CalHFA℠

BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Thursday, September 10, 2015

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

10:00 a.m.

NOTES**

HOTEL PARKING: Cash @ $10.00 per car, per entry, pay at gate with no in and out.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be November 10, 2015, at the Burbank Airport Marriott, Burbank, California.

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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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.)

--o0o--

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.

--o0o--

Item 14. Adjournment.

CHAIRMAN JACOBS: Okay, we're done.

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

--o0o--

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
License No. 10909, RPR

RESOLUTION 15-15

RESOLUTION ADJUSTING THE SALARY OF THE EXECUTIVE DIRECTOR

WHEREAS, on January 1, 2007, amendments to Health & Safety Code section 50909 became effective, directing the Board of Directors of the California Housing Finance Agency (the “Board of Directors”) to establish salaries for key exempt managers;

WHEREAS, there is a salary range for the Executive Director maintained by the California Department of Human Resources which is $12,500.00 - $17,500.00 monthly ($150,000.00 - $210,000.00 yearly);

WHEREAS, pursuant to Health & Safety Code section 50909 the Board of Directors has authority to adjust the salary of the Executive Director;

WHEREAS, the Board of Directors has evaluated the performance of the Executive Director; and

WHEREAS, based on the Board of Directors evaluation it has determined the salary of the Executive Director should be adjusted.

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

1. The Board of Directors hereby adjusts the salary of the Executive Director to the sum of $________, effective as of _________.

I hereby certify that this is a true and correct copy of Resolution 15-15 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 10, 2015 at Burbank, California.

ATTEST: ________________________

Secretary

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State of California

M E M O R A N D U M

To: Board of Directors   Date: August 27, 2015

Tony Sertich, Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CALHFA MULTIFAMILY SUBSIDY FUND POLICY

The draft CalHFA Subsidy Fund Policy that was presented to the Board in July has been finalized and is attached. Staff has incorporated Board comments as well as input from external stakeholders into the final policy. The substantive changes include changing the limitations on developer fees, placing requirements on the repayment structure of loans, and allowing more subsidy funds to be distributed to projects in high-cost areas. Any moneys distributed from Agency controlled subsidy funds moving forward will be subject to this policy.

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CalHFA Subsidy Fund Policy

Sources of Funds

CalHFA holds three specialized funds (together, the "Funds") from its lending programs whose sources are derived from various Agency loan repayments and Agency earnings. These Funds are available to be utilized either as loans or subsidies. Each fund has its own restrictions on use. There is a total of approximately $105 million available to reinvest into affordable housing.

Rental Housing Construction Program ("RHCP") ($14.8 million as of June 30, 2015): Funds received by the agency shall be used to provide assistance to existing or future projects financed by or through the agency pursuant to terms consistent with the agency's affordable multifamily lending programs.

Financing Adjustment Factor ("FAF") ($13.9 million as of June 30, 2015): Funds can be used to provide interest rate subsidies, direct rent subsidies, grants or loans for housing of very low income households for multifamily developments and/or very low income single family housing units. This fund requires a minimum 10 year regulatory agreement in compliance with the McKinney Homeless Assistance Act of 1988. For each project, the use of FAF funds is limited by the percentage of very low income units in the development. Inasmuch as FAF funds may be considered "federal funds," there may be additional tax and financing considerations when using other financing such as Low Income Housing Tax Credits.

Earned Surplus: ($78.0 million as of June 30, 2015): The agency must use these funds in lowering the rents for persons and families of low or moderate income in other housing developments to a level no greater than the affordable rents. Use of Earned Surplus requires that over 50% of the units are to be for persons and families of low or moderate income.

Designated Uses of Funds

The Funds will be used for the following purposes. Program guidelines are being developed to manage each of the programs. These guidelines will be for internal Agency use.

- Restructuring of existing CalHFA Loans under the Acquisition/Rehabilitation loan program.
- Subordinate loans for project repairs, direct rent subsidies, and/or operating expenses on troubled CalHFA portfolio loans.
- Gap financing for CalHFA's first loan programs.
- Interest rate subsidies for CalHFA's first loan programs.
- First lien loans on small projects up to $2,500,000.
- Pre-development loans to support CalHFA's multifamily programs under the CalHFA Predevelopment Loan Program.
- Warehousing CalHFA's multifamily loans until bonds are sold.
- Hedging interest rate locks on loans prior to the sale of bonds.

