

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

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

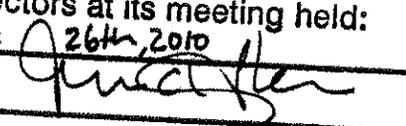
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**Hyatt Regency Sacramento**  
**1209 L Street**  
**Sacramento, California**

**Thursday, February 25, 2010**  
**1:10 p.m. to 5:42 p.m.**

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Minutes approved by the Board  
of Directors at its meeting held:  
*March 26th, 2010*

Attest: 

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

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

PETER N. CAREY  
President/CEO  
Self-Help Enterprises

KATIE CARROLL  
for Bill Lockyer  
State Treasurer  
State of California

MICHAEL A. GUNNING  
Vice President  
Personal Insurance Federation of California

JONATHAN HUNTER  
Managing Partner, Region II  
Corporation for Supportive Housing

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

BARBARA MACRI-ORTIZ  
Attorney at Law  
Law Office of Barbara Macri-Ortiz

HEATHER PETERS  
For DALE E. BONNER, Secretary  
Business, Transportation and Housing Agency  
State of California

JENNIFER ROCKWELL  
For Ana J. Matosantos, Director  
Department of Finance  
State of California

L. STEVEN SPEARS  
Acting Executive Director  
California Housing Finance Agency

BROOKS TAYLOR  
for CATHLEEN COX, Acting Director  
Office of Planning & Research  
State of California

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**A P P E A R A N C E S****CalHFA Staff Present**

GARY BRAUNSTEIN  
 Special Advisor to the Executive Director  
 and  
 Acting Director of Homeownership

BRUCE D. GILBERTSON  
 Director of Financing

THOMAS C. HUGHES  
 General Counsel

HOWARD IWATA  
 Director of Administration  
 and  
 Acting Director of Fiscal Services

JOJO OJIMA  
 Office of the General Counsel

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**Public Presentations**

THOMAS C. AGUER, CCIM, SIOR  
 President  
 Aguer Havelock Associates Commercial Real Estate

GREG KELLY  
 Bannon Investors

JAMES P. NIETHAMMER  
 Managing Principal  
 CresaPartners

CAROL PEPLEY  
 Coldwell Banker

MARC VICTOR  
 California Housing Finance Agency  
 State of California

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## Board of Directors Meeting - February 25, 2010

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BE IT REMEMBERED that on Thursday, February 25, 2010, commencing at the hour of 1:10 p.m., at the Hyatt Regency Sacramento, 1209 L Street, Sacramento, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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ACTING CHAIRMAN CAREY: I'd like to welcome everyone to the February 25th meeting of the California Housing Finance Agency Board of Directors.

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**Item 1. Roll call**

ACTING CHAIRMAN CAREY: Our first item of business is roll call.

MS. OJIMA: Thank you.

Ms. Peters for Mr. Bonner.

MS. PETERS: Here.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Present.

MS. OJIMA: Mr. Hudson.

(No audible response.)

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Ms. Carroll for Mr. Lockyer.

1 MS. CARROLL: Here.

2 MS. OJIMA: Ms. Macri-Ortiz.

3 MS. MACRI-ORTIZ: Here.

4 MS. OJIMA: Mr. Shine.

5 (No audible response.)

6 MS. OJIMA: Mr. Smith.

7 (No audible response.)

8 MS. OJIMA: Mr. Taylor for Ms. Cox.

9 MR. TAYLOR: Here.

10 MS. OJIMA: Ms. Rockwell for Ms. Matosantos.

11 MS. ROCKWELL: Here.

12 MS. OJIMA: Mr. Spears.

13 MR. SPEARS: Here.

14 MS. OJIMA: Mr. Carey.

15 ACTING CHAIRMAN CAREY: Here.

16 MS. OJIMA: We have a quorum.

17 ACTING CHAIRMAN CAREY: Thank you, JoJo.

18 --o0o--

19 **Item 2. Approval of the minutes of the January 21, 2010**

20 **Board of Directors meeting**

21 ACTING CHAIRMAN CAREY: The next item of

22 business is approval of the minutes of the January 21st

23 Board meeting. Any corrections?

24 MS. JACOBS: Move approval.

25 ACTING CHAIRMAN CAREY: We have a motion.

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1 MS. PETERS: Second.  
2 ACTING CHAIRMAN CAREY: A second.  
3 Roll call.  
4 MS. OJIMA: Thank you.  
5 Ms. Peters.  
6 MS. PETERS: Yes.  
7 MS. OJIMA: Mr. Gunning.  
8 MR. GUNNING: Yes.  
9 MS. OJIMA: Mr. Hunter.  
10 MR. HUNTER: Yes.  
11 MS. OJIMA: Ms. Jacobs.  
12 MS. JACOBS: Yes.  
13 MS. OJIMA: Ms. Carroll.  
14 MS. CARROLL: Yes.  
15 MS. OJIMA: Ms. Macri-Ortiz.  
16 MS. MACRI-ORTIZ: Yes.  
17 MS. OJIMA: Mr. Carey.  
18 ACTING CHAIRMAN CAREY: Yes.  
19 MS. OJIMA: The minutes have been approved.

20 --o0o--

21 **Item 3. Chairman/Executive Director comments**

22 ACTING CHAIRMAN CAREY: Okay. The next item of  
23 business is Chairman/Executive Director comments. In the  
24 interests of the agenda today, I'll forego the  
25 opportunity and turn it over to Steve Spears.

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1 MR. SPEARS: Thank you, Mr. Chairman.

2 Again, I'd like to get to the agenda as quickly  
3 as possible. There are a couple of housekeeping items.  
4 There is an updated item 8. This goes under tab 8, the  
5 updated building analysis, if you want to just put that  
6 in your binder. There are two other things that were  
7 just handed out by me. The typical CalHFA borrower  
8 profile goes in tab 7. And the structure and historic  
9 business model of CalHFA is also item 7, just for  
10 housekeeping.

11 One other thing with regard to your binders,  
12 there were two requests from Board members last time.  
13 Ms. Macri-Ortiz asked for a breakout of servicers and  
14 county and delinquencies, and that's provided as a  
15 report. And I can't remember which tab it is in the  
16 back, but at your convenience you can take a look at  
17 that. It's very interesting.

18 And the other is that Mr. Hunter asked for a  
19 trend analysis, and that's also back in the report  
20 section of your tabs, and we -- and so you don't have to  
21 pull all of -- bring all of your reports from previous  
22 months. You can just look at the one chart.

23 One other quick note before we get to the  
24 regular agenda, on Friday President Obama announced a  
25 five-state program for foreclosure prevention. We are

1 fortunate to be one of those five states. It's a dubious  
2 honor, unfortunately, but -- we don't know how much we  
3 will be receiving, but the total amount for the five  
4 states to share is \$1.5 billion.

5 The goals of the program are threefold -- and  
6 we're finding more and more details about this as we go  
7 along, to address unemployment. These states are states  
8 with high unemployment. The second is to deal with  
9 negative equity. These states have to have had peak to  
10 present value drop in homes of at least 20 percent, and  
11 we qualify on that scale. And then the other is to deal  
12 with subordinate loans, seconds, that are getting in the  
13 way of loan modifications.

14 And so what we're doing, I've spoken to Heather  
15 about this. She's been very involved in this. Lynn and  
16 I need to have a conversation about this as well because  
17 there may be some things that we can do with local  
18 governments and NSP money with REOs, and there may be  
19 some work that we can do there.

20 And Preston Dufauchard, who's the Commissioner  
21 of the Department of Corporations, is the regulator of  
22 servicers in the state of California. And he and I have  
23 spoken. We are going to try to meet with as many as  
24 possible counselors and servicers over the next couple of  
25 weeks because we'd like to get this program together.





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1 to go ahead and have public comment, which is item 11, at  
2 this point, recognizing that some folks have been waiting  
3 for some time.

4 I would like to say or point out that if you're  
5 speaking about something that is not on the agenda, the  
6 Board obviously cannot take action on anything that is  
7 not agenda-ed, so we will listen to any comments and  
8 anything that needed action would be deferred to a future  
9 meeting. We would ask, in recognition of the balance of  
10 business that the Board has today and the folks who are  
11 here for the agenda items, that comments be succinct and  
12 to the point, recognizing that we will give them full  
13 attention.

14 With that, if there's anyone who wishes to speak  
15 to the Board, please come forward and state your name and  
16 the issue you'd like to discuss.

17 MR. KELLY: My name is Greg Kelly. I represent  
18 Bannon Investors, owners/developers of the 2020 building  
19 project in South Natomas, which is on the agenda for  
20 today for discussion by your Board and decision.

21 I've taken the liberty of penciling my comments  
22 in the form of a few pages, and I'd like to be able to  
23 get through that rather quickly because I have some  
24 things that have important bearing and some feelings that  
25 I think have important bearing on the matter at hand. So

1 with that said, I'll begin.

2 Good afternoon, Ladies and Gentlemen. My name  
3 is Greg Kelly. My father, Jon, and I are the developers  
4 behind the 2020 Gateway Towers project here in  
5 Sacramento. This is one of several projects your Board  
6 has under consideration today, and I would like to thank  
7 you, your acting director Steve Spears, and CresaPartners  
8 for your consideration of 2020 Gateway as the future home  
9 for CalHFA and its consolidation.

10 We current have a fully executed letter of  
11 intent with CalHFA outlining the terms and conditions of  
12 an agreement for lease of 65,000 square feet of space in  
13 our building beginning September 1st, 2010. This  
14 agreement was negotiated in good faith and executed on  
15 January 28th of this year. While nonbinding, both sides  
16 agreed to terms originally outlined by CalHFA and  
17 agreeable to us.

18 Last Friday afternoon we were asked to resubmit  
19 any adjustments to the terms of the letter of intent  
20 and/or any comments for inclusion in your Board package.  
21 We were given until Monday, February 22nd, at 12:00 noon  
22 to do so and complied with this request. In our response  
23 we elected to honor the terms of the original letter of  
24 intent and took the opportunity to highlight the  
25 additional economic benefits that occupancy of

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1 2020 Gateway provides. I am not aware if the substance  
2 and rationale behind our response is included in the  
3 analysis prepared by Cresa for your package today.

