STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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Sacramento Housing & Redevelopment Agency
801 – 12th Street
Sacramento, California

Tuesday, July 14, 2015
10:00 a.m. to 1:27 p.m.

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Minutes approved by the Board of Directors at its meeting held: September 10, 2015

Attest:

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

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A P P E A R A N C E S

Board of Directors Present:

MATTHEW JACOBS, Chairperson
Co-Managing Partner
Bulldog Partners, LLC

ANAMARIE AVILA FARIAS
Martinez City Council and
Housing Authority of Contra Costa County

ANNA CABALLERO
Secretary
Business, Consumer Services & Housing Agency
State of California

TIA BOATMAN PATTERSON
Executive Director
California Housing Finance Agency
State of California

JANET FALK
Formerly Vice President, Real Estate Development
Mercy Housing

THERESA GUNN
Deputy Secretary, Farm and Home Loan Division
CalVet Home Loans
BBVA Compass

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

TIENA JOHNSON-HALL
SVP, Community Development Finance Manager
BBVA Compass

JONATHAN HUNTER
Consultant
JCHunter Consulting

ERAINA ORTEGA
for Michael J. Cohen, Director
Department of Finance
State of California

A P P E A R A N C E S

Board of Directors Present (continued):

PRESTON PRINCE
CEO & Executive Director
Fresno Housing Authority

SUSAN RIGGS
Acting Director
Housing & Community Development
State of California

TIM SCHAEFER
For John Chiang, State Treasurer
Office of the State Treasurer
State of California

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Participating CalHFA Staff:

KENNETH H. GIEBEL
Director of Single Family

TIM HSU
Director of Financing

VICTOR J. JAMES
General Counsel

CARR KUNZE
Multifamily Loan Officer

JOJO OJIMA
Office of the General Counsel

ANTHONY SERTICH
Manager
Director of Multifamily Programs

CLAIRE TAURIAINEN
Attorney III

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A P P E A R A N C E S

Public Testimony:

BENJAMIN M. FRANKK
Chief Executive Officer
Benjamin Frank, LLC, Management Consultants

DAN HARPER
Tenants Together

AIMEE INGLIS
Tenants Together

PATRICIA KERMAN

STEVEN LUFTMAN

GLENN NYHAN
Tenants Together

DEAN PRESTON
Tenants Together

BEN (BENITO) MARCEL SANTIAGO
Tenants Together

ANDREW SZETO
San Francisco Tenants Union

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BE IT REMEMBERED that on Tuesday, July 14, 2015, commencing at the hour of 10:00 a.m., at the Sacramento Housing & Redevelopment Agency, 801 – 12th Street, Sacramento, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRMAN JACOBS: Thank you, everyone, July 14th, 2015 board of directors meeting, California Housing Finance Agency.

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Item 1. Roll call

CHAIRMAN JACOBS: JoJo, do you want to call the roll?

MS. OJIMA: Thank you.

Ms. Caballero.

MS. CABALLERO: Here.

MS. OJIMA: Mr. Schaefer for Mr. Chiang.

MR. SCHAEFER: Here.

MS. OJIMA: Ms. Gunn for Ms. Endsley.

MS. GUNN: Here.

MS. OJIMA: Ms. Falk.

MS. FALK: Here.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Here.

MS. OJIMA: Mr. Gunning.

(No audible response.)

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Here.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs.

MS. RIGGS: Here.

MS. OJIMA: Ms. Sotelo.

(No audible response.)

MS. OJIMA: Mr. Alex.

(No audible response.)

MS. OJIMA: Mr. Cohen?

MS. ORTEGA: Eraina Ortega for Mr. Cohen.

MS. OJIMA: Oh, thank you. Thank you, Ms. Ortega.

Ms. Patterson.

MS. BOATMAN PATTERSON: Here.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Here.

MS. OJIMA: Thank you. We have a quorum.

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Item 2. Approval of the minutes of the May 14, 2015

Board of Directors meeting

CHAIRMAN JACOBS: All right. Let's move on to the minutes from our last meeting on May 14th. I know there's one correction that the director had.

MS. BOATMAN PATTERSON: Yes. In the minutes on --

(Reporter interrupts to clarify record.)

MS. BOATMAN PATTERSON: On page 66 of the transcript, line 21, it states to utilize 400,000 of MHSA housing funds. That should reference 400 million.

CHAIRMAN JACOBS: Any other corrections?

Do we have a motion to approve?

MR. PRINCE: I'll move.

MS. FALK: Second.

CHAIRMAN JACOBS: We have a motion and a second.

(Reporter interrupts to clarify record.)

MS. OJIMA: Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn.

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Thank you.

Ms. Avila Farias.

(No audible response.)

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Here.

MS. OJIMA: Approval of minutes.

MR. GUNNING: Aye.

MS. OJIMA: Thank you.

Ms. Johnson-Hall.

MS. JOHNSON-HALL: I'm going to abstain as I was not at the last meeting.

MS. OJIMA: Thank you.

Mr. Hunter.

MR. HUNTER: I will also abstain.

MS. OJIMA: Thank you.

Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs.

MS. RIGGS: Aye. Aye.

MS. OJIMA: Thank you.

Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: The minutes have been approved.

CHAIRMAN JACOBS: Great. And let the minutes reflect that Mr. Gunning has just joined us, welcomed by the chair.

MS. OJIMA: Thank you.

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Item 3. Chairman/Executive Director comments

CHAIRMAN JACOBS: Okay, good morning. We've got a number of matters on today's agenda, a couple items that are in closed session.

So before I turn it over to the Executive Director for her comments, I would like to take a moment to thank staff for three transformative years at this Agency. As many of you know, I'm nearing the end of my term on the Board, and I will not be seeking a reappointment. As lots of you know, I became a father since our last meeting and didn't fall asleep until 4:00 this morning. But in order to participate fully in these magical first years, I've been winding down a bunch of my noncore business ventures over the past several months, so selling properties and stopping consulting work, along with that, paring down other commitments outside of work and family.

And I will also say thank you. It's been three really interesting years. I was told when I joined by Claudia that this is a thankless position, but actually I think we've done some really good work. I feel confident today that CalHFA is on very solid ground. Three years was an extremely rough patch. The course forward, if there was a course to go forward, was anything but clear, but today the Agency is back in business. Our exposure to derivative financial instruments has been brought under control. Single- and multifamily lending programs are ramping up. We have a strong executive director, greatly improved finances, and vastly improved collaboration with our sister agencies: Treasury and HCD and CDLAC and TCAC and HUD and Veterans Affairs. And this is how we're going to actually be able to get policy implemented.

That's not to say that there isn't a ton of work ahead of us in California to produce and sustain an adequate supply of affordable housing for all income groups, but today CalHFA strengthened is part of the solution, so thank you.

As you know, the Board welcomes and encourages participation in our Board meetings. By way of reminder, if anyone wishes to comment on any agenda item, please complete a speaker card and present it to the Board secretary. When that item comes up, your name will be called so you can be heard. It will be appreciated if members of the public would limit comments to three minutes so that everybody can be heard today.

Additionally, if comments do not pertain to a specific item on the agenda, we ask that you wait to provide your comments till the public testimony portion of the meeting, which is listed at item 13 in today's agenda.

All right. Very well. Madame Executive Director.

MS. BOATMAN PATTERSON: I just have one small -- we sent out a survey related to going paperless on our binder materials that we prepare for the Board. Those survey results came back, and 57 percent of you, eight of you, prefer hard-copy binders. I guess you're old school. Four of you were adamant that you would like to continue receiving a hard copy, and so we're going to try to continue to look at that, because it is a lot of work copying these binder materials. Several of our sister agencies are going paperless in order to save the environment, and so we will continue to look at that and look at ways -- because since 2007 we have had the ability to go completely electronic, and we have not. Just the copying is about $4,000 a year for just the copying. That doesn't include the staff time, et cetera, for that. And so we will continue to engage the Board to look for a path forward and potentially going to an electronic binder and also looking at a device on which you could receive that electronic binder and those binder materials. So we will continue to engage the Board as we continue to look at ways in which we can make you all feel comfortable and get you the information that you need.

Thank you.