Allocation of Funds

There will be no specific allocation of Funds; however, there will be guidelines for how the Funds shall be used.

- The current policy is designed so that the Funds will be used over a three year period.
- Funds will be used as loans or revolving funds to maximize their availability. Funds for interest rate subsidies should be provided only when absolutely necessary. Loans will be designed to recapture the Funds as quickly as reasonable.
- A maximum of $2,500,000 per project and up to $20,000 per unit will be provided to each project in a subordinate loan and/or interest rate subsidy.
- In HUD designated 'High Cost Areas' a maximum of $3,500,000 per project will be provided with up to $40,000 per unit on a dollar for dollar match of local contributions. A maximum of up to $15,000,000 in any given year may be allocated to High Cost Areas.
- Warehousing loans will be an efficient use of the Funds, since the money will be used for less than 6 months while generating cost savings.
- As loans in the Funds make payments, these amounts will be recycled and be governed by this policy.

Restrictions on Uses

Each of the programs in the previous section will have restrictions on its use. Following are some of the general restrictions that will apply to specific programs.

- Any subsidy or loan must be tied to a CalHFA first lien loan.
- Equity cannot be taken out of a project in conjunction with an allocation of Funds.
- Funds will only be provided to projects where there is a need identified in underwriting.
- Funds will only be provided on projects seeking new construction or substantial rehabilitation, unless the project is in CalHFA's portfolio.
- When Funds are provided to a project, developer fees will be limited in accordance with CTCAC regulations.
- Developer fees must be deferred or contributed to the project in amounts equal to the CalHFA subsidy funds being provided to the project up to 50% of the allowable developer fee.
- Contingencies will be carefully examined prior to allocating CalHFA subsidy funds to ensure they are not excessive.
- Construction change orders will be monitored and 'end of construction' betterments will not be permitted.
- Unused funds at permanent conversion will be applied towards paydown of the CalHFA subsidy loan. The developer cannot apply more than 50% of excess funds to developer

interests (e.g. deferred developer fees, borrower distributions, identity of interest seller take-back notes)

- Subsidy funds will be repaid through residual receipts at amounts not less than a pro rata share (based on loan balance) of all residual receipts repayments.

Project Priority Considerations

The Funds will be used as needed by the Agency as described in the "Designated Uses of Funds" section above. However, projects will only qualify if they meet some combination of the factors below. A scoring system is being formulated with each project having to meet a minimum threshold in order to qualify for a subordinate loan or interest rate subsidy from the Funds.

- Current CalHFA portfolio project
- Troubled portfolio project in need of subsidy
- At risk of going to market rate rents
- High cost area
- Federal Promise Zone and Choice Neighborhood Development
- Affordability levels
- Amount of local financial contributions
- Amount of developer contribution
- Mixed income project

Other Considerations

- The Executive Director reserves the ability to make exceptions to the Funds policy as necessary.
- The Board will receive a report semiannually on the uses of the Funds.
- The programs using the Funds are not being marketed, but will be controlled by the Agency to supplement its lending and asset management programs.

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State of California

M E M O R A N D U M

To: Board of Directors

Date: August 27, 2015

From: Tony Sertich, Director of Multifamily Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: ABILITY TO ENTER INTO INITIAL MULTIFAMILY LOAN COMMITMENTS

Resolution 94-10, adopted by the Board in 1994, places restrictions on Agency staff with regard to entering into initial commitments on multifamily loan. The resolution needs to be revisited to reflect current CalHFA policy, goals, and underwriting standards. Resolution 15-16 is attached which will allow staff to move forward with initial commitments on loans that meet Agency policy goals and underwriting criteria, but do not comply with Resolution 94-10. This resolution does not address or amend the process for final approval of any loans.