4 However, I am aware that an analysis was  
5 compiled by Cresa on February 19th that was included in  
6 your original Board package. This analysis is incomplete  
7 and fails to take into account three significant economic  
8 factors that should have a direct bearing on your  
9 decision.

10 First, 2020 Gateway Tower is a fully accredited  
11 LEED Gold building and is the first privately funded  
12 building of its kind in our area. While on the surface  
13 this may appear to be an intangible benefit, I assure you  
14 it is not. It is an economic benefit that saves CalHFA  
15 almost \$3,127,000 over the life of the CalHFA lease.  
16 This number is based on the productivity savings of a  
17 LEED Gold building as expressed in the State of  
18 California's report on the subject dated October 2003. I  
19 have a copy of this report here in my hand and will  
20 submit it to the Board for further documentation.

21 (Whereupon Exhibit 1 was marked for the record.)

22 MR. KELLY: This report quantifies a LEED Gold  
23 building's ability to provide a healthier, cleaner  
24 environment for your employees through the use of  
25 contemporary air filtration systems, modern water

1 management systems and open floor plates with specially  
2 treated glass. These features combine to make a safer,  
3 healthier environment for your employees and will result  
4 in fewer sick days and more spent -- more time spent  
5 performing the duties you require. Savings resulting  
6 from the elimination of only one sick day per each CalHFA  
7 employee per year could potentially save \$812,000 over  
8 the proposed -- over the life of the proposed lease.

9 In addition to the tangible benefits of  
10 increased productivity, the LEED accreditation guarantees  
11 long-term savings in operating expenses going forward  
12 through the use of a Smart HVAC system. This system,  
13 manufactured and installed by Siemens, constantly  
14 monitors and adjusts the mix of filtered outside air and  
15 conditions air to provide a consistent temperature  
16 throughout the working day. This efficiency combined  
17 with the use of solar panels and a renewable energy  
18 contract with SMUD reduces the demand on local power  
19 deliveries.

20 Another area of concern relates to the exclusion  
21 of any discussion of operating expenses in the Cresa  
22 analysis. We are confident that our building operates  
23 more efficiently than any competitor's due to the LEED  
24 Gold Core and Shell attributes. This translates into  
25 lower operating expense increases over the term of the

1 lease. Cresa has provided you no detail or comparison of  
2 their operating expense assumptions for 2020 Gateway or  
3 its competitors. We estimate this number to represent  
4 two million, nine hundred -- \$2,095,000 in savings over  
5 the 12-and-a-half-year term of the lease and is shared  
6 between Bannon and CalHFA on a pro rata basis.

7 In addition, CalHFA can meet 80 percent of its  
8 LEED Gold Commercial Interiors certification simply by  
9 choosing our building for its needs. This would be an  
10 almost impossible standard to reach using any existing  
11 building in this area.

12 That these efficiencies are not included in  
13 Cresa's analysis is unfortunate but understandable. The  
14 LEED concept is new and usually understood only in  
15 environmental terms. It should be proof enough that  
16 these benefits are tangible or else why -- why else would  
17 the State of California commission a report to study  
18 LEED's economic benefits and also institute a new set of  
19 regulations on future development requiring these  
20 efficiencies? These regulations, taking effect in 2011,  
21 mirror the efforts we have made in this building. It is  
22 incumbent on all of us to use every measure possible to  
23 accurately account for and understand the economic  
24 impacts these changes will have on our leasing  
25 activities.

1           The third area where the Cresa analysis falls  
2 short is parking. 2020 Gateway does not charge for  
3 parking of any kind. While the savings outlined in  
4 Cresa's analysis go directly to CalHFA's bottom line  
5 total, approximately 30,000 per anum, \$30,000 a year,  
6 Gateway's proposal actually saves CalHFA and its  
7 employees a total of \$5,850,000 on a noninflationary  
8 basis and does not include changes in head count over the  
9 life of the lease. This is based on an average parking  
10 rate of \$150 per month per employee.

11           While these savings are currently accounted for  
12 as an employee benefit, creative management can realize  
13 most, if not all, of these savings through salary and  
14 benefit negotiation processes. In addition to the  
15 immediate financial benefit to both CalHFA and its  
16 employees, a further, more intangible, benefit will be  
17 realized through improved morale and employee relations.

18           In conclusion, Bannon Investors would like to  
19 call attention to the Board an estimated total of  
20 \$11,162,000 in efficiencies and savings unaccounted for  
21 in CresaPartners' bid analysis. This total includes but  
22 is not limited to \$3,127,000 in LEED productivity  
23 benefits, \$2,095,000 in potential operating -- shared  
24 operating expense savings, and 5,850,000 in free parking.  
25 During these difficult economic times, all of us, both

1 public and private, must evaluate all potential  
2 opportunities based on the needs of the partners,  
3 shareholders, employees, and bondholders.

4           Throughout the history of my family, the Kelly  
5 family, in broadcasting, banking and real estate, we have  
6 consistently strived to create cost efficiencies in  
7 operations that provide to value -- true value to both  
8 ourselves and to our customers. 2020 Gateway Tower is no  
9 exception and is truly a unique asset.

10           I would ask that the CalHFA Board require that  
11 all evaluations of potential lease proposals take all  
12 economic considerations into account. Bannon Investors  
13 looks forward to continued discussions with your  
14 representatives regarding my concerns and welcomes  
15 further discussion of terms during final lease  
16 negotiations.

17           Bannon Investors is submitting a transcript of  
18 these comments of part of your record. We are also  
19 including our letter from February 22nd, 2010, a copy --  
20 and a copy of the State's LEED report from 2003. We're  
21 also including a copy of our sales brochures for your  
22 perusal and evaluation.

23           Thank you for your consideration.

24           (Whereupon Exhibit 2 was marked for the record.)

25           ACTING CHAIRMAN CAREY: Thank you, Mr. Kelly.

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1 We will be considering that item later on the agenda.

2 MR. KELLY: Thank you.

3 ACTING CHAIRMAN CAREY: Other comments?

4 MS. PEPLEY: Hi. My name is Carol Pepley, and  
5 I'm a broker with Coldwell Banker Realty in San Jose,  
6 California. I'm here today on behalf of one of my  
7 clients, Stephanie Fisher (phonetic). She bought a condo  
8 five years ago with a CalHFA loan.

9 Since then, she got married. She became a  
10 foster parent. They were given two foster children. And  
11 they really wanted more foster children, and they were  
12 offered more foster children many, many times but they  
13 could not take them because their accommodations were too  
14 small. The condo she bought was only 800 square feet  
15 with no yard or anything. So in order to do that, they  
16 decided last year to purchase another home. They ended  
17 up buying a three-bedroom, two-bath home and are now able  
18 to accommodate five to six foster children.

19 They thought when they bought their home that  
20 they could rent out the house -- the condo they had with  
21 CalHFA and found they could not. So they attempted to do  
22 a short sale, and the short sale was denied based on the  
23 fact that there was no loss of income and that she  
24 purchased another property.

25 And I understand that that's what the CalHFA

1 guidelines are, but I do want to point out that all the  
2 major banks are now offering people to do short sales  
3 rather than foreclosures because it's such a better  
4 financial picture for the lender. You save on the  
5 average of 30 to 40 thousand dollars to the lender if you  
6 do a short sale rather than a foreclosure. Most of the  
7 major banks now are offering to waive all future  
8 deficiency rights if you do a short sale rather than  
9 foreclose. They're even offering homeowners cash to move  
10 out if they do a short sale rather than foreclose because  
11 it's such a great financial impact.

12 So my question to you and my comment is would  
13 CalHFA rather save 30 to 40 thousand by allowing the  
14 short sale than to go ahead and foreclose on the  
15 property, which is going to take about seven months and  
16 cost a lot more money?

17 There's also a great impact on the real estate  
18 market when there's so many foreclosures, especially with  
19 the condos. A homeowner association will not be -- you  
20 will not be able to borrow money to buy a condo if the  
21 HOA has more than a 10-to-15-percent delinquency rate.  
22 There are condominium complexes in San Jose right now  
23 where nobody can sell their condo because no lender will  
24 loan on it because there's too many delinquencies on the  
25 HOA. Therefore, the only way you can even sell your

1 house is if you have an all-cash buyer. There are people  
2 who literally -- who aren't even behind on their payments  
3 or anything, they still can't sell and buyers can't buy.

4 And that's another one of the impacts with this  
5 particular case and this condo association, which is  
6 right now right on the verge of that tipping, tipping  
7 mark. I think it's like a 12-percent delinquency rate.  
8 She's been paying her condo association dues all this  
9 time, but any more foreclosures in that complex and  
10 nobody will be able to sell in that complex at all.

11 The other thing is this housing market is not  
12 going to change any time soon. It's -- it's -- almost  
13 everybody who bought a house in the last eight years is  
14 underwater, whereas the needs of people change. Families  
15 grow. You get married. You have kids. Your  
16 accommodations are no longer adequate. People are not  
17 going to stay in the house just because they want to  
18 avoid a foreclosure on their record if their family is  
19 suffering and their living situation is -- is no longer  
20 adequate. It's a quality of life issue. People are  
21 going to walk away from their homes.

22 And instead of doing foreclosures on those  
23 people just because they don't have financial hardship, I  
24 urge CalHFA to take a second look at their policies and  
25 maybe allow some short sales and make exceptions for

1 people in these exceptional circumstances. This is not  
2 going to change anytime soon. It would save CalHFA a ton  
3 of money on each one of those properties you've been  
4 foreclosing on, rather than allowing the short sale  
5 because it doesn't meet your guidelines.

6 I'm asking you today to take a closer look at  
7 this particular case as well as maybe your policies  
8 regarding short sales and foreclosures. Because  
9 foreclosures hurt everybody. They hurt CalHFA  
10 financially. They hurt the homeowner because they have a  
11 foreclosure on their record. And they hurt the housing  
12 market tremendously.

13 This particular couple, they're community  
14 servants. Her husband is a -- was a probation officer.  
15 He now works for Department of Homeland Security. They  
16 want to help kids who are abused and who have been  
17 neglected, and that's why they chose to do this.