CHAIRMAN JACOBS: Thank you.

MR. PRINCE: Mr. Chairman, may I ask a question?

CHAIRMAN JACOBS: Yes.

MR. PRINCE: You will be here for September?

CHAIRMAN JACOBS: I will be here for September.

MR. PRINCE: I want to make sure we have a chance to thank you for the thankless job because I think you've done a great job for us. It's sad for us, but exciting for your family. Glad you've made that decision. It's a good one for you and your family, but I want to make sure we have a chance to formally thank you at some point.

CHAIRMAN JACOBS: If anyone wants to see baby pictures, I've got them. He's a very handsome young man.

(Laughter.)

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Item 4. Update and discussion on the status of the California Homebuyer's Downpayment Assistance Programs (CHDAP)

CHAIRMAN JACOBS: All Right. Let's jump into the agenda. Ken, we've got item No. 4, the downpayment assistance program, CHDAP, update on that.

MR. GIEBEL: Good morning, everyone. I have Claire --

MS. TAURIAINEN: Good morning.

MR. GIEBEL: -- from our legal department.

(Reporter interrupts to clarify record.)

MR. GIEBEL: Anyway, we just -- we sent you a memo regarding the status of our CHDAP fund, which consists of a number -- three different bond allocations: 46, 63. We just wanted to let you know that all those dollars, 300-and-some-odd -- it's outlined in here, all those bond dollars have been used as of June 30th of this year. We are now operating off of recycled funds. And just to let you know, we have a few years of that money.

We also -- if you've noticed our products, we have another fund, HPA money, that we are also using for what we're calling our ZIP Extra, which is 6500.

The CHDAP money, as you probably know, can be used with anybody's first mortgage. So in the last fiscal year, we did almost 4900 CHDAP loans; 4,000 of those were standalones, and 900 were with CalHFA first. We used about $32 million in CHDAP funds last year.

So what we are going to propose, now that we are in recycled funds and we have limited funding -- that money will probably all be used up in the foreseeable future -- is to re-take a look at how we do our downpayment assistance program, and I think, as it's outlined in the memo, we will come back to you in September with a proposal on these two pots of recycled funds.

Now, the extra money, the HPA money, can only be used with a CalHFA first. Both of these dollars, pots of money, are only for first-time homebuyers with income limits and sales price limits.

And that's kind of where we are today. We have to run some numbers to make sure we are going to provide a downpayment assistance program that will actually assist people so they can continue to get into their first home.

Just to let you know, as some background -- Tia asked me to look this up -- all HFAs basically provide downpayment assistance. They either do it in a grant, or they do it like we do, from different funds. We are the only HFA that I know of in the country that permits -- provides downpayment assistance without their first mortgage.

So, for example, Virginia -- these are just some HFAs that are about our size. Virginia did 618 million for about 3600 loans. They have a grant program of 5 million, DPA of about 11 million, and the average is about $55,000.

Mass Housing doesn't provide very much downpayment assistance. They're about 590 million for 2500 loans.

Idaho is one of the bigger HFAs. They do 677 million, 4800 loans. They have about 5 million in downpayment assistance, and their average is about 4,000 because of the home prices.

Our average price is just about just -- CHDAP is about 6500 per loan. And we -- as I said, we did almost 1400 loans this year and 900 CHDAPs. Okay?

CHAIRMAN JACOBS: One question: Is the rate of non-standalones reduced since the TBA has been in place or not?

MR. GIEBEL: Yes.

CHAIRMAN JACOBS: It has.

MR. GIEBEL: Well, just history and background, we reinstated doing CHDAPs without -- we weren't in the first mortgage business in 2010. We started in 2012, as some of you know. So we've been administering that fund. And again, that was all bond proceeds at that time. So we've used in the neighborhood of 30 million a year. If we make our plan this year and we don't do anything about the standalone business, we'll be using upwards of 45 million.

CHAIRMAN JACOBS: Any questions on that?

MR. SCHAEFER: Yes. A question for the chair. Can you explain to me how CHDAP funds can be coupled with mortgage credit certificates and depending on who originates the mortgage? Because I'm not clear about that.

MR. GIEBEL: MCC, as we call them as the acronym, is a tax credit, no hard dollars, permitted by the IRS, and you have to be a first-time homebuyer. So you can couple that with our first mortgage, and we've been successful in training and selling it that way. And -- but you don't have to have a CalHFA first mortgage. We actually have some lenders who are just -- do MCCs from our allocation.

So what the loan officers do with MCCs, they do two things: One, they give them the tax credit, and, two, they use the money to qualify them, because it's a tax credit. Don't ask me how that works. They're permitted to do that.

MR. SCHAEFER: Perhaps I didn't make that question clear. Can the MCC be used in combination with the downpayment assistance?

MR. GIEBEL: Yes.

MR. SCHAEFER: Okay, thank you.

MR. GIEBEL: Yes, it's completely separate, and, as I said, it's not cash.

MR. SCHAEFER: Okay.

CHAIRMAN JACOBS: Any other questions?

MR. GIEBEL: Okay, we'll see you in September.

CHAIRMAN JACOBS: Thank you.

MR. GIEBEL: Thanks.

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Item 5. Update and discussion on the status and use of Agency-controlled subsidy funds for Multifamily Programs

CHAIRMAN JACOBS: Okay. Tony, I guess we've got item 5, subsidy funds for multifamily programs.

MR. SERTICH: Good morning, Mr. Chairman. Good morning, Board.

I have Carr Kunze here with me, who's a multifamily loan officer who really helped draft this draft policy for subsidy funds that was presented to the Board in the binder. And what I want to do is just walk through it very quickly and then open it up for comments and questions because the goal here today is to get the Board's comments and concerns so we can finalize the policy and start using it.

All right. So currently the Agency controls about $105 million of what we're calling subsidy funds. These fall under three different funds that are restricted in their use. We have the RHCP funds, which are state moneys that HUD -- HCD controls some of those moneys as well. We have about $15 million under our control -- the earned surplus funds, which come from old loan repayments and excess earnings on old loans of $77 million, and FAF savings, which is the most restrictive fund we have, and there's about $14 million there.

The principles that we designed in creating what we used to create this policy were what's shown. First, we wanted to make sure that what we developed here was in alignment with state housing policy that HCD develops, that the Treasurer's Office is working from, and that, as the chairman had mentioned, we're all trying to align so that we're all working together to meet the State's housing goals.

Second, we want to make sure that in doing that, we utilize CalHFA's strengths. We're a lender with a purpose. So we need to tie it to our lending and tie it to what we know how to do well, which is underwriting multifamily loans and more of the bank side, rather than giving grants or just providing subsidy loans.

We also want to make sure we maximize the use of funds. $105 million of subsidy funds could be spent probably in a day to meet California's -- it's not going to meet the needs on its own.

And we also, along those same lines, want to make sure we fill the largest housing needs that we can, so that may mean that -- and all of these could change over time. Today maybe housing policy is directed in one way and maybe decided that it's moving in a different direction next year, so we're going to make sure that we're flexible enough to meet the needs of the State's housing goals.

So on -- the policy itself is divided into really four sections. One, we have a list of the designated uses of the funds. We talk about how we're going to allocate these funds in terms of to meet these uses. We have placed some significant restrictions and controls on the funds, the use of the funds. And we also have a list of what we're calling priority considerations, things we're going to take into account to decide who we're going to lend the money to or provide the money to.

Now I'm going to let Carr take over and dig into some of the details.

MR. KUNZE: Thank you, Members of the Board.

So taking a look at first some of the characterized as the designated uses, one of the things we wanted to do, of course, is to focus on providing gap financing. Now, there may be some instances where whole loans, such as doing small first-lien loans in an underserved market, may be worthy of consideration, but for the most part and in general, gap lending is the most expeditious use. It would stretch limited funds further, and it has the ability to impact the most projects to the extent that -- for example, that they may experience some difficulties in being able to close their loans due to unanticipated complications that come up in the process.

Looking also at assistance to troubled portfolio loans. This would extend our prudential responsibilities to our investors and the Agency's business, be consistent with the Agency's mission, taking that extra step where possible and when necessary to effect workouts should the need arise.