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RESOLUTION NO. 15-16

A RESOLUTION TO MODIFY MULTIFAMILY PROCESSING PROCEDURES

WHEREAS, the Health & Safety Code Section 50908 gives the Executive Director authority to direct the day-to-day operations of the Agency subject solely to the supervision of the Board;

WHEREAS, pursuant to Health & Safety Code Section 51050, the Board has the authority to adopt, repeal, or amend resolutions to carry into effect the powers and purposes of the Agency and the conduct of its business pursuant to Health & Safety Code Section 51050; and

WHEREAS, the Board has determined that there is a need to revisit Resolution No. 94-10 to further streamline the processing of multifamily loans and facilitate the timely acquisition of approvals and commitments from other lenders and/or government agencies that may be necessary for the financing of loans made by the Agency and to meet an expected increase in volume of multifamily housing business.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the California Housing Finance Agency (the "Board"), as follows:

1. Resolution 94-10 is hereby replaced by this resolution.

2. The principal review and oversight function of the Board over the approval of multifamily rental projects will remain unchanged in that final commitments on all multifamily projects will be submitted to the Board for approval, subject to the exception stated in Resolution 01-37, for certain small projects.

3. The Executive Director is hereby authorized to enter into initial commitments on multifamily rental housing projects and housing developments which will meet the following parameters:

(a) Comply with federal and state laws governing the Agency's loans;

(b) Loan terms and requirements shall be those of a prudent lender as determined by the Executive Director.

(c) Contain a statement that the loan terms and requirements of the initial commitment and the provision of a final commitment is subject to the approval of the Board in its sole discretion.

4. In addition to the above criteria, the Executive Director shall take into consideration:

(a) geographic distribution;

(b) regional and local market risk;

(c) local government participation and investment;

(d) new policy issues identified by the Board's review of final commitments on multifamily rental housing projects; and

(e) other issues of historic concern to the Board.

5. Any projects not meeting the above parameters will be submitted to the Board for approval of the initial commitment.

6. Any developers whose project has been rejected for initial commitment by the Executive Director may request to have their project put on the Agenda for the next regularly scheduled board meeting.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 15-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the ____ day of ______ 2015, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of ______ 2015.

[SEAL]

____
VICTOR JAMES
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of the Resolution No. 15-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the ____ day of ______ 2015, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, 2015.

____

[SEAL]

VICTOR JAMES
Secretary of the Board of Directors of the
California Housing Finance Agency

State of California

M E M O R A N D U M

To: Board of Directors

Date: August 27, 2015

From: Tony Sertich, Director of Multifamily Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: WOODGLEN VISTA APARTMENTS

Attached is a report on the Woodglen Vista Apartments multifamily project and proposed Agency loan that is presented for Board approval. The loan approval write-up has been reconfigured in an attempt to simplify the review for Board members and Agency staff.

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California Housing Finance Agency

MULTIFAMILY PROGRAMS DIVISION

Final Review & Request for Loan Approval

Project Name:	Woodglen Vista Apartments (Santee, San Diego County)
CalHFA Loan Amount:	$ 31,000,000

TRANSACTION FACTS

Loan Origination:	Ruth Vakili	**Underwriting:**	Ruth Vakili
Asset Management:	Christina Green	**Loan Administration:**	Jennifer Beardwood
Legal (Internal):	Marc Victor	**Legal (External):**	Rich Moore / Orrick
Projected Closing Date:	12/30/2015	**Approval Expiration Date:**	3/31/2016

1.	**Address**	10450 N. Magnolia Avenue, Santee, San Diego County, 92701					
2.	**Legislative Districts**	**Congress:**	50	**Assembly:**	71	**State Senate:**	38
3.	**Brief Project Description**	Woodglen Vista Apartments is a 188-unit affordable family project consisting of eight two-story garden style apartment buildings and one community building. The project has 44 one-bedroom units, 96 two-bedroom units, 48 three-bedroom units, a pool, play structure, laundry facility, gazebos and large open space. The property was built in 1978 and acquired in 2004 by JHC-Woodglen Inc., an affiliate of Jamboree Housing Corporation**.** The project is supported by a Project-based Section 8 contract for 100% of the units. The property is being sold to Woodglen Vista Housing Partners LP, an affiliate of Jamboree Housing, the Developer.					
4.	**Sponsor/Developer**	The Sponsor/Developer is Jamboree Housing Corporation ("JHC"), a California non-profit public benefit corporation.					
5.	**Borrower**	Woodglen Vista Housing Partners LP, a California limited partnership					

