with a window. Obviously that will be based on what the cost of funds Fannie will be charging us and what kinds of underwriting requirements that they will be making on them.

But we have -- we're about to sign a second phase of an affinity agreement that the National Council of State Housing Finance Agencies have negotiated with Fannie Mae for concessions on underwriting FICO scores, loan to values, that are greater than what they are providing to other lenders in the marketplace. So we are going to see, again, if we can create value through these kinds of opportunities in addition to what we're doing with our other lending programs.

CHAIRMAN COURSON: Other questions or comments on the business plan?

The resolution is on page 373 that would have the

Board approve the business plan as --

MS. JACOBS: Move approval.

CHAIRMAN COURSON: Ms. Jacobs moves approval.

Is there a second?

MS. JAVITS: Second.

CHAIRMAN COURSON: Ms. Javits seconds.

Is there any further discussion from the Board?

Or any discussion from the public?

Let's call the roll.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-18 has been approved.

CHAIRMAN COURSON: Okay.

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Item 9. Discussion, recommendation and possible action regarding the adoption of a resolution approving the Fiscal Year 2008/2009 CalHFA Operating Budget

CHAIRMAN COURSON: Terri, you going to roll us right into the budget then?

MS. PARKER: I am.

First I'd like to make an introduction. Sally Lee has been working with the Housing Finance Agency for several months as a retired annuitant, and with Jackie leaving, we have the, you know, no good deed goes unpunished theory of giving Sally greater responsibility, and she is serving in the capacity as our Interim Administration Director. So one of Sally's primary goals is to help us over the next several months recruit a permanent replacement for Jackie.

But meanwhile Sally has a distinguished career in state government. Sally and I worked together at the Department of Finance when we were both young, and so she has great experience, not only in budgets but administration. She worked both control agencies, the Department of Finance and the State Personnel Board. So we've been very fortunate to have Sally come and help us out in this interim time. And I can say that we have gone through this -- the three of us have gone through this budget with the senior managers with a fine-tooth comb.

I'm going to start as an introduction before we get into the operating budget itself, when Steve and I were putting the slides together the other night, we always look at what did we present to Board last year as far as slides. And Steve came in and brought me the slide that was shown last year at this meeting and what we had reported to the Board as far as major challenges.

And we looked it over, and we thought, you know what, we should put this down. And we feel pretty doggone proud of the little checkmarks. These are the bullets of the challenges and what we have accomplished in this last year.

A year ago, we did not have a director of homeownership or multifamily. I'm very pleased, not only do we have those people, but the quality and caliber of those individuals and their excitement and what they have been bringing to the agency and this business plan.

We obviously started talking about the impact of the subprime crisis, concern about flight to quality, that we knew that we would have more people turning to CalHFA with the elimination of some of these Alt A and subprime products.

We certainly didn't know that what we were going to be faced with at that same time was the impact on capital, the impact to our financial structures that we've talked with you. We need to step back and take care of some of our financial instruments such as option rate bonds, the need for us to try to search out and get liquidity partnerships. And we have been successful in putting those kinds of programs together.

Fannie Mae has informed us that they are taking to their committee $300 million of liquidity that we can use both on our REO program and our multifamily programs to allow us -- that will be the only kind of variable rate debt we will sell to allow us to have the best rates for those programs.

Multifamily products, obviously we've talked about a number, but I think a point of pride is what's happened with our architectural guidelines and how that is now on barely a crib sheet.

And then again the strategic projects that we talked about in our new business environment and where we are in the success of completing some of those -- a number of those projects, advancing further along. And we'll be talking about that in the slide that we have. But we have in place today security projects, emergency response, operational recovery, business resumption plans that we did not have a year ago.

So I think we feel that it's a point with pride of staff showing the kinds of challenges and then this is our report card to you of what we have been successful.

We gave you a letter that provided an introduction to the business plan that's in your binder on page 375, and I just want to point out a couple of things.

First of all, we were asked by the budget committees last year to try to use the January Governor's budget as more of an opportunity to put in some price increases that other state agencies do instead of just submitting last year's business plan adopted, to at least give the Legislature some better feel for what our budget was relative to other budgets they look at, even though our budget is not approved or adopted by them.