Financing tools to achieve a lower cost of funds. Here, for example, warehousing loans until the bonds are sold and hedging the interest rate lock as a means of compensating for the cost and the limitations, for example, that can occur as we move into new programs such as the Federal Financing Bank Program and potentially other programs down the road.

Looking at programs, we would not be marketing these funds, rather providing them as needed. While seeking some flexibility here, we have -- we want policies which establish the parameters for fund uses that lowers the outside pressures to begin to rely upon the funds, for example, which are limited and to avoid folks looking towards them as something that is a consistently available resource. Once the funds begin to be used, there's still going to remain the potential for members of the development community to begin to seek to rely upon the funds. It will be necessary in those regards to consistently apply the principles, and it's going to be best achieved simply through rigorous underwriting and each step from the initial application process through to commitment and closing.

Looking towards the allocation of the funds. We currently expect these funds to last about three to five years and prior to being able to begin to recycle the funds.

Looking towards the most efficient uses and fund recycling. We would be looking towards loans that would be designed to recapture the funds as quickly as reasonable, looking at interest rate subsidies to be provided only when necessary for underwriting purposes or should, for example, extraordinary market spikes occur.

We would recommend that these funds be limited to some $25,000 per unit of subsidy or $2.5 million per project in total subsidy. The funds would be provided in a subordinate loan or an interest rate subsidy. This might amount to some one half to one third, for example, just to give a sense, of the current direct rehab costs that we are experiencing in projects that require more than, for example, a modest amount of rehabilitation.

And we had hoped that it should be a goal in looking at this limit, that the amount of subsidy for most projects would be less and that when such needs arise, but this is a means to help assure that the funds are available to meet a range of needs over the next few years.

Looking towards some general restrictions. One, that any subsidy be tied to a CalHFA first-lien loan, secondly, that the subsidy be identified as needed in CalHFA's underwriting process, and thirdly, that non-portfolio projects must be new construction or substantial rehabilitation.

Tony?

MR. SERTICH: Now, on this -- oops. I got a couple behind there.

The financial restrictions are probably the ones that we spent a lot of time debating internally, and we want to make sure, you know -- we're not exactly sure where the proper balance is here, but we did look at two rules that are going to restrict the developer's income when using these subsidy funds. The idea behind this is to not provide a subsidy that's going to flow directly through the developer. We want to make sure that we're using these funds where needed and not to enrich the developers.

So first of all, we're not going to allow equity to be taken out of the project in conjunction with the providing of the subsidy loan, and the second step would be restricting the developer fees on the tax credit, deeper than general tax credit restrictions. So the idea would be on acq-rehab loans to limit the developer fees to 10 percent of the total development costs with at least 50 percent deferred. That's what we have in the current draft policy. And on new construction it would be 15 percent with at least 50 percent deferred.

The priority considerations, like I said earlier, talking through a few of the ones that we have out there, we definitely want to focus on troubled portfolio projects, would be a top priority. We want to focus on projects that are at risk of going to market rents. That's a huge need for subsidy in many cases. We want to look at high-cost areas. And we also want to encourage not only the developer putting some skin in the game through the reduced developer fees, but also making sure the locals are making contributions to the project, so that will also be taken into account.

Another thing that we're looking at is making sure that we're not just focused on deepening affordability, but we want to make sure we extend affordability. And depending on the area, a lot of the coastal areas, moderate income renters are having problems meeting those needs sometimes, so we want to make sure that we meet all the needs in the state.

So the priorities that we've listed in the policy, we tried to combine some of the state housing goals. We also want to make sure that they meet CalHFA's business objectives. And these priority considerations will really come into play if we find that we are getting far too much demand for the use of the funds, and then we'll have to expand and restrict these priorities and really focus on who we're lending to. And along these lines as well, we're working on developing more objective measures for how the priorities are going to come into play, and that's something that we'll work on as we finalize the policy.

So the next steps. We know the Board has been itching to get a look at this policy for a while, but we wanted to make sure we got all Board comments incorporated in the final policy. And as we use these funds, we will regularly report to the Board on how they're being used, how much we have remaining, and if there's any changes to the policy or the priority list.

I will now open it up to the Board for any questions or comments.

CHAIRMAN JACOBS: Janet.

MS. FALK: Thank you for putting this together.

(Reporter interrupts to clarify record.)

MS. FALK: Thank you for putting this together. I know these funds have been here for a long time and it's time to use them. I do have several questions, however.

MR. SERTICH: Sure.

MS. FALK: I'll just go in the order they sort of came up. One is the policy about recapturing the funds as quickly as possible. I mean, how do you expect to do that, and why wouldn't it be the same term as the other financing that's in the project?

MR. SERTICH: In general, what we're talking about is setting it up as a residual receipts loan.

MS. FALK: Okay.

MR. SERTICH: We just want to make sure that we're in a good place in the waterfall --

MS. FALK: Okay.

MR. SERTICH: -- along with that. And in the policy itself, we talk about making sure that we're at least at a priority -- the same priority as the other subsidies, residual receipts loans that are in --

MS. FALK: Okay, because there will be generally other residual receipts.

MR. SERTICH: Of course, yeah. We're not trying to necessarily put ourselves on top of those, but we want to make sure we're at least getting our pro rata share of the residual receipts.

MS. FALK: Okay. I was concerned a little bit about the new construction and substantial rehabilitation requirement that you have. One of the things that I think has been -- that I've seen has been a need out there are the projects -- and I don't know whether they're in your portfolio or not, but projects that need only a fairly small amount of rehab but more than the project can take out of the reserves that it has, and yet it's not really enough to warrant tax credits. And so what happens is that groups then think up all these other needs so they go for tax credits and end up in a great big huge rehab when they might need only a million dollars or two million dollars, and that would take care of it. And nobody else provides those kinds of funds.

So it seems to me this is an opportunity since these funds aren't kind of restricted in that way, that you could, you know -- you might want to consider that, because with tax credits, you know, you have to have at least 15 percent or whatever it is now rehab, and it's a huge number for most projects. So there are these -- so that's something I think would be worth considering.

MR. SERTICH: Okay. Maybe rather than putting that as a general restriction, we can add that to the priority list.

MS. FALK: Yeah. Well, especially as -- if I understand this correctly, this is like there's no competition. This is kind of over the counter, right?

MR. SERTICH: At this point that's --

MS. FALK: So it's that discretion and --

MR. SERTICH: Correct.

MS. FALK: -- all of that. So that might be something that you want to take a look at, especially for projects in the portfolio.

MR. SERTICH: Yeah, I guess backing up a little on that, you know, we really wanted to use this to create guidelines for the staff to be able to use going forward, so we want to make sure that we have clear and consistent rules about how we're applying these funds, but I think we can make -- it's not inconsistent with what you're asking for.

MS. FALK: Okay. And then the other thing that I wanted to ask about in terms of the -- given the sort of over-the-counter nature, I guess, you could call this, you know, there have been programs in the state before that have had that. What happens is everyone -- as soon as the word's out, everybody comes barreling in to grab it up, and then they're gone in no time. So you might want to consider having, you know, grouping -- looking at everything like on a, say, monthly basis, quarterly basis, I don't know, whatever make sense in terms of how fast they're coming in, so that you're not just giving it out project by project by project, and then the first ones in the door are the ones that get it, and they may not be the most worthy project.

MR. SERTICH: Yeah, I think -- I agree. That was a concern of ours. You know, we want to make sure that we're meeting, you know -- as you said, we've been sitting on this money for a while. We don't want to be sitting on it. We want to get it out there. But that's why one of the thoughts on that that we had -- and we don't know if it's going to be enough or not -- was restricting the developer fees, putting some of those restrictions on it, may limit that to some extent. And I don't know. You know as well we do how that may work.

MS. FALK: Yeah, that was going to be my last comment. Having worked for the nonprofit development community for many, many, many years, that is a real problem for developers. There is no way for the nonprofits to get reimbursed for the costs of what it is they're doing other than their developer fees. They can't take a profit out. They can't -- they have no other way to cover their costs. There are no grants for most nonprofits to operate and those kinds of expenses. And operating these projects is -- always costs more than what comes in in terms of the asset management and everything else that has to be done.