CALHFA LOAN TERMS

		Acquisition & Rehabilitation Loan	**Permanent Loan**
6.	**Total Loan Amount**	$31,000,000	$25,940,000
7.	**Loan Term**	18 months	35 year fully amortized
8.	**Interest Rate**	Currently 4.65% (8/21/15). Underwritten at 4.90%. The rate is subject to change and will be locked 30 days prior to loan closing.	Currently 5.10% (8/21/15). Underwritten at 5.35%. The rate is subject to change and will be locked 30 days prior to loan closing.
9.	**Loan to Value**	68%	75%
10.	**Loan to Cost**	79%	66%

TRANSACTION CONCLUSIONS

11. Project Strengths

- Sponsor experience-Jamboree Housing is a mission driven non-profit with 25 years of housing development experience.
- HUD-approved Mark up to Market rents on the Section 8 provides additional value to the project and enables greater leveraging of acquisition/rehabilitation and permanent financing.
- Project has a loan to value ratio of 75%.
- There is a strong demand and shortage of supply for affordable housing units in the market area.
- Recapitalization will greatly improve the project's physical condition, financial health, and market position.

- Implementation of drought tolerant landscaping will reduce water consumption by 65% resulting in a 57% reduction in water expense.
- Existing and future residents will experience an improved quality of life in the revitalized development.
- Project addresses CalHFA's policy goal of extending affordability for an additional 55 years.

12. Project Weaknesses w/ Mitigants:

The project will have a Section 8 contract for 100% of the units. The contract is for a term of 20 years, subject to annual renewal. Should the contract fail to be renewed, project cash flow would go negative.

- The project has a capitalized operating reserve of $683,971 which would pay for 7 months of project operating expenses.
- The project has had a Section 8 contract since 1978 and it is anticipated this will continue into the future.

13. Conclusion/Recommendation:

The Multifamily Lending Division supports approval of this loan at the amount requested and subject to the terms proposed.

MISSION & AFFORDABILITY

14. CalHFA Mission/Goals

This project serves large families (25% of the units are 3-bedrooms) and is deeply affordable. This transaction will maintain and extend the existing affordability for another 55 years. In addition, the rehabilitation will extend the project's useful life, improve the tenant's living conditions and generate savings in energy and water consumption.

15. Project Affordability Restrictions

Area Median Income Level	New Restrictions	Existing Restrictions
50%	39 Units (21%)	39 Units (21%)
60%	148 Units (79%)	148 Units (79%)
Manager	1 Unit (1%)	1 Unit (1%)
Market	N/A	N/A

The above represents affordability restrictions of CalHFA and TCAC. The TCAC restrictions will be for a term of 55 years and will expire in 2071.

16. CalHFA Affordability Restrictions

The existing CalHFA Regulatory Agreement restricts at least 20% of the units to 50% AMI and the rest of the units at 60% AMI. The existing Regulatory Agreement will be terminated at loan closing and a new Regulatory Agreement will be recorded, extending the same affordability restrictions until the latest of (a) payment in full of the CalHFA Loan; (b) twenty (20) years from the date of closing of the CalHFA Acquisition & Rehabilitation Loan; (c) the end of the Qualified Project Period; or (d) termination of the CDLAC conditions.

17. Geocoder Information

- Geocoder Results:
  - Central City: No
  - Low/Mod Census Tract: Upper (6.86% below the poverty line)
  - Minority Census Tract: No (22.21%)
  - Underserved: No
- While Geocoder results show a census tract in strong economic condition, the market study revealed that there is a strong need of affordable housing in the area as evidenced by the long wait lists of nearby Low Income Housing Tax Credit projects in the project's market area.

CURRENT PORTFOLIO LOAN

18.	Previous CalHFA Loan:	☒ Yes ☐ No	$9,150,000 and $1,300,000, closed in 2004
19.	Unpaid Principal Balance:	$7,304,458	
20.	Loan Maturity Date:	February 1, 2034	
21.	Affordability Restriction Expiration:	The term is the qualified project period, repayment of the loan, or 2054.	
22.	Yield Maintenance Due:	$1,820,191	
23.	Other CalHFA Debt:	$447,272	
24.	Loan Maturity Date:	August 1, 2019	
	Yield Maintenance Due:	$35,713	