So in January, and I reported this to you, the budget that was submitted and put in the Governor's budget did reflect such things as price increases, rent increases, salary increases that had been made and operating expenses that other state agencies put in, just as a baseline.

We have then come back and are presenting to you is a budget that we have thoroughly gone through by every division, every position for personnel services over time, the operating expense and equipment by every line item. And with that, we are projecting a budget that has a little over a percent increase from the prior year, and basically less than half a percent from what was submitted in the Governor's budget.

It -- it also is very much an attempt on our part to -- recognizing what our sister state agencies are going through with very austere budgets, budgets that, in fact, are requiring them to reduce their operating budgets by as much as 10 percent. So we have gone through our budget with that in mind, and we have pegged our budget to the business plan that we have presented and the production levels that we have planned and presented.

I'm going to let Sally speak to the positions.

I will make one other note that I also have put in here as far as information. We have given you information on what changes in positions. We've given you information on where the contract dollars are. And I've included a one-page proposal to allow when the compensation committee meets, that there would be funds in this budget for compensation considerations.

The legislation that gave the Board the authority to set salaries essentially states that the salary increases should be part of our annual budget process. Obviously, we're going to be working, the compensation committee is going to be working through that, but I wanted to ask the Board to put aside this pot of money.

It can't be utilized unless the compensation committee and the full Board takes any action, but it does reflect at this point in time a fully proposed budget, as opposed to if the Board took action that we would have to come back and make an amendment for that at that point in time.

So we are happy to answer any questions, but I'm going to have Sally walk you through some of the detail.

MS. LEE: Good afternoon, I should say now.

MS. PARKER: Sally, you're going to have to really -- your voice is really soft.

MS. LEE: Good afternoon, Mr. Chairman and Members of the Board. I thank Terri for the very generous introduction. I think that's a little exaggerated, but I appreciate it.

I wanted to walk you through the chart that you see displayed up on the screen. And this chart is basically a summary of the position changes that have been approved and requested by the various managers of each division. We laid it out by each division so you could see exactly where the pluses and minuses are -- I'm sorry? -- where the pluses and minuses are. And it's a net change of 6.4 positions.

You can see that there's movements between divisions, that we showed a net change. And we also increased temporary help which is used to deal with overtime, unusual absences, people being on -- out on state compensation, to allow us to continue the work of the various programs.

And I didn't -- I didn't know, would you -- would it be your pleasure that I go through each position, the justification? We did lay it out, the basis for the position change, in your packet. And we'd be glad to answer any questions with respect to any specific changes.

The one area that I would like to point out is that the net position increases are significantly offset by corresponding reductions in the costs associated with the consulting professional services contracts that the Agency has had providing the services that basically were outlined with respect to the Administration Division, the finance -- excuse me, the Financing Division and the Legal Division and the Marketing Division. Those contracted items have been reduced corresponding to the position increases. And the same workload will be performed at a lower cost.

CHAIRMAN COURSON: Why don't we stop there, and then I think, rather than go through all of them, ask for questions on any of the particular position changes. There is on page 377 the same numbers with an explanation showing for each of those.

MS. LEE: Yes, sir.

CHAIRMAN COURSON: Any questions on personnel? Then let's move on.

MS. JAVITS: Well, I'll ask one question.

CHAIRMAN COURSON: Ms. Javits.

MS. JAVITS: I mean I just -- you know, the obvious changes, you're down -- you're going down I mean on the multifamily side and up on the homeownership side, so just a maybe one sentence on that?

MS. LEE: Okay. Special lending has been moved from homeownership to -- excuse me, from multifamily to homeownership, and that's basically a shift of the same resources. And additionally when the MHSA contract is signed, we'll be reevaluating the impact, the workload impact, of that contract and how many counties actually come into the program, the MHSA housing program, so we would have to come back to the Board at that time if there is a workload change and report on that specifically.

MS. JAVITS: Okay. Thank you.