I think 50 -- restricting it to 50 percent deferred fee is a pretty hefty burden for -- at least for the nonprofits. And --

MR. SERTICH: Okay. We did do some research with what other states do with their funds. And, you know, some were much more restrictive than what we were, so we tried to meet a balance. Because we don't want -- we want this to help projects work. We don't want it to be unusable. So maybe we can, you know, do a little more research on that.

MS. FALK: Talk to some of the developers --

MR. SERTICH: Yeah.

MS. FALK: -- that might potentially use this and see. Because if they're squeezed so hard -- well, first of all, they're not going to -- they'll go elsewhere.

MR. SERTICH: Yeah, they're not going to use the money.

MS. FALK: Right. I mean they really do have -- it's important to you because you have a long-term investment in these properties to have an owner who can survive for the long term, and if they get squeezed too hard, they can't. So, you know, you start putting 50 percent restrictions on, they'll start putting 50 percent restrictions on and --

MR. SERTICH: I understand.

CHAIRMAN JACOBS: Tony, one question. Is the intent to approach the existing portfolio, properties that are sort of at risk directly?

MR. SERTICH: Yeah, and we have been doing that. Our asset management staff has been looking through that, and we have in the past used some of this money to solve or to help some workouts. We just wanted to formalize the policy and make sure that that's a focus.

CHAIRMAN JACOBS: Jonathan.

MR. HUNTER: My question would be when you talk about deferred -- the developer fee being deferred, deferred for how long or until what point?

MR. SERTICH: I think it would fall through the residual receipts. I think there's a limit on the tax credit projects.

MR. KUNZE: I believe it's set up 10, 12 years that developer fees have to be paid out, for example.

MR. SERTICH: And in general the developer fees come prior to any payments of residual receipts loans, so.

MS. FALK: Prior?

(Reporter interrupts to clarify the record.)

MS. FALK: I thought they came at the end, typically.

MR. SERTICH: The developer fees come prior to the payment of our residual receipts loans.

MR. KUNZE: No. No, they would -- developer fees -- developer fees would still have to be paid down perhaps in a uniform fashion, but you could put them up front and give it a greater priority in the waterfall, if you will, over time, but still it has to be done. It still has to be done in that period. I'm sorry, I forgot whether it's 10 or 12 years, but --

MR. SERTICH: So that's part of the negotiation, so we could work that into the policy.

MS. FALK: Okay.

CHAIRMAN JACOBS: Mike.

MR. GUNNING: Yeah, Tony --

(Reporter interrupts to clarify the record.)

MR. GUNNING: What about the existing restrictions and what happens to those going forward? If we haven't been able to use them because of the restrictions, I don't understand how we can get away from them to now implement this new program.

MR. SERTICH: Yeah, I mean, the restriction -- the statutory restrictions that are these functions are going to remain there. I wouldn't say that has prevented us from using these funds in the past. What's really prevented us from using these funds is, number one, we haven't been doing a ton of first-lien lending so we haven't had a lot of loans to tie this money to. And, second, we haven't had a formalized policy about how we're going to use it. So we think that this will help us solve both of those problems.

The statutory restrictions, there still will be projects that can't use the funds for different reasons, if they don't meet the statutory restrictions.

CHAIRMAN JACOBS: Any other questions?

MS. BOATMAN PATTERSON: So I wanted to follow up on Janet's point about new construction, substantial rehab. For those projects that have very little or mod rehab projects, we will be looking at a product -- and that's the synthetic Ginnie Mae that we've talked about -- which will allow for refi’s and perhaps a small amount of equity takeout to get at those projects. We've been on the conference calls with HUD, and we have -- I believe our term sheet will be ready and available by the end of July, so that is a program that will be able to be available for the portfolio and -- am I speaking correctly? I'm making sure with staff, and they're nodding their head yes -- and projects outside of the portfolio, so that will be very competitive financing, so we're very excited about that. So that will take care of that issue.

With regards to getting lending and marrying this money and leveraging, we're also looking at projects that will be using 4-percent tax credits. And one of the things that we have found out is the -- part of the reason for the underutilized tax credits in those jurisdictions that are actually utilizing their tax credits, one of the reasons why they have been able to utilize their tax credits is because they had gap financing.

And so when we looked at all of these issues, we said how could we make our money go further, how could we utilize the underutilized tax credits, target this money so that we can meet the needs, and so that's what we're trying to do. We're trying to meet several objectives and to have a formalized policy that's over the counter, that goes with our competitive financing and goes with the tax credits. That was the niche that we were trying to fill.

CHAIRMAN JACOBS: Very good. So I guess we'll in September see a policy to be adopted?

MR. SERTICH: There's, I guess, one more thing. We do -- we -- I believe we're to finalize the policy prior to the Board meeting, and we'll bring it to -- we'll present it to the Board as a report.

The final thing I want to mention is we do have a great intern working with us this summer who's doing a ton of research on the gap needs around the state, and so as he continues to work through that, we'll incorporate some of that in here to make sure that we're meeting those needs as well.

CHAIRMAN JACOBS: Thanks.

MR. SERTICH: Thank you very much.

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Item 6. Presentation and discussion on CalHFA's Assessment of it Organization and Programs.

CHAIRMAN JACOBS: All right. Tony, you stay there for item 6.

MR. SERTICH: I'd like to call Mr. Benjamin Frank up.

CHAIRMAN JACOBS: Okay. I guess do we have any comments on that from members of the public on that last item?

MR. SERTICH: Mr. Frank has been working with the Agency since October or November of last year on an organizational assessment which has been presented to you in your Board package, and he'll give a quick overview now. And if there's any questions, he'll be available to take them.

MR. FRANK: Good morning. Thank you for providing me the opportunity to meet with you. My presentation will take less than 15 minutes to complete. After the presentation, I'd be happy to take your questions.

During November 2014, CalHFA contracted with me to complete an enterprise-wide assessment of the Agency. The scope of the assessment encompassed all of the Agency's programs and major business units. It was anticipated that results of the assessment would provide a foundation for determining needs to restructure and re-engineer CalHFA's affordable housing programs and supporting organizational structure, workforce capabilities, business processes, technology support systems and to enable longer term sustainability of the Agency.

Reflecting back, following its formation in 1975, CalHFA's programs and organization benefited from an extended period of continuously appreciating real estate property values and the availability of low-cost capital that could be used to fund single-family mortgages and multifamily housing project development loans. These conditions enabled CalHFA to continuously grow its programs and expand its workforce, eventually completing an average of nearly $2 billion in financings per year with a total workforce of about 300 staff.

However, the Agency's programs and operations were significantly disrupted by the 2008/09 financial crisis. During the financial crisis and for a period of several years afterwards, there was complete cessation of single-family first-lien mortgage financing, and only a few multifamily project financings were completed. Concurrently, the size of CalHFA's mortgage portfolio decreased by more than 50 percent.

In recent years, the Agency has completed an average of only 100 million in financings per year, but the size of CalHFA's workforce changed very little, and the Agency continued to incur more than $40 million per year in operating costs. As a result of these circumstances, justifiable concerns surfaced about both the short-term and long-term sustainability of CalHFA as an independent public agency. These circumstances prompted the executive director to undertake this assessment.

As discussed in both the Overview of the California Housing Finance Agency provided in last month's meeting and the Project Summary Report provided in the meeting package for today's meeting, as a result of improvements in the macroeconomic environment and real estate markets during the last several years, CalHFA's fiscal circumstances have improved markedly. The condition of the Agency's indentures has improved, resulting in higher bond ratings and reduced needs to support the indentures with contributions from the Agency's Housing Assistance Trust reserves. Also, collateral posting requirements for the Agency's derivative contracts have decreased.

Recent analyses of current and prospective operating cash flows indicate that Housing Assistance Trust cash liquidity problems are unlikely to surface within the next eight to 10 years, even assuming minimal growth in new loan production, no change in operating expenses, continued elevated loan losses, low indenture administrative fees, and an additional $35 million indenture deposit from the Agency's unencumbered reserves.