18 I understand it was her decision to do this, and  
19 I think it's punitive to say, "Well, you decided to buy  
20 another house, so too bad. We can't do the short sale.  
21 You have to have a foreclosure on your record." And I  
22 don't think it helps anybody at all, including CalHFA, to  
23 do that.

24 I appreciate you guys taking the time to listen  
25 to me, and I -- I hope you do take a closer look at your

1 policies because this is going to be an ongoing thing,  
2 and you're going to see more and more and more of people  
3 walking away from their homes, not because of financial  
4 reasons but just because the accommodations no longer  
5 suit them. And I don't think, as I said before, it's  
6 going to go away anytime soon.

7 Thank you very much for listening.

8 ACTING CHAIRMAN CAREY: Thank you for taking the  
9 time. I think you highlight just one of the many  
10 complexities of dealing with policy at broad level when  
11 impacted at the individual level. I'm sure that the  
12 staff will be following up with us on the broader policy  
13 issues.

14 MS. PEPLEY: And do you make exceptions to any  
15 of those rules? Is there a possibility that I could go  
16 back to my client and say you may be able to do the short  
17 sale or -- we've already gotten a rejection letter from  
18 you.

19 ACTING CHAIRMAN CAREY: The Board is a policy  
20 board --

21 MS. PEPLEY: Um-hmm.

22 ACTING CHAIRMAN CAREY: -- and -- and would  
23 not -- A, cannot take action today, but it would be  
24 outside of the normal purview of this Board to take any  
25 action related to a specific mortgage.

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1 MS. PEPLEY: Okay. Thank you very much.

2 ACTING CHAIRMAN CAREY: Are there others who  
3 would like to address the Board as a public comment?

4 --oOo--

5 **Item 5. (No action)**

6 ACTING CHAIRMAN CAREY: Seeing none, we will  
7 move forward with the agenda. We are now at -- on item  
8 6. We are -- there will be no action related to item 5.

9 --oOo--

10 **Item 6. Discussion, recommendation and possible action**  
11 **regarding the adoption of an amended resolution**  
12 **authorizing the Agency's single family bond**  
13 **indentures**

14 ACTING CHAIRMAN CAREY: Item 6, Tom, I believe  
15 you had a brief comment about that. That's a --

16 MR. HUGHES: Yes, sir, I can.

17 This -- you will recall at the last Board  
18 meeting when we had the routine -- what we consider  
19 routine -- financing resolutions the Board expressed a  
20 desire on the single-family financing resolution to  
21 include a programmatic restriction that the -- that the  
22 Agency not use the proceeds of new bonds to purchase  
23 whole loans as opposed to mortgage-backed securities. We  
24 did write up the resolution that way, and if that's  
25 acceptable, no further action is necessary.

1           However, I simply did want to point out to the  
2 Board that yesterday we learned something from Fannie Mae  
3 that I just want to bring to your attention. Normally  
4 when we securitize loans, the Agency does not take title  
5 to the loan because there -- the loan is purchased by a  
6 master servicer who securitizes it, and we buy the  
7 securities.

8           With the Fannie Mae HFA Affinity Program, I  
9 learned yesterday that Fannie has asked us to actually  
10 take title to these loans if only momentarily, and then  
11 they will securitize them. And that is different from  
12 the normal process, and I wanted to make sure that the  
13 Board recognized that, given the prohibition against  
14 purchasing whole loans.

15           Our understanding is it's only a book entry for  
16 a moment in time, but we have to negotiate with Fannie,  
17 and I simply wanted to make sure the Board was aware of  
18 that. If there is a difficulty with that, we may have to  
19 amend the resolution.

20           There's an element of risk involved, if, for  
21 example, the loan didn't get securitized, I think, but  
22 our -- what we've heard so far is that it's not likely.

23           MS. ROCKWELL: So would the resolution --

24           MR. HUGHES: I think the resolution is basically  
25 okay because I simply wanted to point out that we may

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1 have -- we're not actually going out and buying whole  
2 loans and holding them. We're not even buying whole  
3 loans in bulk and securitizing them.

4 The process, as we understand it, will involve  
5 at least a momentary taking of title. And the reason  
6 that they want that is that the new Affinity program,  
7 which has a no mortgage insurance provision, we don't  
8 require mortgage insurance, we do have a liability to buy  
9 the loan back if there's a six-month early payment  
10 default. And they want us in the chain of title to  
11 enforce that, although they haven't wanted that in the  
12 past.

13 ACTING CHAIRMAN CAREY: Go ahead, Katie.

14 MS. CARROLL: I was just going to ask, so --  
15 just to make sure I understand. So you're saying that if  
16 you go into that program, you'll need to come back for  
17 further amendments here or are you saying that --

18 MR. GILBERTSON: Not necessarily because I don't  
19 think we're planning to use bond proceeds, if we --

20 MS. CARROLL: Okay.

21 MR. GILBERTSON: -- actually do have to purchase  
22 a whole loan for that momentary period of time.

23 MS. CARROLL: Okay. Good.

24 MR. GILBERTSON: So it would be other --  
25 other --

1 MS. CARROLL: So it wouldn't require any change.

2 MR. GILBERTSON: Yeah. We'd hopefully have a  
3 warehouse line.

4 MR. HUGHES: The whole gist of the Board  
5 discussion was to reduce -- to eliminate risk by not  
6 having whole loans, but -- but, again, it looks like we  
7 will have to be in the chain of title to do this program,  
8 and I'm not sure that's material, but we felt we needed  
9 to disclose it. I think the resolution is okay as is  
10 with that on the record.

11 --o0o--

12 **Item 7. Discussion of CalHFA loan products and the**  
13 **"value added" to the marketplace by CalHFA**  
14 **lending**

15 ACTING CHAIRMAN CAREY: Okay. We'll move now --  
16 item 7 was planned as a fairly broad conversation.  
17 What's the pleasure of the Board, recognizing the time  
18 situation?

19 MS. JACOBS: Mr. Chair?

20 ACTING CHAIRMAN CAREY: Yes.

21 MS. JACOBS: Is it possible that we can defer  
22 this to either a retreat or another meeting so that we  
23 can have full discussion?

24 ACTING CHAIRMAN CAREY: What's the thoughts of  
25 the rest of the Board?

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1 MS. MACRI-ORTIZ: I think we need some -- we  
2 need some time to do any justice to the subject.

3 MR. GUNNING: I concur.

4 ACTING CHAIRMAN CAREY: Steve.

5 MR. SPEARS: My only concern is with the  
6 implementation of the new issue bond program, those  
7 proceeds have -- those -- the bonds have been sold to the  
8 Treasury. They've been escrowed. The private market  
9 bonds have not been sold yet. But those bonds are only  
10 available to us for 2010, I mean, to draw.

11 Now, we can actually draw late in the year and  
12 use them on into 2011, but as time goes by and we don't  
13 have a program and we don't have products getting out,  
14 we're missing the opportunity to provide loans to  
15 first-time homebuyers and also for multifamily projects  
16 as well. That's my only concern.

17 I mean, I think we have products that the Board  
18 would be very pleased with, but I -- you know, we feel a  
19 little uncomfortable knowing that we've had Board members  
20 express a desire to sort of go back and look at CalHFA in  
21 the brave new world that we're in now. We feel a little  
22 uncomfortable going forward without some -- some more  
23 discussion.

24 MS. PETERS: Can we ask counsel in what context  
25 we can have that discussion? Does that need to be a

1 fully noticed open meeting?

2 MR. HUGHES: Yes. This is similar to we've done  
3 a couple of Board educational seminars, but they are  
4 public meetings and the same notice requirements apply.  
5 So we could -- we could schedule one or do it -- well, we  
6 would have to follow the same basic rules, yes.

7 MS. PETERS: Anyone have an objection to getting  
8 out a calendar and just picking a date?

9 MR. HUNTER: So my question is did -- so we need  
10 to have this conversation before we can act on a specific  
11 recommendation, but that recommendation hasn't been put  
12 forward yet; is that correct?

13 MR. SPEARS: It's not been practice in the past  
14 for the Board to approve products. They've commented  
15 and -- and that's my understanding.

16 Now, you know, here again, I'm not the new kid  
17 on the block anymore, Barbara, but most of the products  
18 that we offered before in -- before we stopped lending a  
19 year ago were developed long before I got to the Agency.

20 I think what -- I think the way the staff feels is that  
21 they would like the benefit of discussing this with the  
22 Board and discussing some specific product ideas that we  
23 have and borrowers that you would like to reach from here  
24 on out.

25 So my understanding is in the past we don't

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1 necessarily come and ask the permission of the Board to  
2 change this or change that. We put products out in the  
3 marketplace that the market has indicated that they're  
4 responsive to.

5 MR. HUGHES: That's correct. I mean the annual  
6 financing resolutions in January give the staff full  
7 authority to run our programs, and the Board has  
8 historically each May adopted a general business plan,  
9 but the Board has never been directly in the position of  
10 approving or not approving products.

11 MR. HUNTER: So I guess that goes to my  
12 question, which is, is it possible -- on one hand is it  
13 possible and on the other hand is it palatable to the  
14 Board to assume that the staff is going to begin  
15 implementing this program and that we're going to  
16 schedule this conversation as soon as we can? And after  
17 this conversation we may want the staff to make some  
18 changes in the program, but I don't know why we would  
19 want to -- I'm just concerned about, you know, if we --  
20 if we don't have this conversation until the end of  
21 March, by the time anything gets implemented, it's going  
22 be May and we will have lost half of the year.

23 MS. PETERS: Steve, can you comment on what the  
24 logistics are?

25 MR. SPEARS: Yes.

1 MS. PETERS: We don't want to -- we don't want  
2 to hamper you, but the Board's been talking about having  
3 this conversation for a year now.

4 MR. SPEARS: Um-hmm. I think the logistics are  
5 we have -- I mean there's -- there are basic platforms  
6 that we can go off of, and the basic platform is a  
7 30-year loan, a fixed rate. Some of the questions are --  
8 that have been brought up before are, you know, how much  
9 down payment assistance to make available, how much skin  
10 in the game, you know, what -- what down payment, what  
11 amount of borrower contribution are we going to require?  
12 Are there FICO scores that are -- that are -- that you're  
13 thinking about?