MS. PARKER: I'm sorry I didn't mention that, but I think we had talked about that in prior discussions, how we were moving that group over. This is now the time that we memorialize it in the financial documents.

CHAIRMAN COURSON: Okay.

MS. PARKER: I'm going to ask Steve to give us a -- just a briefing on the strategic initiatives. Obviously since that -- this incorporates a substantial amount of our consulting and professional dollars, I wanted you to be -- continue to be updated on where we are in our projections of this. As -- we refer to this as almost kind of the -- the food going through the snake because it is a substantial financial commitment, but once this is done, we'll be having our business plan operating budget decline back to what the dollar amounts were sort of more normalized.

Steve.

MR. SPEARS: Thank you.

Steve Spears, deputy director.

What you see on this slide here is a numerical update of projects that we've discussed with you before. There's a lot of detail about the projects themselves in the business plan, which can be found starting on page 358 in your Board binder. Obviously this is a very substantial commitment of dollars. These are outside dollars that are being spent. This does not include staff commitment time, which is substantial, to work on these projects.

But the trick with all of these, and we've discussed this before, is to keep the trains running to keep production going for homeownership and multifamily and legal and fiscal services and financing division and every aspect of the Agency while this is all going on. So some of this project management work exceeds our ability in the sheer number of people that we have.

So you see here outside oversight and the IV&V is oversight of these projects, project management support on the project committees, but basically over the business plan period, about $24 million of investment. We've spent about a million so far on these particular projects on initial phases of some of these, and so it's going to probably be in the neighborhood of 25 million.

The only caveat I would provide is in the fiscal services line. Phase I, those numbers are pretty accurate. Some of those contracts are in, already done. But in Phase II and III, in the out years where you see 3.8 million for three years in a row and $200,000, those are really estimates. We're not sure what -- exactly what those are going to be, so those are our best estimates at this point.

As far as progress, here again, I would point you to our business plan. But the homeownership project is making terrific progress. We have terrific response to the RFP that went out. Fiscal services, we made a purchase of software that we're going to convert our current system to make it more reliable, more understandable, more usable by the staff. Those two are our biggest projects, and they're making very, very good progress at this point.

So at this point I'd stop, ask if anybody has any questions.

CHAIRMAN COURSON: Steve, remind me again what Enterprise Content Management is.

MR. SPEARS: It's Tom Hughes' project, actually. It is in every part of the Agency, we handle documents in a different way. It's not standardized. It's difficult for us to find documents for litigation purposes, for internal purposes. And when we -- in many cases in multi -- between multifamily, legal and financing, for example, we'll work on a multifamily project, and it's difficult for us to all work on the same document and find it in one place. So it is -- it is adopting a consistent way of handling it and actually putting software in place that will put these documents where everybody can find -- everybody knows exactly what version you're working.

Because, I mean, as you know, when we're working with the legal documents on a multifamily deal, you want to make sure everybody is on the same page. So it's part of that.

CHAIRMAN COURSON: Okay. Thank you.

MR. SPEARS: Also part of that, Mr. Chairman, is a retention policy. At present we have -- we need to get that standardized across the Agency. We're going to work on that as well.

CHAIRMAN COURSON: Any other questions on these projects?

Okay, Terri.

MS. PARKER: In closing, Mr. Chairman, again, I would just ask the Board for their support of this budget. And obviously if there are situations where our assumptions about production don't materialize, then some of these funds would not be expended. On the other hand, if the situation changes and presents opportunities for us, if there's more workload in MHSA, if there is opportunity for financing at the federal level, then we would look first to see if it could be accommodated in our budget, and then, if necessary, come back to the Board for your consideration.

But at this point in time I would just ask for your approval.

CHAIRMAN COURSON: Are there other questions?

Yeah, Ms. Galante.

MS. GALANTE: I just have one question. I'm trying to tie this chart with the operating budget numbers, and I'm making an assumption that the $5 million on this chart is in the $8.7 million in the other?

MS. PARKER: Correct. Correct. Again, that's why we pulled this out.