If the $35 million indenture deposit is not needed, as now appears likely following recent upgrades to the Agency's mortgage revenue bond credit ratings, and if somewhat less conservative assumptions are made regarding new loan production levels, losses on legacy loans and the amount of indenture administrative fees paid to CalHFA, then cash liquidity problems are unlikely to surface within a longer 10-to-12-year period.

CalHFA -- to kind of restate what the chair said earlier, however, CalHFA is currently in the midst of an extended period of transition. In some areas this transition is further along than in other areas, but there's still quite a ways to go in all major areas. Fortunately, the Agency now has more runway to adapt to the economic, financial, and real estate market conditions that now exist and which appear likely to persist for at least the next several years and possibly for much longer. However, the Agency cannot continue to fund a $40 million annual operating budget into perpetuity with only limited revenues generated from new lending activities.

In some areas, extended time frames are likely to be needed to fully restructure the Agency's programs and workforce capabilities. Therefore, it is imperative that these changes are initiated and completed as expeditiously as practicable. Recently the Agency's executive team has demonstrated some sense of urgency in resolving a number of outstanding programmatic, organization, business process, and staffing issues that had previously remained unresolved for an extended period of time.

I would now like to take a few minutes to just briefly summarize the results of our assessment of the Agency's executive team organizational structure, single-family homeownership programs, multifamily project financing programs, multifamily asset management programs, and support service units.

Executive team organization. Historically the directors or managers of all of the Agency's major business units reported to the chief deputy director, who in turn reported to the executive director. With this structure, the chief deputy director had 10 direct reports and was responsible for directly overseeing all of the Agency's major business units. CalHFA also had a number of division director level positions, and in some cases the division directors had a subordinate deputy or assistant director for their division. However, in recent years many of these positions were left vacant after the incumbent separated from the Agency.

As part of our assessment, we developed a range of alternative executive team organizational structures and assessed these alternatives in consultation with the Agency's executive director. After consideration of the alternatives, a preferred alternative was selected that groups nearly all of the Agency's major business units into three major divisions with responsibility for single-family lending, multifamily financing and asset management services, and then a broad range of enterprise support services but excluding three small existing specialized service units for legal services, legislative services, and financing services.

This exhibit illustrates this organizational structure. With this alternative, the executive director has six direct reports, including the chief deputy director who serves as the director of the Support Services Division, which has about 100 staff representing about 40 percent of the Agency's entire workforce. The Agency's executive director is currently in the process of fully implementing this organizational alternative.

Single-family homeownership programs. CalHFA is currently winding down its legacy single-family whole loan program. Concurrently the Agency is ramping up a new Mortgage Backed Securities first lien financing program that is paired with CalHFA-sponsored subordinate lien programs that provide first-time homebuyers with downpayment and closing cost assistance. The MBS program structure requires fewer staff than the whole loan program structure for lending, loan servicing, and portfolio management functions. Fewer staff are also needed for financing, legal, accounting, and other support services.

It is anticipated that the Agency's single-family whole loan portfolio will continue to run off at an accelerated rate. Currently there are about 15,000 outstanding loans. Within the next two to three years, it is anticipated that about one half of these loans will be refinanced, repaid, or otherwise dispositioned.

Additionally, in recent years most of the Agency's troubled loans and properties were dispositioned, and the remaining outstanding loans are expected to have significantly fewer problems than were experienced in the past. Further restrictions in the number of outstanding whole loans and the number of troubled loans and properties will continue to impact the number of staff needed to provide loan servicing and portfolio management functions. However, the Agency will continue to be responsible for servicing diminishing numbers of whole loans for up to about 20 more years.

Conversely, as you discussed earlier, over the next several years, additional resources and investments are expected to be needed to support growth of the successor MBS Program, which must continue to grow for at least several more years to enable full funding of its costs. This growth must be accomplished efficiently, which may necessitate additional investments in technology support systems.

Additionally, the growth must be funded with continuing capital investments in downpayment and closing cost assistance programs with the expectation that over time many of these senior subordinate loans will be partially or fully repaid. Some additional staffing resources may also be needed to maintain high levels of service which are critical to the program's success.

In summary, CalHFA should continue to wind down its legacy whole loan servicing and portfolio management operations and redirect resources to support increased homeownership lending and other CalHFA business needs.

Multifamily project financing programs. CalHFA's Multifamily Project Financing Program was interrupted during the 2008/09 financial crisis and was not reinstated until mid-2012, but few new financings have been completed since that time. Since the financial crisis, the workforce supporting the program has been reduced by about 25 percent, and most remaining staff were redirected to support the Mental Health Services Act Program. Now that Mental Health Services Act Program is winding down, but will continue for at least the next several years. However, staff currently supporting the MHSA Program cannot easily be redirected to support a resumption of multifamily project financing activity.

Additionally, there are some limitations as to the types and costs of financing for multifamily housing projects that CalHFA can provide. These limitations make it more difficult for the Agency to compete effectively against other providers of multifamily project financing. A significant organizational restructuring of the Agency's Multifamily Project Financing Program is needed, along with a limited increase in the number of staff allocated to support the program.

The Agency is currently implementing a restructuring of the program organization and is recruiting additional staff to augment the Agency's prospect development and underwriting capabilities. However, given the Agency's current circumstances and conditions in the capital markets, a resumption of significant multifamily project financing activity will likely require 18 to 24 months or longer to complete.

Multifamily Asset Management Program. Since the 2008/09 financial crises, there has been a decrease in the number of multifamily housing projects overseen and monitored by the Agency and a shift in the composition of these projects as some outstanding loans have been paid off. However, additional regulatory requirements have added complexity to the project oversight process and to the amount of staff time required to provide asset management services. Currently the Agency's Asset

Management Division oversees 439 CalHFA portfolio properties.

Additionally, significant new asset management workload recently emerged at more than 120 MHSA projects transitioned from financing to asset management status. Also, an additional 60 to 70 projects are expected to transition to asset management status over the next two to three years.

Finally, the Asset Management Division is responsible for two new programs, the HUD 811 Demonstration Program and the Tenant Based Rental Assistance Program. Up to about 70 additional projects could begin participation in these two programs during the next several years. Some additional staff resources are needed to keep pace with these current and emerging asset management workload demands.

Support services units. CalHFA's support services units currently have about the same number of filled regular positions as they had just prior to the 2008/09 financial crisis. However, these business units, which account for about one half of the Agency's entire workforce, are not immune to the changes occurring in the single-family and multifamily program areas. In particular, as legacy single-family whole loans run off and the number of troubled single-family loans and properties decreases, workload will decrease in some support units, which should enable some adjustments to staffing in those areas. Similarly, as MHSA projects transition to asset management status, support services staffing allocations should shift to reflect associated changes in workload demands.

Finally, the organization of some fiscal and administrative support services is currently somewhat fragmented. In several areas the Agency could benefit from consolidating support services that have common characteristics or affinities and pooling the staffing resources allocated for provision of these services. Additionally, in various areas the organizational and management structures, business processes, and workforce allocations supporting provision of those services should be modified to enable improved performance.

Finally, improvement implementation plans. The three exhibits in Appendix A provide summary listings of more than 50 specific recommendations for organizational, programmatic, business process, staffing, and technology support system improvements. The listings also show the implementation status of each presentation. As shown by the exhibits, some of the recommendations have already been fully implemented, and implementation of most of the remaining recommendations is already underway.

This concludes my presentation. However, I would like to take an opportunity to thank all of the CalHFA executives, managers, and staff who provided assistance in completing this assessment. Their support throughout the process was outstanding. The recommendations for improvement which they are now implementing reflect their contributions, and they should all be recognized for their efforts.

Thank you.

CHAIRMAN JACOBS: Thank you.

Before we jump into questions, Tia, did you want to speak a little bit about the overall assessment and where you see things headed?

MS. BOATMAN PATTERSON: I was very pleased, and I thought Ben did a fantastic job. And as a new executive coming in and having this assessment, it really did provide a roadmap. Several of the items that you will see in the recommendation, we -- were kind of a "do as you go." We took on a lot of those efforts as we were going through the process, so I appreciate that, and I do appreciate all of staff's hard work on this. I do see ourselves on an upwards trajectory, and we will be using this as our roadmap going forward to implement some of the recommendations.