PROJECT FINANCING STRUCTURE

25. Acq/Rehab Debt & Grants

Source	**Amount**	**Lien Position**	**Debt Type**
CalHFA Acq/Rehab Loan	$31,000,000	1st	Interest-Only Debt
Tax Credit Equity	$2,941,850	n/a	n/a
Net Operating Income	$2,031,409	n/a	n/a
TOTAL	**$35,973,259**		

26. Permanent Debt & Grants

Source	**Amount**	**Lien Position**	**Debt Type**
CalHFA Permanent Loan	$25,940,000	1st	Amortizing Loan
Tax Credit Equity	$11,329,000	n/a	n/a
Net Operating Income	$2,031,409	n/a	n/a
TOTAL	**$39,300,409**		

27. Cash Flow Analysis

Net operating income during the acquisition/rehabilitation period is underwritten assuming existing rent and Section 8 levels. During the permanent period, the project is underwritten to the higher Mark-Up to Market rents, which have been approved by HUD. The following is a chart of the existing contract rents and newly approved Section 8 Contract rents:

Unit Type	Existing Contract Amount	New Contract Amount
1 bedroom	$938	$1,225
2 bedroom	$1,080	$1,350
3 bedroom	$1,241	$1,605

The operating budget is reasonable and consistent with both the property's past operating budgets as well as comparable properties' operating budgets.

The debt coverage ratio in the first year of operations is 1.15 and increasing in each subsequent year during the life of the loan. The analysis assumes restricted rents trending at 2.5% growth, Section 8 revenue at 1% growth and operating expenses trending at 3.5% growth.

The priority of net cash flow distribution after payment of expenses and the CalHFA is as follows:

1. Asset Management Fees: $7,500
2. Partnership Management Fee: $15,000

Both fees are assumed to increase annually by 3%.

28. Exit Strategy

The loan will be repaid via principal and interest payments, amortized over 35 years.

DEVELOPMENT SUMMARY

29.	**Total Development Costs**	$39,300,409	**Per Unit:**	$209,045
30.	**Hard Development Costs**	$9,380,985	**Per Unit:**	$49,899
31.	**Hard Development Contingencies**	$1,651,402	**% of Hard Development Costs:**	18%

32. Site Description

- The site is 8.72 acres with a slightly-sloping topography.
- The site is not in a flood zone.
- The subject property is zoned "R-14" which is a medium density multifamily residential land use designation which allows for residential development.

33. Energy Savings

The proposed scope contains energy efficiency upgrades designed to promote energy savings of up to 30% which exceeds TCAC and CDLAC minimum thresholds. Those items include: New exterior LED lighting, new HVAC units, new energy efficient light fixtures for all units, solar thermal water heating, 100KW Photovoltaic array.

34. Water Savings

The landscaping consists of lawn and uses a tremendous amount of water each year. The proposed scope will replace these areas with drought tolerant landscaping and trees and a new irrigation system. The improvements will result in a 65% savings in water consumption resulting in a 57% reduction in water expense in the operating budget.

35. Environmental Review

A Phase 1 Environmental Assessment performed by Barr & Clark dated February 3, 2015 found that there are no Recognized Environmental Conditions ("REC").

An asbestos report by Barr & Clark dated January 29, 2015 identified asbestos in flooring mastic in the units and in the mastic found in HVAC units. An asbestos removal plan has been issued with recommendations to mitigate the asbestos.

A lead based paint report by Barr and Clark dated January 25, 2015 identified traces of lead based paint on the stairway treads in limited areas throughout the project. The consultant has provided mitigation measures as part of the report.

$350,000 has been allocated in the construction budget for environmental remediation.

36. Seismic Review

According to a seismic study by Partner Engineering and Science, Inc., dated July 10, 2015, the property is not within a documented Alquist-Priolo special studies earthquake zone.

The report also stated the Probable Maximum Loss ("PML") for the Project is 6%. The damage ratio meets CalHFA's seismic risk criteria of a PML ratio of 20% or less, thus earthquake insurance is not required.

37. Relocation

- Per a Relocation Plan completed by Overland Pacific & Cutler, Inc. dated July 7, 2015, most of the households will be temporarily relocated during rehab for a period of five days.
- Tenants will have a choice to temporarily move to a nearby hotel, or stay with friends or family and receive a stipend payment.
- The property manager will assist the tenants with temporary moving, scheduling, claims for reimbursement and answering questions.
- There are nine households that are over-income and will be permanently relocated.
- All tenants will be provided appropriate notice and relocation assistance.
- $574,000 has been budgeted for relocation costs, which is $3,053 per unit.