But I -- I think in our book we had given you the extensive information on contracts so that you would have, you know, every contract that -- at this point in time that we are anticipating, and that is the backup data to the number in totality.

CHAIRMAN COURSON: Any other questions on the budget?

Mr. Morris.

MR. MORRIS: Okay. So as it relates to resolution 8-19, at what point do we address in that -- those years the memo as it relates to the budget request for exempt employee salary increase bonuses? Is that part of that?

MS. PARKER: It is included in the bottom number; correct.

MR. MORRIS: Do you want to discuss that?

MS. PARKER: I submitted a proposal. I think -- I'm not sure I have a lot more to add. It is based on the performance evaluations that I did for the senior managers, what I would be recommending in that. I've not made that public, because that would be something that I would be discussing with the Board. However, I did make note that that dollar amount, given the salaries for that group of individuals, is about 3 percent.

What my --

MR. MORRIS: So you're recommending a pool --

MS. PARKER: A pool, correct.

MR. MORRIS: -- for exempt employees.

MS. PARKER: Correct, but --

MR. MORRIS: Do you have any similar type of pool for nonexempt employees?

MS. PARKER: No. Those salaries are all salaries that are negotiated through employee contracts, which the --

MR. MORRIS: So how would those --

MS. PARKER: -- collective bargaining --

MR. MORRIS: How would the nonexempt -- going forward, for example, next year, next fiscal year, how would you anticipate the nonexempt employees' compensation to compare to the exempt employees' compensation? Increases.

MS. PARKER: You know, it's based -- that's based on collective bargaining, so I can't -- I can't say.

Let me just say a couple things. First of all, what I want to talk to the compensation committee about is the concept of a plan that might include two different forms of compensation: The ability to raise salaries within the salary survey that the compensation committee and the Board has adopted based on recruitment/retention issues, but also the introduction of a concept of a bonus program.

Now, I have not had the opportunity, because, again, this -- I haven't presented this to see if the Board is interested in this. My intention is also to have some conversations with the Department of Personnel Administration about this.

But there are examples of this where it exists in state government, and one of -- the one that is a very easy one to describe and it's kind of the interesting one, the pension fund. PERS uses this as a concept, not for its exempt, but its career exempt managers. So if you are a CEA in PERS, they have the ability to give on an annual basis for those individuals a bonus up to 15 percent of their salary.

So I thought that the idea of some kind of a bonus for performance might be something that the Board might look at as another additional opportunity for compensation. So --

MR. MORRIS: So one question, just so I understand. So if we approve this proposal, this budget for next year, does that establish this 3-percent pool?

CHAIRMAN COURSON: No. Let me --

MR. MORRIS: Okay.

CHAIRMAN COURSON: Let me be clear what's happening. The plan was -- what Terri, when she came to me with this, was to put a sum of dollars in the budget as a placeholder so that if -- that's exactly what it is. Approval of the budget, from my perspective and I think everybody's, is in no way approving any bonus plan, salary increases, et cetera. It's merely -- a budget is a plan. And it's in the plan.

It's my plan to call a meeting of the compensation committee between now certainly and the next Board meeting where we can talk about as a compensation committee any plans that Terri might have, if she's talked to DPA, bonus opportunities and so on, because that's -- and that committee then would make a decision as to proceeding to make any recommendations and so on.

So what this is -- this is not approving. All this has to come back to the Board, whether it's 3 percent, whether it's bonus or so on.

MR. MORRIS: Okay.

MS. PARKER: The only -- you know, I just would point out that the dollar amount that is here reflects my recommendation for some of the employees for salary considerations subject to the compensation committee's interest.

Those considerations, as I've put in my document, are if there would be salary adjustments, they would be within the salary survey that has been adopted to date or would be a bonus that would be something that would be contemplated. But it certainly is not in excess of what the Department of Personnel -- to what CalPERS has for its employee. And the dollar amount in totality is, to give you a comparison of what the 15 percent that CalPERS has, this would be 3 percent on the salaries.

It is my attempt at this point in time merely because I have made recommendations in the employees' evaluations, and I will make my case for them to you, to try to have as part of the budget because of SB257 to do this at this particular point in time. I see it as absolutely no commitment on the Board's part to make --

CHAIRMAN COURSON: It's just a separate process.