14 In the past when home prices got so expensive in  
15 '05, '06 and '07, '08, you know, we had trouble reaching  
16 the low income borrowers. They simply didn't qualify.  
17 So -- and perhaps at this juncture with home prices where  
18 they are it would be the desire of the Board that we  
19 reach out specifically and target low income borrowers  
20 with an FHA product, for example. Those are the kind of  
21 guidelines, the tweaking.

22 Now, we have gone down the path. Gary's spent a  
23 lot of time developing a product, and we've tested it  
24 with, you know, our approved network of lenders. And  
25 they have given us a lot of really positive response, but

1 as we've discussed before, it's not a matter of making,  
2 you know, bankers happy that they get fees for putting  
3 new loans, it's are we accomplishing the mission of the  
4 Agency.

5 And so we've had these internal discussions with  
6 staff and senior staff and that -- that these -- in this  
7 environment with -- with the -- with the bond costs that  
8 we have, the cost of funds that we were able to lock in,  
9 that perhaps it's better to -- it's better to reach the  
10 low income borrower now and -- and use the bond proceeds  
11 for that, rather than to try to reach the more moderate  
12 income borrower.

13 ACTING CHAIRMAN CAREY: And it seems to me a  
14 couple things, one of which is we have the benefit of --  
15 after quite of bit of time with vacancies on the Board,  
16 we have the benefit of virtually a full Board, which  
17 is -- which is great and provides additional viewpoints  
18 and perspectives, which plays out very well in the longer  
19 term planning of the organization.

20 It also seems to me that we're in an environment  
21 where we have less flexibility than we've ever had,  
22 and -- and the need for the Agency to be operating so  
23 that we're not just in the mode of -- of a shrinking  
24 portfolio but in the mode of getting loans in the  
25 portfolio so that we're generating some revenue for the

1 Agency.

2 And so it seems to me there's two things. I  
3 don't personally have any question about whether what the  
4 staff would do would be fulfilling the mission of the  
5 Agency. I think it's -- the question may be how. And we  
6 may have varying viewpoints on that, and I think that we  
7 can take the time at some point in the next two months to  
8 get ourselves together and have that conversation. If we  
9 can commit to that, that's a great -- that will be of  
10 great benefit to us and the Agency long term, but I don't  
11 think we should be holding up the business of the Agency  
12 today for our ability to gather and do that. I think --  
13 my own feeling is the Agency needs to move forward.

14 MR. SPEARS: It occurs to me --

15 MS. PETERS: Is there anything that would  
16 be holding -- what would be impeded by having a meeting  
17 in the next 60 days to have a conversation about what our  
18 priorities are?

19 MR. SPEARS: It occurs to me that I didn't  
20 answer your question before about the logistics. I'm  
21 sorry.

22 ACTING CHAIRMAN CAREY: You asked it again  
23 nicely.

24 MR. SPEARS: I don't think there's a logistical  
25 problem with marketing. The biggest problem that we have

1 is --

2 (Phone rings and is turned off.)

3 MR. SPEARS: -- thank you -- is literally  
4 programming our system. It is, again, a byproduct and  
5 we're working very hard to get a new system in place, but  
6 the platform that we're on requires literally computer  
7 code to be rewritten. We addressed this with the IT  
8 folks, and we said isn't it kind of a Windows-based  
9 thing? You sort of do everything and then drop an  
10 interest rate in?

11 And it's difficult for them to do that just  
12 because of the way our system is right now. And it  
13 takes -- Gary, maybe you can come up for a second and --  
14 what were we told about programming as far as length of  
15 time? I think it was --

16 MR. BRAUNSTEIN: About 30 --

17 MR. SPEARS: -- three or four weeks.

18 MR. BRAUNSTEIN: -- 30 to 45 days.

19 MR. SPEARS: To get the program done. So we can  
20 move forward, unless --

21 MS. PETERS: Move forward with what?

22 MR. SPEARS: With two products that -- that  
23 we've talked about before. We had them on the agenda for  
24 last time and discussed them last time. Two fixed-rate  
25 products, one an FHA product and one a conventional

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1 product through Fannie Mae that is where it's -- does not  
2 require mortgage insurance. They provide that at cost.

3 MS. PETERS: They provide 50 percent. They  
4 provide what we need in our bond indenture.

5 MR. SPEARS: This would go into the new --

6 MS. PETERS: This doesn't go in the bond.

7 MR. SPEARS: -- indenture.

8 MS. PETERS: Got you.

9 MR. SPEARS: And I believe Gary provided us  
10 with -- in the slides that I handed out -- not the slides  
11 that you were mailed, but the slides I handed out for  
12 this tab, it is the next to the last slide, and it's  
13 entitled "Homeownership."

14 Maybe, Gary, what you can do for us very quickly  
15 is run through these points, these bullet points, for our  
16 products and give them a sense of what we had considered  
17 putting out in the market.

18 And again, we've met with focus groups, lenders,  
19 brokers, real estate agents, and they have reacted very  
20 positively. It's not the standard, I know, that we  
21 should use, but the marketplace would receive this  
22 product very well.

23 MR. BRAUNSTEIN: Thanks, Steve.

24 Hello, Board Members. What we attempted to do  
25 in the slide is to just give you a snapshot of a borrower

1 profile. As you can see from using the fiscal year of  
2 2007 and 2009, a typical type of borrower had an average  
3 total debt ratio of 46 percent. And they also show a  
4 need for down payment assistance because the average loan  
5 to value was 89 percent.

6 MR. SPEARS: Are you on this (indicating)?

7 MR. BRAUNSTEIN: No, I'm on the handout that --

8 MR. SPEARS: Okay. All right.

9 MR. BRAUNSTEIN: -- which I thought --

10 MR. SPEARS: Okay. Got it.

11 MR. BRAUNSTEIN: What we also wanted to  
12 highlight is the need of our borrowers having down  
13 payment assistance. As I mentioned, the average loan to  
14 value is 89 percent, but 74 percent of all CalHFA first  
15 mortgage loans carry with it down payment assistance. So  
16 you could begin seeing the type of borrower that we have  
17 been dealing with in meeting our mission plans.

18 You could also see that the average income is  
19 ranging around \$59,000, 60,000. And 44 percent of the  
20 amount of book of business that we do goes to the low  
21 income borrower.

22 So based on this type of profile, which is  
23 mirroring our mission of first time homebuyership for low  
24 and moderate income families, we begin looking at how our  
25 products would be developed to add a value add to our

1 borrowers, but as much to our customer base which is our  
2 lender network for who is originating the product.

3 And so the loan programs through the focus group  
4 responses confirm that -- the need for a higher loan to  
5 value; down payment assistance being necessary through  
6 either CalHFA down payment assistance program or  
7 certainly piggybacking and layering our loans with  
8 locality down payment assistance; lower rates; and, of  
9 course, straightforward qualifying and potentially  
10 flexible qualifying to our borrowers.

11 So as we are looking at the products that are  
12 available to us today, FHA and of course the new Fannie  
13 product, we'd be looking at how we want to risk manage  
14 the development of the programs to offset any risk  
15 attached to future loan products.

16 And so a discussion among senior staff, we are  
17 in agreement that we certainly need to require the  
18 borrower to have skin in the game. Our intention is to  
19 do so with our conventional product, as well as FHA, and  
20 our CHDAP, also is our downpayment assistance; also the  
21 borrower will have the skin in the game. What that skin  
22 in the game will be we hope that the Board will allow the  
23 authority of staff to work that through to a prudent  
24 decision and offsetting risk versus an intelligent  
25 product to the street.

1           We'll limit FICOs between 620 and 680. We will  
2 be imposing a borrower early payment default that would  
3 require our lenders to repurchase a loan for an early  
4 payment default by the borrower. In the past, that type  
5 of early payment default was not part of our lender's  
6 requirement for repurchase.

7           Because we use a master servicer today, the  
8 relationship that we have with our master servicer is  
9 that all of our lenders are signed up directly with the  
10 master servicer as they are signed up with us. But the  
11 value benefit we have with the master servicer is the  
12 relationship with that master servicer and our lenders is  
13 there is an early payment borrower default repurchase  
14 provision between our lender and our master servicer.

15           On the Fannie Mae product that we've been  
16 talking about, that repurchase requirement just falls to  
17 CalHFA. What we'll be doing is we'll be imposing a  
18 similar early borrower default requirement to our lenders  
19 to repurchase the loan from CalHFA, very similar to how  
20 they're structured repurchasing the loan through Bank of  
21 America.

22           So the other benefit of using a master servicer  
23 is also that the transfer -- that the transfer of the --  
24 the transfer of rep and warranty is for the servicing  
25 aspect as well as the seller aspect when these loans are

1 sold to Fannie Mae.

2 And additionally, as you know, that we're moving  
3 forward with changing our business model from whole loan  
4 to MBS. And we mentioned at the last Board meeting the  
5 value benefit of that places real estate risk off our  
6 balance sheet and allows for the guarantee of principal  
7 and interest.

8 So as we are designing the features of the loan  
9 programs, we'll be benchmarked against these parameters  
10 as -- as presented today.

11 MR. SPEARS: There's one other bullet point that  
12 we should put in, and we talked about it before, every  
13 single borrower will receive borrower education.

14 MS. PETERS: So am I correct in paraphrasing and  
15 saying what we're talking about doing in the gap between  
16 now and when we have this Board discussion on a larger  
17 basis is only using the new federal program liquidity,  
18 not using our existing HMRB?

19 MR. SPEARS: Right.

20 MS. PETERS: And within that, only making loans  
21 that are either FHA and therefore not on our books and  
22 not on our MI or this new Fannie product that's a hundred  
23 percent product, also not on our books and not on our MI.

24 MR. SPEARS: Well, they will be on our books as  
25 Ginnie Mae securities. We'll be investors in the

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1 securities, not in the loans themselves.

2 MS. PETERS: And so the real estate risk to the  
3 Agency is minimized as much as possible according to  
4 prior Board discussions. The question remains  
5 programmatically how much leeway is there, I mean when  
6 you're talking about LTVs and down payment assistance --  
7 first of all, is there any down payment assistance around  
8 anymore?