38. Construction Scope

When the project was acquired in 2004, funds for rehab were limited and only minor repairs have been completed since that time. The funds from this new transaction will be sufficient to complete a substantial rehab which will reduce maintenance repair costs by 7% and reduce utility costs by 29% compared to the 2015 operating budget.

Major elements include:

- Site work and Landscaping ($1,458,389)
  - Landscaping-installation of drought-tolerant landscaping and trees, water-efficient irrigation.
  - New signage, restripe parking lot, widen access pathways, add hard pathways
  - Replace exterior lighting with LED.
- Building Exterior ($1,455,223)
  - Repair/re-seal decks, balconies, replace handrails
  - Replace roofs
  - Stucco repair/replacement
  - Concrete and sidewalk replacement
- Unit Interiors and Community Room ($2,098,035)
  - Paint interiors
  - New cabinets and countertops in kitchen and bath
  - New appliances and fixtures in kitchen and bath
  - Window blinds
  - Community room and office improvements
- Plumbing/Electrical/Mechanical ($2,916,338)
  - Upgrade bathrooms to ADA
  - New kitchen and bath faucets
  - Low-flow toilets
  - HVAC replaced
  - Lighting and smoke detectors

Hard Cost Contingency is $1,651,402 which is 18% of total hard costs.

39. Budget Comments:

The purchase price of the Project is $19,520,000 based on the appraisal, and is calculated as follows:

Contract Price:	**$19,520,000**
Less:	
CalHFA Existing Indebtedness -1st Mortgage	$7,304,458
CalHFA Existing Indebtedness- 2nd Mortgage	$447,272
CalHFA Yield Maintenance	$1,820,191
CalHFA Yield Maintenance	$35,713
Net Cash Out to Seller	**$9,912,366**

The total estimated net proceeds and developer fee will result in a 32.4% return as a percentage of the total development cost. Jamboree plans to use proceeds that will go towards predevelopment activities and social services used to support their housing portfolio.

The tax credit investor will be WNC & Associates. Tax credit equity is estimated to be $11,329,000, based on pricing of $.98 for every $1.00 of tax credits

Net Operating Income during the Rehabilitation period is based on existing rent levels for a period of 18 months.

CalHFA will record a first priority deed of trust against the real property and the project. The CalHFA loan is subject to the assignment by the Borrower of the tax credit equity, and all rights under non-CalHFA financing commitments and receipt of all necessary approvals, consents, exemptions and/or waivers from local, state or federal entities.

PROJECT DETAILS

40.	**Tenancy / Occupancy Type:**	Family			
41.	**Total Residential Units:**	188			
42.	**Property Construction**	Low-Rise			
		Buildings: 8		**Stories:**	2
		Elevators: None		**Unit Style:**	Flats
		Year Built: 1978		**Year of Last Rehab:**	2004 (minor rehab)
43.	**Total Land Area (acres)**	8.72 acres			
		Residential Square Footage:	161,032	**Residential Units per Acre:**	21.6
		Covered Parking Spaces:	0	**Total Parking Spaces:**	288
44.	**Commercial Space:**	☐ **Yes** ☒ **No**		**Square Footage:**	N/A
45.	**Appraisal Review**				

- The appraisal valuation is based on an income capitalization approach and identified 6 comparable properties from ½ mile to 4 miles from the subject property.
- The appraiser reported that cap rates for multifamily properties in the region ranged from 5%-6%. The appraiser selected a 5.25% cap rate for the subject property.
- A 5% vacancy assumption was used consistent with market practice, even though the project has historically had a 0-3% vacancy rate.
- The appraiser concluded a $45,450,000 post rehabilitation investment value with rent restrictions assuming stabilized occupancy and a $34,520,000 restricted value.
- The permanent loan to restricted value is at 75%.