MR. MORRIS: Okay. So then just finally as it relates to the budget for next year, I mean, one of the issues that we'll have to address -- we don't have that many meetings left this year, but one of the issues is that Terri's term is expiring, so we have in the budget a dollar figure for what you're currently making, but when the compensation committee meets next, which I think should be sooner rather than later, one of the issues that we have to address is a succession plan. I don't know what Terri's plans are or when she plans to make that public, but this is something that needs to be addressed rather soon, given the fact that we only have a few more meetings left this year.

CHAIRMAN COURSON: That is correct. And that's why we're going to -- that's -- the topics that the compensation committee -- and you'll see part of the charter is part of the compensation committee's role to review annually a succession plan, et cetera, so that, talking about any proposed bonus arrangement or increase.

The third item is I would like to move the compensation towards a process of developing policies and procedures. We never got that far because of the issues we faced through our audit committee, but I know we've seen CalPERS and STRS policies and procedures, and we really need a set of policies and procedures for our compensation committee.

So those are going to be the three things on the agenda. So those are on the compensation committee. We're going to circulate and try to find some dates because it's not going to be a meeting that's going to last 30 minutes. We're going to have to spend some time on this because it's very important.

Is there a motion to approve the budget?

MS. JACOBS: So moved.

CHAIRMAN COURSON: Ms. Jacobs moves.

Is there a second?

MS. GALANTE: I'll second.

CHAIRMAN COURSON: Is there any further discussion?

Any discussion from the public?

Call the roll.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 08-19 has been approved.

CHAIRMAN COURSON: Thank you.

MS. PARKER: Thank you, Members.

CHAIRMAN COURSON: I also would publicly like to announce that San Antonio did lose the game last night to our -- my friend, new friend, here who is a New Orleans supporter and Peja Stojakovich fan.

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Item 11. Reports

CHAIRMAN COURSON: Let's move -- we talked about going to have some time to get to the reports, and I think it's important based upon the time that we spent at our last Board meeting is to get an update. I've asked Bruce to give us an update on where we are with the re-funding and refinancing of the Agency's debt based upon the tumult and turmoil that is take place in the marketplace.

So, Bruce, thank you.

MR. GILBERTSON: Thank you, Mr. Chairman and Board Members, for allowing me a few minutes to talk to you and update you on market conditions and some of the other things that we have experienced in the last two months.

If I were to summarize in kind of two key concepts, I would suggest that what we've learned in the last two months is that financial markets are improving, ever so slightly, but they are improving, and that there is a heightened awareness and more thorough analysis of credit risk.

One of the things that we have spent a lot of time with recently is talking with existing and potential bond investors. They are asking many questions regarding the lending activities, the programs we offer, the characteristics of the program, as well as delinquency, you know, losses, REO situation, year of origination. A lot of things are being asked, and we are doing our very best to try to provide the information as requested on a timely basis to these investors.

Quite honestly, it's my opinion we have a very good story to tell. We have $6 billion of homeownership mortgages in our portfolio. One of the benefits we have is that we have what I would consider a nonmodern bond indenture. It requires 50-percent mortgage insurance coverage on every loan for the life of the loan. So if you're an investor in our bonds, you have a lot of -- take a lot of comfort, have a lot of security, in knowing that.

So as a part of our strategy, then we felt we had to reach out and touch these bond investors. Terri and I, as she mentioned earlier this morning, traveled to New York at the invite of Bank of America Securities to participate in an investors conference in Manhattan in early April. We were in front of 30 or 35 different investors. Total number of participants was probably 50 or 60. It was very well received.

In addition, in late April we went to the financial markets in a public offering to issue $300 million of fixed-rate bonds for the homeownership program. As a part of that, we decided that we would have arranged an investor conference call. So we invited over 500 investors to participate if they wanted to.

Tim Hsu, who most of you met last meeting, and I were on that call and walked through the characteristics of the asset quality that we were offering and what our plans were. I thought it went very, very well. We'll talk a little bit more about that in a moment.