There is one item that we talked about when we talked about the single-family loans that I want to make sure that I provide some clarification for. We have not excluded whole loan opportunities. That is not our focus, so we have suspended that activity, and our focus is on the mortgage-backed security with the TBA model because that is the most competitive model in the single-family space right now.

But as I mentioned during the last Board meeting, we are working with Caltrans and the transportation agency on a small whole loan type project for the surplus properties along the 710 freeway. So I wanted to make sure that I clarified that, that we're not excluding that business, although that is not our focus because it does take a lot of time. I wanted to make sure you all understood that we will be coming back to you potentially in September with a whole loan, very limited program and partnership with Caltrans and our sister agency HCD to provide a loan product for those low and moderate income homeowners in that geographic area.

CHAIRMAN JACOBS: Thank you.

Any questions from the Board?

Any questions from the public?

Can I have your speaker card?

MR. PRESTON: Sure. It's a speaker for later public comment, but I do want to comment on this agenda item.

(Reporter interrupts to clarify record.)

MR. PRESTON: Sure, yeah, Dean Preston, executive director of Tenants Together, which is California's statewide organization for renters' rights.

My question in hearing this organizational assessment and the, as you say, roadmap is the extent to which the Board or the Agency considers at all the conduct of Board members and/or staff in undermining the objectives, the laudable affordable housing objectives, in hearing the presentation. And obviously a number of us are here today and will be speaking later during public comment about the chair's eviction activities in Los Angeles.

But to this particular item on the assessment, how does the activities -- how do the activities of Board members, perhaps not through CalHFA but in their own private business, if they undermine the very objectives that you are all here trying to further, how, if at all, does that factor into an assessment of the organization and planning a roadmap for the future?

CHAIRMAN JACOBS: Thank you for your question.

Any other questions?

All right. Thank you, gentlemen -- hold on.

MS. CABALLERO: I just wanted to make a comment.

I just wanted to say thank you to Mr. Frank and to Tia, and actually it's Claudia that started the process. This is really important because as we're working on the financial future of the organization and trying to figure out how are we going to make this transition and how do we do it and how do we choose it, and I think this, as complicated as it was for an outsider to come in and take a look at exactly what needs to be done, it's brought us a long way.

And the comment in regards to the financial security is -- I think was understated, because when you go through a financial crisis such that CalHFA did, along with the rest of the banking industry, and you can recover and really start progressively making business decisions that are good for the organization but meet its mission critical purpose, which is to fund affordable housing, that's really important. So I want to thank you for your roadmap because I think this is -- with it, I think we all can feel much more comfortable as a Board that we're going in the right direction, so I just wanted to say thank you very much.

CHAIRMAN JACOBS: Thank you.

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Item 7. Reports

CHAIRMAN JACOBS: Item 7, the reports. Does the

Board wish to have presentations on these, or has everyone seen them in their packets? Did anyone have any questions on any of the reports?

No questions?

Members of the public, any questions?

CHAIRMAN JACOBS: We do have one question.

MS. CABALLERO: I do have a question, and it's in regards of the update on the homeownership loan portfolio. The -- there are some indications of the delinquency rates. It's the first bullet -- first and second bullet. And I guess as I was going through them, the second bullet didn't seem to make sense to me, and it talked about conventional MI loans with no reinsurance, which had the highest vacancy -- excuse me, delinquency rate at 13 percent.

MS. BOATMAN PATTERSON: We can ask Ken to come up. If you have any information that would help the Secretary about why the delinquency rate on the first loans with mortgage insurance --

MR. GIEBEL: I can --

MS. CABALLERO: Can you explain it in English?

MR. GIEBEL: I'm going to try because it was explained to me in French, so I'll do my best.

From the numbers we just pulled, these loans are 2003, 2004, and 2005 where the reinsurance expired. And, for example, in 2003, there's 45 loans, 4 -- no, 10 loans -- yeah, 10 loans in 2003, 45 and 4 -- and 400. So when those go, the average of those is 13.24, which you saw. Now as you go forward, for example in 2006 it performs much better, and those rates will come down.

One of the issues you have to remember on all this, because we want you to, the percentages go up and down because we're not adding any loans to the portfolio. So when we get the 30-day-plus delinquency and we don't add any new loans, it exasperates the percentage. So these are from 2003, 2004, and '5, and those are our worst performing loans. So that's why you see that number. As we go forward, that rate will come down.

CHAIRMAN JACOBS: Ken, actually a question on that. Are these borrowers being approached directly about Keep Your Home California?

MR. GIEBEL: Yes, they all are. That's the first thing. And then we look at it if we can modify it, if it doesn't qualify for Keep Your Home. And these are 30-day-plus delinquencies, so.

MR. HSU: So that category at the moment just has a mix of what I think of as a particularly bad vintage. So it's being dominated right now by the 2005 vintage. So at the end of this year, that category will add the 2006 vintage into that mix, and it should make that ratio look a little bit better because the '06 vintage is actually better than the '05 vintage.

CHAIRMAN JACOBS: Thank you.

MS. CABALLERO: Thank you.

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Item 13. Public testimony: Discussion only of other matters to be brought to the Board's attention.

CHAIRMAN JACOBS: Before we move into closed session items, I think let's jump ahead to public testimony, item 13, just because there are members of the public here, and if we have speaker cards for those of you who wish to speak, please bring them forward.

Okay. First, I've been advised by the Board secretary that at least some of you are here to address the Board concerning me, and to facilitate this process, I would like to ask Mr. Gunning to chair this portion of the meeting.

MR. GUNNING: Sure. I get the gavel too?

CHAIRMAN JACOBS: If needed.

MR. GUNNING: Is there a Dean Preston in the audience?

MR. PRESTON: Thank you.

MR. GUNNING: If you'd limit your comments to three minutes. Thank you.

MR. PRESTON: Sure. Dean Preston, executive director of Tenants Together, California's statewide organization for renters' rights.

I'm here to specifically talk about the chair's eviction activity in Los Angeles. And I guess more generally just I've been doing this work a long time, and we have dealt with lot of real estate speculators, folks who put their personal financial interests ahead of low and moderate income Californians and the people that they displace. We don't have a lot of those people who sit on boards of directors or chair boards of directors of affordable housing agencies. This poses a real conflict, and it's something I think that as we listen to the testimony about all of the work that you're trying to accomplish that really sullies the name of the Agency and the work being done and needs to be addressed.

Just for context, the chair is using California's Ellis Act, which is a state law that allows any property owner to get out of the rental housing business by evicting all their tenants. The law was enacted in 1985 as a way for long-term landlords to retire. They just didn't want to be landlords anymore. Everyone was told at the time it would rarely be used. Instead, the California Ellis Act is now used as the leading tool for real estate speculators to get around local rent control laws.

So Mr. Jacobs, through his company Bulldog Partners, is currently evicting 17 units' worth of affordably housed tenants in Los Angeles and is -- with plans to demolish that affordable housing and build market-rate housing, which by law cannot be subject to rent control. So this is taking affordable housing that costs the State and CalHFA nothing -- this is affordable housing because it's affordable through local rent control law -- and using a loophole that was not designed for real estate speculators to kick everyone out of their home.

Make no mistake about it -- and you'll hear from one of the tenants who's impacted -- this is not a situation of a tenant who doesn't pay their rent, a tenant who's accused of anything. These are 17 units of affordable housing for low and moderate income people who are accused of doing absolutely nothing wrong. The only thing they did wrong was live in a place that the chair of the California Affordable -- California Housing Finance Agency, through his company purchased. That was their mistake.

And I'm interested, honestly, to see how the body moves forward. We wrote a letter about a month ago to the Governor asking that he remove Mr. Jacobs. It was written directly to Mr. Jacobs as well, asking him to step down. We understand that the Agency position has been that this is in some way a private matter. Okay. If he wants to conduct -- with all due respect, Mr. Chair, if you want to conduct business that displaces affordably housed people from their homes, you should not be chairing this Agency. You should step down.

Thank you.

(Applause.)

MR. GUNNING: Steven Luftman.