46. Property Description

- The buildings are garden style and are of wood frame construction with stucco exterior and asphalt roofing.
- The site amenities include a laundry facility, community room, swimming pool, four gazebos and a play structure.
- The units have roof mounted gas-fueled/HVAC units. All units have a gas oven/cooktop and vented hood, a refrigerator, cabinets and carpeting/vinyl flooring.
- There are 288 uncovered parking spaces.
- The site is zoned as R-14 which is a medium density multifamily residential land use designation.
- The project includes 188 units as follows:

Unit Size	Income Restriction	Number of Units	Square Feet
1 Bedroom	50% AMI	9	722
1 Bedroom	60% AMI	35	722
2 Bedroom	50% AMI	20	804
2 Bedroom	60% AMI	76	804
3 Bedroom	50% AMI	10	1085
3 Bedroom	60% AMI	37	1085
3 Bedroom	Manager Unit	1	1085

MARKET ANALYSIS

47.	**Market Study:**	Newport Realty Advisors	March 2015

48. Macro Market Overview

- The Primary Market Area ("PMA") for the property includes the boundaries of Santee, El Cajon, Lakeside and Winters Gardens. The Secondary Market Area ("SMA") includes the portions of the Cities of Mesa and San Diego area, up to a ten-mile radius from the property.
- The total population in the PMA is 201,886 and within the SMA the total population is 370,016. Population in the PMA and SMA is expected to grow .77% annually through 2020.
- The number of households in the PMA in 2015 was 71,077 and is expected to grow .82% by 2020; household formation in the SMA is expected to grow from .76% by 2020.
- The percentage of renters in the PMA is 46.0% and 43% in the SMA 43.0%.
- In 2014, the unemployment rate for the City of Santee was approximately 4.3%, slightly lower than San Diego's unemployment rate of 5.1%.
- The largest employment sectors by industry within the PMA are services, trade, transportation, utilities and manufacturing. Since 2013 job growth in the San Diego MSA has been steady at 2.6% per year.

49. Submarket Analysis

- The Project is located in the northern part of the City of Santee at 10450 North Magnolia Avenue in San Diego County in a neighborhood that is a mix of single & multifamily residences, schools, parks and retail
- Santee is considered a bedroom community and has an employment base consisting of schools, retail services and government jobs.
- Santee offers good vehicular transportation access and three freeways are located in the southern part of the city. The city is connected to the coastline by State Route 52.
- The project is located across the street from an elementary/intermediate school.
- A medical facility is located 0.92 miles south from the Project.
- A retail center with a major grocery store and pharmacy is 0.70 miles away.
- The nearest public library is approximately 2 miles from the site.
- The nearest public transportation is a bus stop located 150 feet from the site and offers services every 60 minutes providing access throughout the City of Santee.

50. Supply

The property occupancy will remain stable during and after the proposed renovation construction based on the following:

- Occupancy rates for market rate and affordable apartments in the PMA averaged 99%.
- Affordable family housing projects are on average 98.7% occupied, with some projects maintaining waiting lists. There is a combined waitlist of 1,050 households of the four surveyed LIHTC projects in proximity to the property.
- Average market rent for a one-bedroom unit in the PMA is $1,325, for a two-bedroom unit $1,480, and for a three-bedroom unit $1,800. The maximum affordable rents at each of the unit mix AMI levels are between 50%-70% of market rate rents in the market area.
- There are nine comparable market rate and affordable properties in the PMA and currently no new affordable family housing projects planned.

51. Demand/Absorption

- The market study determined that with the lack of new multifamily housing stock coming on line, long waiting lists and the low vacancy rates for properties in the area, the subject project's renovation will help to retain its residents, given the excess demand and shortage of supply.
- The market study estimated that if the project was only 50% occupied at completion of rehab, it would need to capture only 4.1% of the demand for affordable apartments in the PMA to reach 100% lease-up.

DEVELOPMENT TEAM OVERVIEW

52.	**Borrower**	Woodglen Vista Housing Partners LP

The Borrower will be Woodglen Vista Housing Partners LP, whose managing general partner is JHC-Woodglen LLC. Jamboree Housing Corporation, a 501(c)3 corporation, is the sole member of JHC-Woodglen LLC.

It is expected that an affiliate of WNC & Associates Inc. will be admitted as the Borrower's tax credit investor limited partner at the CalHFA loan closing.

53.	**Guarantor**	Jamboree Housing Corporation ("JHC")

A Payment and completion guarantee on the project rehabilitation will be provided by JHC.