And then lastly, in June we're planning -- Terri will be out of the office, unavailable. Steve Spears and I are going to go to Chicago, do a similar kind of road show for investors that are meeting in Chicago. That's the first week in June.

So since we last met, we have been busy. We issued and closed two different bond financings, early April $190 million under our home mortgage revenue bond indenture, and later in April $150 million, approximately, for our multifamily program.

In addition, this week we are closing an additional $600 million worth of bonds, all for the homeownership program, which means that we have issued in the last five weeks or will have issued almost a billion dollars of bonds. Many of those bonds are part of the restructuring program.

I'll just talk quickly on both of those transactions that have occurred, the multifamily transaction, as I mentioned, $150 million in bonds. They were all tax-exempt, uninsured variable rate demand bonds. The liquidity facility was provided to us by Bank of America. This provided funding for five new projects, projects that this Board had approved in January and March, including the A piece for Grand Plaza, since you've talked about that already.

It also included $90 million of economic re-funding bonds, which allowed us to call out auction rate securities that were not performing as planned, consistent with the restructuring plan that we discussed two months ago. As a part of that, we transferred 21 project loans and five interest rate swap contracts from the old bonds to the new bonds. There's a lot of additional details about that offering in the report section of the Board binder today.

Moving on to the single family financing,

$190 million worth of bonds. Again, all tax exempt, uninsured, so we have no exposure to the bond insurers, variable rate demand obligations. Again, the liquidity was provided by Bank of America. Included -- nearly all of this was part of debt restructuring quite honestly, $175 million of economic re-funding of prior bonds.

We decided to use the balance of liquidity that we had from B of A, $15 million, to provide some proceeds for some new loan purchase activity. This included transferring $188 million of swaps that were hedges on re-funded bonds or otherwise unattached bonds, moving them forward into this financing, effectively creating a fixed rate to the Agency for those bonds.

The two other transactions we are working on this week, in fact, I was on a call very early this morning for the successful closing of $300 million of the 2008 series G, H and I. This was a taxable offering. We had some restructuring to do with taxable bonds as well. $93 million of the proceeds that we received today will be used as a part of that plan. $207 million will be used by -- to buy mortgages. Again, it's the way by which we leverage the limited tax exempt volume cap that we do have.

Tomorrow -- I'll be flying home this afternoon to join a preclosing conference in Sacramento and we will hope to close $300 million of 2008 Series J and K bonds. These are all tax-exempt fixed-rate bonds, and this is really what we're really so proud of, Terri and I. Our investors conference and the investor call that we had, we knew we were going out talking to these potential bond investors just prior to a very large sale. And I must say that it was very, very successful.

We had strong retail and institutional demand for these bonds. Some of the longer dated term bonds were as much as four times oversubscribed. Sorry about the lingo, but that means we had four orders for every bond we were selling. We were able to improve the price, sometimes by much as 10 to 15 basis points. Providing -- it's not a great rate, but considering the market, we thought it was a huge success. We have an all-in bond yield of 5.37 percent on that financing and will work just fine in financing the loans that we've been taking in through our reservation window.

The one thing that was the milestone, I guess, for us is that typically in housing bonds we talk about the long bond, the 30-year maturity. Other issuers of those bonds back two weeks ago were having to pay as high as 5.75 in interest rate. We were able to get the price down to 5.60, so we were very, very pleased with that.

I'll just wrap this up quickly by giving you a snapshot of the update of the restructuring plan, which really is intended to show that we're quite far through this process. We started out in our single family program needing to do something with about $565 million worth of bonds. $227 million have already been redeemed, so that's behind us. 55 million will be redeemed the first part of June.

We're in the process of modifying some of these liquidity agreements that are officially called standby bond purchase agreements associated with $260 million worth of the insured VRDOs. We hope to complete that by the end of May. And then the last piece for the homeownership program is to simply redeem $20 million of the last of the auction rate securities in that indenture on the debt service date of August 1, 2008.