MR. LUFTMAN: Hello. Hello, Agency. My name is Steven Luftman.

The California Housing Finance Agency works to support the needs of renters and homeowners by providing financing and programs that create safe, decent, and affordable housing opportunities for low to moderate income Californians. That's the mission of this Agency as written on your website. Those are wonderful and lofty goals, but I live at 124 North Flores Street in Los Angeles, one of the buildings that Matthew Jacobs purchased, one of the buildings your Board chair purchased.

The reality I see, I see 17 families that are being removed from safe, affordable, decent, and affordable housing by your Board chair. I see my neighbors, Liam and Mandy and their two-year-old Charlie, my neighbors for 18 years gone, from the neighborhood they loved. Roberto and Rachel and their two kids, Ollie and Posie, gone. Meredith, Cindy, Margo, Bill, and Dan, all gone. These people were family to Karen and I. We did what good neighbors do. We looked out for one another. We took care of one another.

Yes, Mr. Jacobs is evicting us legally by misusing the Ellis Act, a law passed for ma and pa landlords so they could retire from the landlord business. Like speculators across the state, he only owned these buildings for mere months before he decided to retire.

Why is your Board chair doing this? To make millions of dollars plus on luxury housing so he can make top dollar on his investment without regard to the lives of these families with the neighbors, the neighborhoods he is ripping apart.

Think about how this reflects, how this reflects upon the morals of this Agency. His actions are not helping the lives of low to moderate income Californians. No, the lives your Board chair is helping are the lives of the rich and the wealthy. Shouldn't the Board chair of this Agency be held to a higher standard than this?

I call upon this Board not just to remove Mr. Jacobs -- that's obvious -- but to truly live up to this Agency's mission. Use your power and influence to stop the destruction of affordable housing.

Thank you for your time.

MR. GUNNING: Thank you, Mr. Luftman.

It looks like Aimee Inglis. Aimee? A-i-m-e? How do you pronounce your last name?

MS. INGLIS: Inglis.

MR. GUNNING: Inglis.

MS. INGLIS: My name is Aimee Inglis. I'm here with Tenants Together. I do a lot of our online organizing campaigns. I have with me almost a thousand letters that we collected from tenants all over the state who agree with Steven Luftman, who just spoke, that your agency should live up to its mission and should remove Matthew Jacobs as chair.

I don't have a lot to say, but I'm just personally really struck by the kind of cold, businesslike attitude that I see in this room and the fear and pain that the tenants are going through in the building that Jacobs has evicted them and Steven being the last one in the building and that tenants throughout the state are going through being evicted under the Ellis Act. So I just wanted to bring this visual example of the letters to show you all, and they will be delivered to the Governor later today.

Thank you.

MR. GUNNING: Thank you, Aimee. Thank you for your comments.

Patricia Kerman.

MS. KERMAN: Hello. I'm here, again, to ask that the chair, Matthew Jacobs, does the right thing and resigns from this position, which he is not qualified to be in.

I also have gone through an Ellis Act eviction by a greedy landlord. Many of these landlords, previously a lot of them were slumlords, and now that the property values have increased in their areas, they're turning people out. More than 70 percent in San Francisco are seniors. There are -- a 95-year-old grandmother two weeks after she was Ellis Act died. This is really a tragedy. And to have the chair of this department, of this Board, it's just beyond me. That's why I'm here.

I came from Sacramento to support somebody from L.A. because I've been through this struggle. I know what happens to people who are going through this. You can't sleep at night. You wake up in the middle of the night, and that's it for your sleep for the day. You can't eat because your stomach's in a knot. You don't know where you're going to be.

Because I'm a senior. I've done my work. I'm on social security. I live on a very low limited income, which I can afford because I have rent control. I fought my Ellis Act for two years. I won. My landlord appealed. It was thrown out. He might do this again. This is going on all over the state. I don't know if you're really aware of the effect it's having on human beings.

There's a disease that people come and get. It's called the Ellis Act Disease. You can't sleep. You can't eat. Panic attacks, you think you're having a heart attack. I found myself grinding my teeth at night, which I had never done. I broke a tooth, had to go to the dentist and have it removed. That's how bad this is. And the physical impact it's having on seniors and anyone with any kind of a problem at all, it triples and quadruples what's happening.

Having Matthew Jacobs as the chair of this department, my mother would say is like having the fox be the gatekeeper of the henhouse.

Thank you.

MR. GUNNING: Thank you, Ms. Kerman.

Andrew Szeto, Szeto (pronunciation).

MR. SZETO: Hi. It's pronounced Szeto, Andrew Szeto. I'm with the San Francisco Tenants Union, whom you may or may not know. We're an organization based in

San Francisco. We've been fighting for renters' rights for about 45 years.

The Ellis Act is one of the most cruel kinds of ways tenants get evicted in San Francisco. As Patricia just outlined, it is through no fault of the tenants' own. They paid their rent. They were a perfect tenant.

Matthew Jacobs, you should be ashamed of yourself sitting here as the chair of this Agency, the Board of this Agency, you, yourself, doing an Ellis Act eviction while claiming to pretend to care about affordable housing for residents in this state. You could do the right thing. You can resign. But what you should also do is rescind the eviction. You shouldn't do the eviction at all.

And if you don't resign, how about all of the other people on this Board make him do so? Do you all also care about affordable housing? Do you also care that the chair of this Board has the greatest conflict of interest that he could possibly have, doing a Ellis Act eviction? Really?

And what Dean, you know -- as Dean said, Matthew Jacobs is a speculator. Most Ellis Acts happen -- 70 percent happen within the first five years of homeownership. He is knowingly abusing a state law that we in San Francisco have been fighting for about 20 years now. We're in the greatest housing crisis we've ever seen in San Francisco partly because of the Ellis Act, so we know what it's like. We know what we have to do to fight back.

When Matthew Jacobs here -- maybe because it's in L.A. he thinks that we won't know, that we won't come to Sacramento. We're going to be back. We'll be back in September too.

Stop the eviction. Resign from the Board. It's the only ethical thing to do.

(Applause.)

MR. GUNNING: Thank you.

Dan Harper.

MR. HARPER: Hello. My name is Dan Harper. I'm organizing director with Tenants Together, but I'm also a tenant and a father. My son's 19 months old, and I live in San Francisco in a rent-controlled apartment. And every day my wife and I talk about are we going to be able to afford to keep living here as we know our neighbors, a lot of our friends, have been evicted over the last five years.

And, you know, we have the chairman of a so-called affordable housing agency who's currently in the process -- his whole business model of his side business is to flip houses, to evict people, throw people out on the street. Some of these people may be dying. A lot of people, like Patricia was saying earlier, if they're elderly and they get evicted, they die within months of these eviction notices. So, you know, when some people get these Ellis Act evictions notices, it's like a death sentence.

So let's just be honest about this. You have no credibility whatsoever being the chair of this Board. We're angry. We raised $500 in three hours to fly Mr. Luftman up here, your tenant that you're evicting right now. And it took us three hours to raise $500 because people are so upset about this.

And the Board, you should be ashamed of yourselves as well. You've been backing him up the whole time saying that's private business. It's the biggest conflict of interest. It's totally ridiculous. And as a nation we know if you look into the future, everyone is projecting that middle and working class families are going to be renters going forward. If you all don't start taking a stance on this, you will have no credibility whatsoever.

We will continue to fight until he's removed. If you all think that you can move the Board meeting from Burbank up here to keep people and protesters away, you're absolutely kidding yourselves, you know. So we'll be back in Burbank. You're going to hear more of this until he's gone. That's it.

MR. GUNNING: Is there a Glenn Nyhan?

MR. NYHAN: Good afternoon. I'm a volunteer with Tenants Together. Really just to keep it short, I attended a senior housing meeting a little over a year ago. The abject fear on the faces of those senior citizens was palpable. They are not in a position of ever being able to go back to work again. They are by and large on fixed income, some social security, some disability, some savings. But by and large each one of those people do not have the capacity to go back to work again. And being that as it is, the sheer terror that these people experience on a daily basis by people, speculators, who are using the Ellis Act as a loophole to evict these people from their houses, some of whom have lived there for 30 or 40 years, is just unbelievable.