9 MR. SPEARS: There's some at the local level,  
10 yeah.

11 MR. BRAUNSTEIN: At the local level. We're  
12 reaching out to the localities and the jurisdictions on a  
13 daily basis, and they're layering their down payment  
14 assistance programs with our existing first mortgage  
15 loan, and they'd do so in the future.

16 One of our initiatives in homeownership for 2010  
17 is to expand that relationship through the localities.  
18 We currently have about 350 programs that are currently  
19 approved, and we want to reach out more to localities  
20 through the state to allow them to layer their down  
21 payment assistance with our first mortgage.

22 MS. PETERS: And with these two products, the  
23 FHA product and the new Fannie product, what flexibility  
24 is there in program, if any? I mean, are we just saying,  
25 yes, we're signing on to their FHA 3.5-percent down

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1 payment and -- I'm not really understanding what the  
2 latitude staff has here, what you're asking us to do.  
3 You have it because we've delegated it, and I acknowledge  
4 that. So you're asking us to give you a gut check on --  
5 or we are inserting ourselves to offer you a gut check  
6 whether you want it or not.

7 MR. SPEARS: I understand. By the way, the  
8 other down payment assistance that we have available is  
9 we do have some CHDAP money --

10 MS. PETERS: Still?

11 MR. SPEARS: -- available. Yeah, still.

12 MR. BRAUNSTEIN: And that's through proposition  
13 funded money.

14 MS. JACOBS: Where do you think you're going to  
15 get that money?

16 MR. SPEARS: What money?

17 MS. JACOBS: The CHDAP money.

18 MR. SPEARS: It's on -- in hand. It's not new  
19 CHDAP money.

20 MS. JACOBS: Okay.

21 ACTING CHAIRMAN CAREY: It's actually in hand?

22 MR. SPEARS: Yes, it is.

23 MR. BRAUNSTEIN: Right.

24 MS. MACRI-ORTIZ: Not for long.

25 MS. PETERS: So I don't understand what staff is

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1 doing that's any different than anything we've done  
2 before. It's business as usual, adding the Fannie Mae  
3 product.

4 MR. SPEARS: One of the dilemmas that we have is  
5 what we've heard from the Board, if you go back and read  
6 the transcript from last time, there's some concern about  
7 doing no down payment loans. People don't have skin in  
8 the game. And yet the goal is to reach the low income  
9 borrower, who has, you know, little in the way of excess  
10 disposable income to put to savings to -- you know, to --  
11 for a down payment. And there's that dilemma.

12 So if you want to have skin in the game, how  
13 much do you require? If you're only going to require a  
14 thousand dollars -- which is the Fannie Mae program. A  
15 thousand dollars, you get in the house. We don't think  
16 that's enough to really -- you can just charge that on  
17 your credit card. We think it should be something in the  
18 neighborhood of 1 percent.

19 But if we require 5 or 10 percent, even where  
20 home prices are now, that's a substantial amount of  
21 money, and it may be a barrier. That may be fine with  
22 the Board, that that -- that may be something the Board  
23 feels very strongly about.

24 I didn't get that feeling. What I got the  
25 feeling of is from the discussion and going back and

1 reviewing the transcript was that we just wanted people  
2 to have the discipline of putting something aside that's  
3 meaningful.

4 MS. JACOBS: Okay. I really thought we weren't  
5 going to go into this now.

6 MR. SPEARS: Yes, sorry.

7 MS. PETERS: Well, that's what I'm trying to  
8 decide. I don't want to hamper them but I also --

9 MS. JACOBS: We're close to losing a quorum.

10 MS. PETERS: -- want to know what the --

11 ACTING CHAIRMAN CAREY: Yeah.

12 MS. JACOBS: So I really think we need -- I  
13 mean, I have some concerns about all kinds of things  
14 going forward that I'd like to have a broader discussion  
15 on, and I wish we could do it at another time.

16 ACTING CHAIRMAN CAREY: I don't think the Board  
17 is holding the staff back at this --

18 MS. JACOBS: Right.

19 ACTING CHAIRMAN CAREY: -- moment from moving  
20 forward.

21 MR. SPEARS: Okay.

22 ACTING CHAIRMAN CAREY: Long-term issues,  
23 broader discussions to have, and the complexity of doing  
24 what we want to do and having a product that actually is  
25 attractive out there. I think we've got that. At the

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1 moment we are deferring the conversation, and I don't  
2 think we're -- I don't hear that we're saying to the  
3 staff to change the business model. Go ahead and  
4 implement it.

5 MS. MACRI-ORTIZ: Well, the only concern I have  
6 is that if they're setting up all these computer systems  
7 and there are some changes, what's the impact of that?

8 MR. BRAUNSTEIN: Again, speaking to our IT  
9 people, there is an impact. So putting the features and  
10 the design of the program together and either having the  
11 Board provide us the authority of the components that we  
12 presented today and allowing staff to measure skin in the  
13 game equates to what percentage skin in the game or loan  
14 to value restrictions being left on staff versus those  
15 features needing to come back to the Board, the Board's  
16 giving us the authority to move forward under those  
17 parameters in meeting the -- the profile of the borrowers  
18 that we've just described, then we could go forward with  
19 giving our IT folks the necessary specs, if you will, to  
20 the product themselves to be able to roll out  
21 approximately in 30 to 45 days, April 1.

22 If -- if we have -- those features need to be  
23 re -- re-reviewed by the Board, then, yes, we could  
24 either, A, advise our IT folks not to move forward at all  
25 until those final decisions are made or move forward and

1 then provide us what the time line would be if we have to  
2 go back and readjust certain features based off of the  
3 Board's review and input.

4 ACTING CHAIRMAN CAREY: Steve.

5 MR. SPEARS: I think we have clear direction  
6 from the Board what to do from here on out. We'll work  
7 on a time to set aside just for this at a special meeting  
8 and --

9 MS. MACRI-ORTIZ: Well, is that something we can  
10 set? I mean --

11 MS. PETERS: Let's just get a calendar out and  
12 get it fast so you can move forward full speed ahead as  
13 soon as we all agree on what we --

14 MS. JACOBS: They're moving forward. That's  
15 not -- that's not the problem. I think the problem is  
16 whether they want to -- whether you want to calendar with  
17 the people that are here or whether you want to do a  
18 broader calendar. And I think you want to try to also  
19 include the others.

20 MS. PETERS: Well, can we pick two or three  
21 dates and then have staff contact the missing Board  
22 members to find out what works best for everyone?

23 MR. GUNNING: Why can't we do it before our  
24 Board meeting, or is that too much?

25 ACTING CHAIRMAN CAREY: Yes.

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1 MS. PETERS: The date would work.

2 ACTING CHAIRMAN CAREY: We're looking for a  
3 date.

4 MR. GUNNING: Are we the 25th or the 22nd? It  
5 says the 25th here.

6 MS. OJIMA: March 25th.

7 MR. SPEARS: March 25th. I might have misspoken  
8 before.

9 MS. OJIMA: At the Holiday Inn.

10 MS. PETERS: Does it make sense to do it on the  
11 24th, the day before?

12 ACTING CHAIRMAN CAREY: I'm going to be in  
13 Washington, D.C. I'm coming back early just for the  
14 25th.

15 MS. JACOBS: Can we carry over to the 26th?  
16 It's not a furlough day. Anything but April 2nd.

17 MS. PETERS: The 26th is good for me.

18 MS. MACRI-ORTIZ: It is for me too.

19 ACTING CHAIRMAN CAREY: I've got a conference  
20 meeting at 10:00 that day.

21 MS. JACOBS: Well, let's do other days. We need  
22 to have you here, Pete.

23 ACTING CHAIRMAN CAREY: I can probably --  
24 somebody else can chair that meeting.

25 MR. SPEARS: March 26th.

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1           ACTING CHAIRMAN CAREY: 26th.

2           MS. JACOBS: We should come up with an  
3 alternative date.

4           ACTING CHAIRMAN CAREY: Yeah, because we do  
5 need --

6           MS. PETERS: We have some valuable voices  
7 missing.

8           ACTING CHAIRMAN CAREY: Yeah, they're very  
9 different perspectives.

10          MS. ROCKWELL: Wasn't there a meeting between  
11 that's been canceled that people might have clear?

12          MR. SPEARS: March 11th.

13          MS. OJIMA: We need a ten-day notice.

14          MS. JACOBS: Just got it.

15          MR. HUGHES: If we did the 11th, we would have  
16 to issue the notice tomorrow, and we couldn't do further  
17 checking.

18          MS. ROCKWELL: Well, you could notice it and  
19 cancel it if it doesn't work for people. You don't have  
20 to --

21          MR. SPEARS: Let's do that.

22          ACTING CHAIRMAN CAREY: Yes, let's do that. Our  
23 lives and CalHFA.

24          MR. SPEARS: March 11th. We'll call around and  
25 do the best we can, and if we can't make it, then we'll

1 reschedule.

2 MS. JACOBS: Enough. Enough. Why don't we just  
3 try to pull those in. And if JoJo wants to throw in a  
4 third date.

5 MR. HUGHES: If we're going to come up with an  
6 agenda and notice tomorrow and post it, I almost hate to  
7 ask this, but, should I include the previous matters that  
8 we discussed in closed session again? Put an item on  
9 there or not?

10 MR. SPEARS: Not enough time.

11 MR. HUGHES: Okay.

12 ACTING CHAIRMAN CAREY: Okay.

13 MS. JACOBS: Can we move on on the agenda,  
14 please.

15 --o0o--

16 **Item 8. Discussion, recommendation and possible action**  
17 **regarding approval of a building lease**

18 ACTING CHAIRMAN CAREY: Okay. We are moving on  
19 to item 8. Who's handling that, Steve?

20 MR. SPEARS: Howard.

21 MR. IWATA: Good afternoon, Chair and Board  
22 Members.

23 Let's see here. I'd like to introduce also Jim  
24 Niethammer. He's a representative from CresaPartners.  
25 He's helping us with the lease negotiation.