Under the general obligation, which is primarily where the multifamily financing is occurring, there were $440 million in bonds that we needed to address. 90 million have been redeemed as of this point. We're working on modifying the liquidity agreement, again similar to what we're doing with the homeownership program of $51 million of insured VRDOs.

We will do something a little different, convert $44 million that were auction rate securities, we're looking to convert them to variable rate demand obligations. We have been in contact with FGIC, one of the bond insurers. They're willing to revoke their insurance policy as a part of that conversion, so we think that those bonds will trade very, very well once we get through that. And that's scheduled to occur late next week.

And then lastly, as we mentioned to you at our March meeting, we have some time to deal with the balance of these auction rate securities. It's about $250 million. And we will, once we identify some additional liquidity sources, deal with that over the next year or thereabouts.

I have another report. There's really not much change in the variable rate profile of the -- of the Agency. I think once we work through a lot of what I just talked about, you'll be interested to take a look at some of those things as we -- as we head into July. And I'll be in a position to give you a more thorough review of the variable rate bonds in the portfolio.

Any questions?

MS. PARKER: I also forgot to do this in my earlier comments. I've been saving this, it's such exciting news, and now I want to make sure I give it to you before we leave so that for all of you if you want to change your résumés, you can now say that you are on the board of a $10 billion financial institution. We used to be a

$9 billion financial institution, but we have pushed through, punched through, the $10 billion ceiling and are now a $10 billion financial institution, so congratulations to all of you.

CHAIRMAN COURSON: Being in the mortgage business, I've been saying that all along. I always rounded up, so.

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Item 12. Discussion of other Board matters

CHAIRMAN COURSON: Is there -- are there -- are there any other comments from the Board? Any topics?

MS. JACOBS: I just wanted to thank you for this report and thank you for the work you're doing. I think in this environment, it's impressive.

CHAIRMAN COURSON: We're doing remarkably well based upon the state of the financial markets.

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Item 13. Public testimony

CHAIRMAN COURSON: The -- I have no notice of any testimony from the public.

So in the interest of budget, I have one parking pass. That's all they have given us. Now, we can -- I saw Ms. Jacobs' hand first, she wins the lottery for the parking pass.

All right. We -- our next meeting is July the 17th in Sacramento at the Hyatt and we'll stand adjourned.

(The meeting concluded at 12:38 p.m.)

REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 21st day of May, 2008.

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Yvonne K. Fenner

Certified Shorthand Reporter

License No. 10909, RPR

RESOLUTION 08-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of AFE-Villa Mirage Associates, 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 Rancho Mirage, Riverside County, California, to be known as Villa Mirage I & II Apartments (the "Development"); and

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

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

WHEREAS, on June 23, 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 of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
07-031-A/S	Villa Mirage I & II Apartments Rancho Mirage, Riverside Co., California	\$5,665,000.00 Acq/Rehab 1st Mortgage \$1,760,000.00 2nd Mortgage \$4,180,000.00 Permanent 1st Mortgage

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.

I hereby certify that this is a true and correct copy of Resolution 08-20 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST:____________________________

Secretary

RESOLUTION 08-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Cedar 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 San Diego, San Diego County, California, to be known as Cedar 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, 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 of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
08-022-C/S	Cedar Gateway Apartments San Diego, San Diego County, California	\$18,800,000.00 Taxable 1st Mortgage/Construction \$ 2,150,000.00 Taxable 1st Mortgage/Permanent \$ 325,000.00 Taxable HAT Residual Receipts

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.

I hereby certify that this is a true and correct copy of Resolution 08-21 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST: ______________________
Secretary

RESOLUTION 08-22

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Clifford Beers Housing, Inc., a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Long Beach, Los Angeles County, California, to be known as The Courtyards (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, 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 of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
08-025-A	The Courtyards Long Beach, Los Angeles Co., California	\$10,500,000.00 Taxable 1st Mortgage/Construction

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.

I hereby certify that this is a true and correct copy of Resolution 08-22 adopted at a duly constituted meeting of the Board of the Agency held on July 17, 2008 at Sacramento, California.

ATTEST:______________________
Secretary