So I really ask each one of you to think of it in terms of this: If that was your grandfather, your grandmother, your father, or your mother that was being evicted by Mr. Jacobs using the Ellis Act, which as we all know is really a loophole used by developers and speculators to move people out of their homes of 20, 30, 40 years who have no alternative whatsoever but to then be kicked to the curb and the fear that they deal with, if this was your grandmother or your grandfather or your father or mother, how would you feel about that? Take it to the level of it being personal, not just putting it outside of yourselves. But if that was a family member of yours, how would you feel about that? Would you feel like it's okay for Mr. Jacobs to do what he's doing?

I understand that people want to make money in business. Everybody wants to make money in business. We're not here to be in conflict with that. It's a capitalist society. But to make it on the backs of the misery of other people is completely unacceptable. And for a person to be in charge of this body and to not have the backs of the tenants of California is pretty despicable.

And I think you should resign your position.

Thank you.

MR. GUNNING: Ben Santiago, Benito.

MR. SANTIAGO: Thank you. My name is Ben Marcel Santiago, short for Benito Santiago. I live in the Duboce Triangle in San Francisco, California, and I was issued the Ellis Act in 2013, December 13th, 2013, and I've been fighting it. And I actually won. The fact that -- the fact that, No. 1, I'm a senior and I have prolonged stay on that as well as disabled.

And I represent also those seniors and who are unable to speak for themselves. I also work as a special ed professional in the San Francisco Unified School District for children with all disabilities. And I speak also for them, who are unable to speak for themselves. I represent them. I took time off from school today just to be here to support Mr. Steve Luftman and to also to -- to -- to ask you to pay attention to what's happening to our society, what's happening to our community.

In my situation -- in my situation I was given this Ellis Act, and I've been at this spot, at this 151 Duboce Triangle apartment, since 1977 and rent control. And during this time, I chose the path of an artist, starving artist, and yet I used this -- I used this art, which was my love of life, to pay the rent, and I paid the rent, of dance and drumming. And I got a real job with the San Francisco Unified School District, and I still continue to be a bona fide rent payer, and I maintain that.

And then to receive this Ellis Act on my pay as a special ed para, teacher's aide, to go from rent control of $565 a month for a one bedroom to 4,000, there is no way that I could afford that. And when I received it, I just freaked out and started giving things away until I got word saying that, Benito, it's okay to stand your ground because if you start giving everything out, then it's like you never lived there at all.

And the community that I lived in, we had families next door that we can say hi to one another. And what's happening right now is people being bought out, and people that I used to say hi and look eye to eye and say good morning to, they're not -- they're not -- they're not saying hi. They're looking at their iPod. It's basically being bought out. Our neighborhood is being bought out. And there's no -- there's no -- there's no eye contact, communication there.

And so I just want to say if you're going to be -- if you're going to be a landlord, be a landlord and take care of the tenants, not a speculator to kick out the tenants just to -- just to get a high-paying -- high-paying people to take their place, because people, like what Patricia said, are dead -- I mean dying.

MR. GUNNING: That's time, thank you.

MR. SANTIAGO: Anyway, thank you very much for your kind attention.

MR. GUNNING: Are there any other members that have not filled out cards and wish to comment?

All right. Thank you for your comments. I think some of you may not have been in the room when the Board chairman during his report, he announced that he does not plan to seek reappointment when his term expires in

September, so I thought the rest of the public should know that.

Thank you.

(Applause.)

CHAIRMAN JACOBS: Thank you, Michael.

(Multiple people leave chanting.)

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Item 8. Closed session under Government Code section 111126(e)(1)(A); to confer with and receive advice from legal counsel regarding pending litigation <u>MortgageFlex Systems, Inc. vs. CalHFA</u>; Sacramento Superior Court Case No. 34-2014-00164768.

Item 9. Closed session under Government Code sections 11126(a)(1) and 11126(b) to consider the appointment of a Director of Multifamily Programs.

Item 10. Closed session under Government Code section 11126(a)(1) to evaluate the performance of a public employee.

CHAIRMAN JACOBS: All right. Let's go into closed session, item 8, so counsel and Board only on this item.

Are there any items -- should we do -- item 11 is open session.

MS. BOATMAN PATTERSON: We need to 9 and 10 first.

CHAIRMAN JACOBS: All right. We're going to go into closed session on items 8, 9, and 10. Thank you.

(Board met in closed session from 11:23 a.m. to 1:22 p.m.)

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Item 11. Discussion, recommendation and possible action adopting a resolution to appoint a Director of Multifamily Programs. (Resolution 15-14)

CHAIRMAN JACOBS: All right. We're going to go back into open session. A few people are trickling back in.

While in closed session under item 9, the Board voted to appoint Anthony, Tony, Sertich to the position of director of multifamily programs. Congratulations.

(Applause.)

CHAIRMAN JACOBS: We appreciate the good work so far. We expect to see great things.

Now that we are back in open session, we need to determine his salary. This is open session discussion. Based on my knowledge of Tony's performance, I would recommend to the Board a 15 percent -- oh, is Jonathan going to make the motion?

MR. HUNTER: I would like to move a salary, starting salary, of $158,120.

MR. PRINCE: I'll second.

CHAIRMAN JACOBS: All right. JoJo, the roll.

MR. JAMES: For record, it's -- I'm sorry, I got it. Thank you.

MS. OJIMA: Okay. Do we have a motion?

MR. HUNTER: Yeah, I did.

MS. OJIMA: Hunter.

And a second?

MR. PRINCE: Yeah.

MS. OJIMA: Thank you, Mr. Prince.

Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn.

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Aye.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Aye.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs.

MS. RIGGS: Aye.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: Resolution 15-14 has been approved.

MR. HUNTER: Actually, we should go back because we actually amended that resolution. I'm sorry.

MS. OJIMA: I did not hear it amended.

MR. HUNTER: Yeah, we amended that resolution on line No. 37, at an annual salary of $158,120, period. Strike the remainder of line 37 and line 38.

MS. OJIMA: All right.

CHAIRMAN JACOBS: Do we need to call the roll again for the as-amended?

MR. JAMES: Yes.

MS. OJIMA: Okay. Do we have a second for the as-amended?

MR. PRINCE: Yes.

MS. OJIMA: As amended, Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: Yes.

MS. OJIMA: Ms. Gunn.

MS. GUNN: Yes.

MS. OJIMA: Ms. Falk.

MS. FALK: Yes.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs.

MS. RIGGS: Aye.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: Resolution 15-14 as amended has been approved.

CHAIRMAN JACOBS: Okay, great.

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Item 12. Discussion of other Board matters.

MS. OJIMA: Are there any other items any Board member wishes to bring up or discuss?

MR. HUNTER: I would just like to make a brief comment. I was not able to be at the last Board meeting, and it was really hard for me because the Mental Health Services Act Program was something I worked on from its very inception. So I was very interested to read the minutes of the meeting and just really wanted the Board and the staff to know that I really appreciate the way that that's been handled. And I look forward to the stakeholder process and for that continuing to be a valuable tool for housing some of the most vulnerable Californians.

CHAIRMAN JACOBS: Thank you, Mr. Hunter.

One item I guess that maybe Michael should bring up just about the evaluation of the executive director and our charge to her.

MR. GUNNING: Yes. We will be evaluating the executive director as a group and coordinating through you.

CHAIRMAN JACOBS: But also how she evaluates --

MR. GUNNING: Oh, yes, and we'll also have the executive director be working on a plan of how to evaluate --

MS. BOATMAN PATTERSON: Key exempt staff.

MR. GUNNING: -- key exempt staff as well as the executive director position.

CHAIRMAN JACOBS: All right. Any other items, anyone?

MR. GUNNING: Was that satisfactory, Mr. Chairman?

CHAIRMAN JACOBS: Listen, I got two hours of sleep last night. Good enough.

Anyone else?

With that, let's adjourn. Any members of the public?

I don't see any.

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Item 14. Adjournment.

CHAIRMAN JACOBS: Okay, we're done.

(The meeting concluded at 1:27 p.m.)

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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 30th day of July 2015.

Yvonne K. Fenner
Certified Shorthand Reporter
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