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1           Per our last meeting, we questioned the options  
2 of looking into a new building and that -- would that  
3 send the wrong message in these economic times, and we  
4 decided that a new building is not the issue; the issue  
5 is fiduciary, that we'd have a fiduciary responsibility  
6 to be efficient as we can and to get the best cost  
7 effectiveness and a -- and lock in a low -- low lease.  
8 Staff's objective today is to provide you with the facts  
9 and analysis of the proposed three options.

10           In order to provide the best offer and yet  
11 provide a meaningful analysis for your decision, we  
12 closed all offers on noon, February 22nd. And on the  
13 22nd, we received no updates, so we feel comfortable  
14 everyone had the opportunity to submit their best offer.  
15 However, on February 18th, we did receive an updated  
16 offer from 500 Capitol Mall, and that's why we gave you  
17 an updated fiscal sheet.

18           So at this time I'd like Jim to provide a quick  
19 history of how we got here. Then I'll present the  
20 updated financial chart and nonfinancial chart.

21           MR. NIETHAMMER: And just to correct that, we  
22 also received a response from the Meridian and the  
23 Senator Hotel as well. Those actually were for a shorter  
24 term than what we're looking at here.

25           So I'm Jim Niethammer, representing

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1 CresaPartners. I want to thank everyone on the Board,  
2 CalHFA, as well as the brokers and landlords for all of  
3 their efforts to be prepared for today's meeting.

4 We'll be presenting three options to the Board  
5 today, with the existing Senator and Meridian locations  
6 as one option. We've relied on the information provided  
7 by the landlords' proposals based upon the deadline we  
8 set of Monday, February 22nd, at noon. We have not  
9 independently confirmed the accuracy of the information  
10 provided, and such information should be verified before  
11 proceeding with the transaction.

12 All options include estimates with different  
13 variables, such as moving cost estimates, estimated  
14 tenant improvements, operating expense projections, which  
15 actual costs might differ from the estimated projections.

16 And therefore, we suggest using the financial  
17 information as a tool to assist you with evaluating your  
18 overall decision.

19 The analysis is based upon both financial and  
20 nonfinancial considerations. Financial, the financial --  
21 the spreadsheet you have today is updated with the most  
22 recent proposals based upon the Monday deadline. The  
23 most recent operating expense estimates were updated for  
24 all options as of yesterday. In the nonfinancials, based  
25 upon site selection criteria developed and ranked by

1 criteria relative to the importance by the Agency.

2 From 2000 -- just to give you a little history,  
3 from 2006 to today, the Agency's investigated and  
4 exhausted numerous options within the downtown and city  
5 of Sacramento. Subsequent to the Agency's efforts, the  
6 final proposal options include the Senator and Meridian  
7 consolidation together, combining -- and those obviously  
8 are the existing buildings -- a combination of  
9 consolidating the Senator into floors 2, 3, 7 and 10,  
10 plus Meridian fifth floor; and 2020 West El Camino, where  
11 the Agency signed a nonbinding lease proposal in South  
12 Natomas, which is a 319,000-square-foot, LEED certified  
13 Gold, class A 12-story office building for two and a half  
14 floors, which Mr. Kelly spoke on earlier; and 500 Capitol  
15 Mall, 445,000-square-foot, class A, downtown 25-story  
16 office building, and they've proposed three floors.

17 Now I'll hand it over to Howard to discuss the  
18 financial overview.

19 MR. IWATA: If you look at the financial chart  
20 that you would have in your book, initially we're looking  
21 at over 80 to a hundred thousand square feet, but  
22 basically we've moved -- because we moved loan servicing  
23 out to West Sacramento and also we have close to 46  
24 vacancies, and we're not sure how we're going to fill  
25 those vacancies, when we're going to fill those

1 vacancies, and depending on the work plan for the future,  
2 we did not count those in the estimates going forward.

3 So our new estimated square footage we are  
4 looking at is approximately 65,000 square feet. And upon  
5 looking at that area, if you look at the Senator/Meridian  
6 total, it has total square footage of 79,602 square feet.  
7 That's because of the load factor there also because of  
8 the facility is spread out into seven floors. So what --  
9 the Senator/Meridian said that they would be able to  
10 consolidate some of those floors, but we still will be in  
11 two buildings, both the Senator and the Meridian, because  
12 they cannot consolidate all -- all of us into one  
13 building.

14 For the 2020 West El Camino, they provided us  
15 for two and a half floors.

16 At 500 Capitol Mall, the initial offer was into  
17 four floors, but with the new proposal they were able to  
18 consolidate us onto three floors. But also within their  
19 proposal, they were able to look at our spacing and our  
20 staffing, and they said they could possibly get us into  
21 54,000 square feet versus 65,000 square feet, which we  
22 need to verify to see if -- those numbers and all staff  
23 can fit into that -- that space. So that's another  
24 consideration that we will need to look at down -- down  
25 the line.

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1 The lease terms --

2 MR. NIETHAMMER: But for the purpose of the  
3 analysis, we used 65,000 across the board. And we're  
4 thinking that if there's efficiencies in one building,  
5 new building, there's probably efficiencies in the other,  
6 so.

7 MR. IWATA: And then looking at lease terms,  
8 we're initially looking at long-term lease terms to get  
9 the best -- the best rate. The Senator provided us with  
10 ten-year lease terms; 2020, 12.5 years; and 500, 12.8  
11 years. And -- however, we also looked at the short-term  
12 leases, just in case you did not want to go with the long  
13 term, you wanted to look at short-term leases. Then we  
14 also talked with the Senator and Meridian to possibly go  
15 to short-term leases and extend our current stay where  
16 we're at right now.

17 MR. NIETHAMMER: And one other thing, Howard, I  
18 wanted to add is that we had to base everything kind of  
19 apples to apples, so the term for the Senator in this  
20 case is 12.5 years. We just continued their escalations.

21 MR. IWATA: And on the base lease rate, again,  
22 the Senator is 2.35, I mean, and five-cent annual  
23 increases. And Meridian is \$2.65 with 2.5-percent annual  
24 increases. The 2020 West El Camino and 500 Capitol Mall  
25 provided the same rate per square feet and -- however,

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1 the annual increase is 1-percent difference between 2020  
2 West El Camino and 500 Capitol Mall.

3 The operating expenses base year for Senator and  
4 500 are at 2010, and base year for 2020 West El Camino is  
5 2011.

6 And then for all three areas we are looking at a  
7 turnkey situation. So both 2020 West El Camino and 500  
8 provided \$50 per rentable square feet, but 2020 West El  
9 Camino provided an amortized up to an additional \$10 per  
10 square foot on top of the existing lease rate.

11 Also, in rental abatement, all three areas,  
12 options, provided possible free rent: Senator eight  
13 months free rent; Meridian, six months; three months for  
14 2020 West El Camino; and eight months for 500 Capitol  
15 Mall.

16 So the estimated relocation and moving expenses  
17 for Senator, it came up to \$1,172,000. Basically that's  
18 because it's an older building, and in order to come up  
19 to the -- to -- for cabling purposes and for our IT and  
20 new phone system that we'd like to implement, we'll have  
21 to do a lot of recabling throughout -- throughout the  
22 whole building.

23 For 2020 West El Camino, 500 Capitol Mall, it's  
24 about \$800,000 for the relocation.

25 Moving allowance, Senator, none. For the 2020

1 West El Camino and 500 Capitol Mall, 2020 provided  
2 \$650,000 at \$10 per square foot in; 500 provided 130,000  
3 at \$2 per square foot.

4 So as you can see, provided is the estimated  
5 occupancy costs, and that's using the 12.5 years --  
6 approximately 12.5-years rate across the board, so it's a  
7 comparison apples to apples.

8 Estimated savings, you're looking at from the  
9 estimated costs, occupancy costs, they're approximately  
10 3,382,881 for 2020 West El Camino and 4,129,484 for 500  
11 Capitol Mall. The difference is about -- between 2020  
12 West El Camino and 500 Capitol Mall is \$750,000 over 12  
13 and a half years.

14 Our delivery date is when we can move in, and  
15 they all provided with information that they can meet the  
16 September 1 deadlines. So that's when our lease expires  
17 for the Senator, and the Meridian is October 10th. So  
18 we're in a tight time frame as far as trying to move and  
19 sign a lease and get all the tenant improvements done and  
20 move into a new facility, if approved.

21 And that is the fiscal chart.

22 If you look at the other chart, that's a  
23 nonfinancial chart. What we did, again, is we determined  
24 what the priorities were for our Agency and what the --  
25 what the priorities were as far as how -- what we need to

1 make our work situation better. We have three top  
2 priorities, and one is consolidation. Another one is  
3 building efficiencies. And the third is building system  
4 and amenities.

5           Going across the board, for consolidation  
6 purposes, again, the Senator and Meridian is tough  
7 because they won't be able to consolidate us all in one  
8 building. 2020 West El Camino, they put us on two and a  
9 half floors, which buys us a good consolidation, as well  
10 as 500 Capitol. 500 Capitol, we put on there four floors  
11 because that's their initial information provided us, but  
12 since, they've showed us information that they can put us  
13 on three floors, but we still need to verify the square  
14 footage and everything and that it fits all of us.

15           The same thing for building efficiencies.  
16 Again, 2020 West El Camino provides the best building  
17 efficiencies on there.

18           And building system and amenities, office type,  
19 shape, condition and so forth, that's the type --  
20 between -- all three are options that provide us with  
21 class A buildings, so all the buildings are in good shape  
22 and -- and --

23           MR. GUNNING: Excuse me, Howard. What do you  
24 mean by efficiencies?

25           MR. IWATA: Efficiencies are like the floor

1 plate on putting all of us onto one -- one floor as best  
2 possible. It helps us with work flow, working with  
3 our -- our different divisions are all together, they're  
4 not on different floors. It's efficiency as far as if  
5 we're all on one floor, we can share our office  
6 equipment, printers, copiers. We don't need one all over  
7 the place. So that's something that we're looking at.

8 MR. GUNNING: That's better at 2020?

9 MR. IWATA: Yes, 2020 puts us on two and a half  
10 floors. And on -- however, at 500, if they put us on  
11 three floors, then it's equivalent. But right now we  
12 have to verify. I didn't change the ratings on 500  
13 because I could not verify, did not have time to verify,  
14 that we could do -- possibly do that, so I just kept  
15 everything the same.

16 MS. JACOBS: Can I follow up on that?

17 MR. IWATA: Yes.

18 MS. JACOBS: I thought I read in here somewhere  
19 that at the 500 Capitol Mall there were not -- they were  
20 not contiguous floors, but they're contiguous floors at  
21 2020. Is that correct or am I just --

22 MR. NIETHAMMER: That's correct.

23 MS. JACOBS: -- punchy?

24 MR. IWATA: Correct. 2020 is on floors 3, 4 and  
25 5. For 500, we're looking at floors 8, 9 and 14.

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1 MR. NIETHAMMER: They're in the same elevator  
2 bank, but they're not -- you know, two of them are  
3 contiguous, and one is up a lot.

4 MS. JACOBS: Okay. Thank you.

5 MR. IWATA: The next area for our nonfinancial  
6 criteria is availability, flexibility for future  
7 expansion or to reduce square footage. And for the  
8 Senator, it's tough to move in because it's -- a lot of  
9 the area is filled and they are waiting for tenants to  
10 leave and then we'd fill in. They said they can possibly  
11 fit us into four floors all -- all in one area, but  
12 that's going to take -- that will be over time.

13 MR. NIETHAMMER: And I think it's -- it's four  
14 floors consolidating into the Senator. It's a phased  
15 move. It's a -- it's a three-to-four-phase move, so you  
16 would clear a floor, build it out, move down, clear a  
17 floor, move down. I guess it's arguable in terms of how  
18 much time it's going to take. It depends on, you know,  
19 if there's, you know -- you can't do it in December  
20 potentially or November, you have to kind of work around  
21 the schedule, you know.

22 ACTING CHAIRMAN CAREY: Just to clarify, that  
23 takes place after September 1st in the Senator?

24 MR. NIETHAMMER: I think they -- they would  
25 probably be flexible on, you know, I guess when that

1 takes place. The proposal was based upon September 1.

2 MR. SPEARS: That they would start construction.

3 ACTING CHAIRMAN CAREY: Or that they would be  
4 done?

5 MR. NIETHAMMER: That they would start and they  
6 would -- it was January of '11 -- was that right?

7 MR. IWATA: Yeah, they --

8 MR. NIETHAMMER: We were corrected today,  
9 that -- we said two and a half years. They corrected us  
10 and said that they could do it sooner. And I'm sure  
11 either one is possible. I think it's just working around  
12 the Agency's schedule and understand that you have to  
13 clear a floor, you have to move, clear a floor and move.  
14 And so it's just -- you know, I'm sure the construction  
15 people can get it done. It's just working around the  
16 Agency's schedule.

17 MR. IWATA: And then for 2020 West El Camino,  
18 they have plenty of space for us to expand.

19 To expand on 500 Capitol Mall, we would have to  
20 most likely take up -- take another floor.

21 Overall building usability, the adequacy of  
22 space, again 2020 West El Camino and 500 Capitol Mall  
23 come up on top. Meridian has good space, provides us  
24 good usabilities. And the Senator is a little less user  
25 friendly.

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1           Public access to buildings, 2020 West El Camino  
2 is top because it's free parking. The public can have  
3 access right off the freeway. And then -- however,  
4 access to the Senator/Meridian, 500 Capitol Mall is  
5 downtown, so they'll have to find parking, pay for  
6 parking, and so forth.

7           Public transportation, the light rail, usually  
8 that's a big-time staff issue. Approximately -- last  
9 time I checked, about 70 staff get parking passes from  
10 our accounting unit, who provided 35-percent cut rates  
11 due to state supplement and local programs. And since  
12 Senator/Meridian are downtown with the light rail area  
13 and so is 500 Capitol Mall, that came up on top. 2020,  
14 light rail is projected to go out there, but there's  
15 no -- no date that I know of. However, they have a good  
16 bus route going from downtown Sacramento over to 2020  
17 West El Camino. I believe it goes every 10, 10 to 20  
18 minutes from 6:00 in the morning to 9:00 at night.

19           Parking costs, again, that would be -- pay for  
20 approximately 14 spaces for about \$30,000 per year in --  
21 again, at -- that would pay for parking for the downtown  
22 facilities. In 2020 West El Camino there would be no  
23 cost since there's no cost for parking.

24           And the other amenities we're looking at are  
25 restaurants, parks, you know, staff, for them, places to

1 eat, easy access. The downtown is the ideal spot for  
2 that. 2020 is -- has restaurants close by, so only about  
3 a couple minutes away. Some are walking distance, but  
4 others have to drive to it.

5 So if you look at the overall rating for  
6 nonfinancial criteria and if you don't take into  
7 consideration the new proposal provided by 500 Capitol  
8 Mall that we need to verify yet on for three floors, 2020  
9 West El Camino comes out on top with 500 Capitol Mall  
10 close behind.

11 And then this is kind of an overall snapshot of  
12 possible options and our ratings and how we reviewed it.  
13 However, you should also note that we don't have a full  
14 lease agreement, so we could still have changes.

15 If there are any questions, we'd be happy to  
16 answer them.

17 MS. MACRI-ORTIZ: For someone from Southern  
18 California, both buildings are in the flood plain? Are  
19 both places in the flood plain?

20 MS. JACOBS: Don't even think -- don't even go  
21 there. None of the spaces are on the first floor, so  
22 don't worry about it.

23 ACTING CHAIRMAN CAREY: That's why the servers  
24 are in the basement.

25 MR. HUNTER: I have a question about the -- the

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1 comment that was made by one of the owners in the public  
2 testimony about operating costs. I see operating  
3 expenses with base years, but I don't see any numbers.  
4 Do you have an estimate of what the operating expenses,  
5 you know, in terms of electricity, et cetera, et cetera?

6 MR. NIETHAMMER: Yeah. Actually, I have that  
7 for all of them. And this is fresh information from each  
8 individual owner yesterday, so. For -- we had to blend  
9 Senator and Meridian, and the operating expenses are  
10 11.42, \$11.42, annually. And that was based upon a 2010  
11 base year. And the operating expenses for 2020 West El  
12 Camino were \$11.78, and that was the -- Mr. Kelly's  
13 building. And 500 Capitol Mall is \$12.00, and they gave  
14 me an estimate of 10 to 12 dollars, and I used \$12.00.

15 Again, the difficulty here -- back to my initial  
16 statement -- is these are new buildings. They're  
17 estimates. They're still working on their actuals from  
18 last year to get their accounting together for '09. So  
19 again, that's why I wanted to make sure everyone had  
20 their input as of yesterday. They're still even working  
21 on their '09 numbers to have. These are budget numbers.  
22 They could change. And so again, let's just -- they are  
23 what they are, so.

24 MS. MACRI-ORTIZ: I have two questions. First,  
25 on the -- we have all the servicing in West Sacramento.

1 At some point when that lease is up, is the idea that  
2 they're going to consolidate in, or that's just going to  
3 stay there?

4 MS. JACOBS: That's a question for Steve.

5 MR. SPEARS: I am sorry, repeat the question.

6 ACTING CHAIRMAN CAREY: Would the servicing stay  
7 in West Sacramento?

8 MS. MACRI-ORTIZ: Beyond their lease or would  
9 they go into the same?

10 MR. SPEARS: They would stay in West Sacramento.

11 MS. MACRI-ORTIZ: Stay in West Sacramento.

12 Okay.

13 And I guess the other is just a comment for the  
14 Board. You know, with respect to free parking sounds  
15 great, but aren't we supposed to be trying to encourage  
16 our development in areas so that we don't have to use the  
17 cars? I don't know. It just seems kind of  
18 counterintuitive to what the State is supposed to be  
19 doing.

20 MS. JACOBS: Okay. I'd like to make a comment.

21 I do see the difficulty of CalHFA operating in two  
22 different buildings, the Meridian and the Senator,  
23 because I have gone to the wrong building before.

24 ACTING CHAIRMAN CAREY: Me too.

25 MS. JACOBS: But I think between the two other

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1 choices, they're both good choices. And I think it  
2 should be up to the executive director to make a  
3 recommendation. That would be my idea.

4 ACTING CHAIRMAN CAREY: And realistically, the  
5 action by the Board is to authorize entering into a  
6 lease, not necessarily to choose the building to lease,  
7 but to authorize that. Isn't that right, Tom?

8 MR. HUGHES: Basically.

9 MS. MACRI-ORTIZ: Well, there's a line in the  
10 resolution that's blank.

11 ACTING CHAIRMAN CAREY: Yes. Exactly.

12 MS. MACRI-ORTIZ: So that implied to me that we  
13 were going to put something in there.

14 ACTING CHAIRMAN CAREY: Yes. I think that's the  
15 question.

16 MR. GUNNING: The question is the lease.

17 ACTING CHAIRMAN CAREY: Well, I mean, I think we  
18 have to -- we have to specify what he would be entering  
19 into a lease for, whether it's one or one of two options  
20 or whatever.

21 MR. HUGHES: Just as a reminder that the reason  
22 why this is coming to the Board is we have a rule, a  
23 regulation, that requires Board approval of certain  
24 expenditures, actually over a million dollars. And we're  
25 bringing it to the Board, so we do need the authority

1 from the Board to do something. And it could be approve  
2 one, approve the other, or approve, you know, the  
3 executive director entering into one of -- trying to  
4 negotiate a lease with one party and if that was  
5 unsuccessful, the fallback would be authorizing the  
6 second proposal.

7 MS. PETERS: So moved as he last said.

8 MR. GUNNING: Second.

9 MS. PETERS: Do we have to have public comment  
10 on that?

11 ACTING CHAIRMAN CAREY: Yes. So we have a  
12 resolution which needs to be amended to have a sense of  
13 what the Board's approving.

14 MR. HUGHES: Right. And I think the resolution  
15 which we just marked up a little bit actually in the --  
16 the only differences would be the last whereas we include  
17 both buildings as -- as resulting in a cost savings. And  
18 then in item 1, as this is proposed anyway, would  
19 authorize the executive director to first negotiate with  
20 one of the buildings and if that was unsuccessful, he  
21 would be authorized to negotiate a lease with the other  
22 building. There's a priority inherent in this, but it  
23 could be done more than one way.

24 MS. PETERS: Could we do it at his discretion?  
25 Could we authorize him to enter into a lease with this

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1 building or that building at his discretion?

2 MR. HUGHES: That could be. I don't know  
3 what -- if we have a recommendation on this thing.

4 ACTING CHAIRMAN CAREY: Steve, do you have a  
5 recommendation?

6 MR. SPEARS: No. We set this up to discuss with  
7 the Board. The way the resolution was set up was to  
8 choose a lease, so that's the way it was originally set  
9 up. I have no problem receiving authorization from the  
10 Board to -- that you consider these all good options and  
11 any one of them is okay by you and I make the choice and  
12 sign a lease, negotiate a lease and sign it.

13 MS. JACOBS: Yeah, I think probably if we -- if  
14 we had a preference, we wouldn't be crazy about you  
15 staying in the two hotels.

16 MR. GUNNING: Yeah.

17 MR. SPEARS: Understood.

18 MS. JACOBS: That was a good motion, Steve.  
19 Hopefully we got that down.

20 ACTING CHAIRMAN CAREY: I don't think it  
21 makes -- I don't -- personally, I don't think it makes  
22 sense to stay in the two buildings.

23 MS. JACOBS: Yes.

24 ACTING CHAIRMAN CAREY: And I think we're down  
25 to the other two. From my own point of view, I have to

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1 echo a little bit what Barbara said, that I think the  
2 mass transit is an issue for me, and the proximity to  
3 downtown, I think, does make some difference in terms of  
4 connectivity with the rest of the State and the other  
5 agencies and such.

6 MS. JACOBS: However, the West El Camino  
7 building is closer to West Sacramento.

8 ACTING CHAIRMAN CAREY: That's true.

9 MS. JACOBS: Closer to the --

10 ACTING CHAIRMAN CAREY: Loan servicing.

11 MS. JACOBS: -- the heartbeat of loan servicing.

12 MS. MACRI-ORTIZ: Who goes there?

13 MR. SPEARS: It's one exit away.

14 MS. JACOBS: Not us.

15 Personally, I don't feel strongly enough about  
16 either place to have it be my decision. I would rather  
17 leave it up to the people that have to work there.

18 ACTING CHAIRMAN CAREY: Anyone disagree with  
19 that?

20 We have a motion and a second, I think.

21 MR. HUGHES: I think just in terms of the actual  
22 resolution as I had read this a minute ago, it actually  
23 contains a priority, that the executive director is first  
24 authorized to go to one, then the other. The  
25 alternative, which I sense is what the Board is asking

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1 for, is actually to authorize both of them and the  
2 executive director can choose whichever is best.

3 MS. PETERS: Yes, that's my motion.

4 MR. SPEARS: That's a little different than what  
5 I got.

6 ACTING CHAIRMAN CAREY: Yes.

7 MR. HUGHES: Yes, and that's different from  
8 what's on here.

9 ACTING CHAIRMAN CAREY: I think that's the sense  
10 of this Board.

11 MS. JACOBS: That's the motion, and that's the  
12 second, right?

13 MR. GUNNING: That's my second.

14 MS. OJIMA: Okay. Mr. Gunning is second? And  
15 that's as amended. Okay.

16 ACTING CHAIRMAN CAREY: Roll call, please.

17 MS. OJIMA: Thank you.

18 Ms. Peters.

19 MR. SPEARS: We have to allow for --

20 ACTING CHAIRMAN CAREY: Oh, I'm sorry, yes,  
21 you're right. We did have public comment earlier, but  
22 this is a public hearing, and we are at this point  
23 willing to accept public comment related to this specific  
24 action by the Board.

25 Seeing none --

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1 MR. VICTOR: Mr. Chair, just before --

2 ACTING CHAIRMAN CAREY: The slow hand from the  
3 back.

4 We'd ask you to state your name for the record.

5 MR. VICTOR: Hello. My name is Mark Victor.  
6 I'm an employee of CalHFA, and I felt it necessary to  
7 express the concerns of a number of employees regarding  
8 moving into the Natomas location.

9 A number of people utilize public transit, and  
10 the options for transit in Natomas are inadequate. For  
11 instance, a number of people utilize transit from El  
12 Dorado County, Yolo County, Placer County, and they do  
13 not have a connection that goes directly to Natomas, and  
14 they would have to take -- come to the downtown area  
15 where 500 Capitol is and then take another bus in order  
16 to get out to Natomas, which would increase commute times  
17 hugely for a number of these people who are already  
18 commuting, you know, up to 45 minutes.

19 Additionally, anybody that lives in the 50  
20 Corridor, their commute time, even if they were driving,  
21 would probably be increased at least, you know, 30  
22 minutes in order to get -- because they would have to,  
23 again, come downtown, go up I-5 in order to get to  
24 Natomas. And for a lot of people, that would be a  
25 hardship.

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1 Right now people are already commuting to the  
2 downtown area, and so, you know, this would not -- to  
3 stay in the downtown area wouldn't be an additional  
4 sacrifice for them, whereas a number of people would  
5 experience, you know, a hardship if they did have to  
6 travel outside of the downtown area.

7 So just thought I had to say that.

8 ACTING CHAIRMAN CAREY: Great. We appreciate  
9 you taking the time to share your viewpoint. And I know  
10 that -- that concerns of the staff on both sides is part  
11 of the equation in the decision. Thank you.

12 MS. PETERS: Thank you for being so patient  
13 waiting for our long closed session.

14 ACTING CHAIRMAN CAREY: We now have -- we do  
15 have a motion on the floor.

16 MR. HUGHES: Mr. Chair?

17 ACTING CHAIRMAN CAREY: Yes.

18 MR. HUGHES: Before we vote can I just make one  
19 clarification, because I have to redraft this.

20 ACTING CHAIRMAN CAREY: Yeah, I'm sorry. We  
21 have another --

22 MS. PETERS: Further comment.

23 ACTING CHAIRMAN CAREY: -- comment. Yes, okay.  
24 One more comment.

25 MR. AGUER: Thank you. My name is Tom Aguer.

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1 I'm with Aguer Havelock Commercial Real Estate, and I'm a  
2 real estate broker representing the Kelly family, the  
3 2020 West El Camino building. And I just wanted to  
4 comment on public transportation in South Natomas, and I  
5 appreciate all the comments that have been made.

6 One thing I wanted to bring to your attention is  
7 that in South Natomas, we were very sensitive to  
8 transportation issues 20 years ago when the Kellys first  
9 started developing the area, and we established the South  
10 Natomas Transportation Management Association at that  
11 time, and it is still in operation today. And we  
12 actually won the Governor's Award in the 1990s as the  
13 best run TMA in the state of California.

14 And the whole purpose of the transportation  
15 management association is to mitigate traffic and add to  
16 the air quality and to really provide alternatives,  
17 multiple alternatives, for employees, and it's been very  
18 successful, especially for large users with -- with high  
19 employee head counts.

20 And the advantage to large users moving into  
21 Natomas is that the employees would immediately be placed  
22 into the TMA database, where they would be immediately  
23 put into or provided information for ride sharing, car  
24 pools, van pools, as well as an emergency ride home  
25 program. If you have a family emergency, a taxi picks

1 you up at your -- at your office and takes you home, no  
2 charge.

3 We also have subsidiaries for regional transit  
4 and for Amtrak. We have showers and lockers in the  
5 building and bicycle lockers, which is also part of our  
6 LEED certification. And it's all -- it all is -- the  
7 whole purpose is to, again, assist in public  
8 transportation.

9 So we do have two excellent lines with Regional  
10 Transit. The service is on site. We have a bus shelter  
11 on the site. We have two stops at the site, with regular  
12 service that was already mentioned, so I just wanted to  
13 clarify that because we are very sensitive to the  
14 transportation issues out there. And again, as a part of  
15 our LEED Gold certification we're very interested in  
16 providing alternative sources of transportation in  
17 addition to all of our free parking.

18 Thank you.

19 ACTING CHAIRMAN CAREY: Thank you very much.

20 Seeing no further comment, we will close the  
21 hearing and move to the Board action. Roll call, please.

22 MR. HUGHES: Mr. Chair, before the vote --

23 ACTING CHAIRMAN CAREY: Yes.

24 MR. HUGHES: -- can I just clarify one thing,  
25 because I have to draft this resolution. My

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1 understanding, what I heard, was that the choices are  
2 between 500 Capitol Mall and 2020 and not the Senator and  
3 Meridian. Is that correct?

4 ACTING CHAIRMAN CAREY: Yes.

5 MR. HUGHES: I just wanted to clarify that.

6 ACTING CHAIRMAN CAREY: Yes.

7 MR. HUGHES: Thank you.

8 ACTING CHAIRMAN CAREY: Roll call.

9 MS. OJIMA: Thank you.

10 Ms. Peters.

11 MS. PETERS: Yes.

12 MS. OJIMA: Mr. Gunning.

13 MR. GUNNING: Yes.

14 MS. OJIMA: Mr. Hunter.

15 MR. HUNTER: Yes.

16 MS. OJIMA: Ms. Jacobs.

17 MS. JACOBS: Yes.

18 MS. OJIMA: Ms. Carroll.

19 MS. CARROLL: Yes.

20 MS. OJIMA: Ms. Macri-Ortiz.

21 MS. MACRI-ORTIZ: Yes.

22 MS. OJIMA: Thank you.

23 Mr. Carey.

24 ACTING CHAIRMAN CAREY: Yes.

25 MS. OJIMA: Resolution 10-05 as amended has been

1 approved.

2 ACTING CHAIRMAN CAREY: Great.

3 --o0o--

4 **Item 9. Reports**

5 ACTING CHAIRMAN CAREY: I think we will not  
6 spend time on the reports with the --

7 MR. SPEARS: Read them on the airplane.

8 ACTING CHAIRMAN CAREY: No, in the car.

9 MS. PETERS: You need an emergency ride home.

10 --o0o--

11 **Item 10. Discussion of other Board matters.**

12 ACTING CHAIRMAN CAREY: Other Board matters?

13 With that, we are adjourned. Thank you for your  
14 patience.

15 (The meeting concluded at 5:42 p.m.)



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