54.	**Sponsor/Developer**	JHC

- JHC is the sole member of JHC-Woodglen LLC, the Borrower's managing general partner.
- JHC's mission is to strengthen California's communities by creating opportunities for lower income families, seniors and those with special needs, to housing that is affordable.
- JHC provides resident services that are responsive, and programs that are essential to improving the quality of the lives of the tenants.
- JHC has extensive experience in developing low-income housing tax credit, multifamily housing and its portfolio includes development and/or ownership interest of 6,600 affordable homes in 70 communities.

55.	**Management Agent**	EMPI Corporation ("EMPI")

- EMPI., a California corporation, has and will manage the property. EMPI provides full-service property and asset management, market analysis and relocation coordination.
- Since 1984 EMPI has acquired and/or managed more than 60 apartment communities, and approximately 10,000 units.
- EMPI has expertise managing a variety of affordable housing projects, including tax credit, Section 8 and HUD properties.

56.	**Contractor**	Quality Development and Construction, Inc. ("QDCI")

- QDCI is a general contracting company affiliated with JHC and was recently formed.
- QDCI is comprised of seasoned industry veterans who have developed over 5,000 units of multi-family dwellings, 1,500 single family homes, 10 hospitals, 2 fire stations and various other civic structures.
- QDCI is currently in the construction phase of 70-unit apartment project in Buena Park and a 31 unit project in the City of Garden Grove. Both of these projects are affordable developments. QDCI has also served as construction manager of for a 115-unit project in Brea, CA, a 74-unit project in Claremont, CA, and a 70-unit project in Buena Park, CA.

57.	**Architect**	Summa Architecture

- Summa Architecture DE, Inc., a California corporation, was formed in 2010 and is located in Fallbrook, CA. Summa Architecture provides comprehensive architectural services for multifamily and mixed use commercial properties in Southern California. To date, the firm has completed 6 multifamily mixed use projects.
- The principal, Erick Van Wechel, has 25 years of experience in-fill residential projects and project management and entitlements.

CALHFA INTERNAL REVIEW

58.	Loan Covenants or Special Terms & Conditions:

Prior to closing, the following is required:

- NEPA clearance
- Renewal of the HAP contract for a minimum term of 20 years
- Assignment of the HAP contract
- Issuance of HUD FHA Risk-Share firm approval letter.

EXHIBITS

A. Detailed Financial Analysis
   i. Project Summary
   ii. Unit Mix and Rent Summary
   iii. Sources and Uses of Funds Summary
   iv. Projected Initial Annual Rental Operating Budget
   v. Projected Permanent Loan Cash Flow
B. Site/location map
C. Term Sheet

PROJECT SUMMARY **Board Approval**

Acquisition, Rehab, Construction & Permanent Loans **Project Number 15-002-R/S**

Project Full Name	Woodglen Vista	**Borrower Name:**	Woodglen Vista Housing Partners LP
Project Address	10450 Magnolia Avenue	**Managing GP:**	JHC-Woodglen LLC
Project City	Santee	**Developer Name:**	Jamboree Housing Corporation
Project County	San Diego	**Investor Name:**	WNC & Associates, Inc.
Project Zip Code	92701	**Prop Management:**	EMPI
		Tax Credits:	4
Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	8.27
Tenancy/Occupancy:	Family	**Residential Square Footage:**	161,032
Total Residential Units:	188	**Residential Units Per Acre:**	22.73
Total Number of Buildings:	8		
Number of Stories:	2	**Covered Parking Spaces:**	0
Unit Style:	Flat	**Total Parking Spaces:**	288
Elevators:	none		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	31,000,000	1.000%	18	--	4.900%
--	--	--	--	--	--
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--	--	--	--	--	--
Investor Equity Contribution	2,941,850	--	--	--	--

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Permanent Loan	25,940,000	--	35	35	5.350%
--	--	--	--	--	--
--	--	--	--	--	--
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--	--	--	--	--	--
Construct/Rehab Net Oper. Inc.	2,032,411	--	--	--	--
--	--	**NA**	**NA**	**NA**	**NA**
--	--	**NA**	**NA**	**NA**	**NA**
Investor Equity Contributions	11,329,000	**NA**	**NA**	**NA**	**NA**

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/29/15	**Capitalization Rate:**	5.25%
Investment Value ($)	45,450,000	**Restricted Value ($)**	34,520,000
Construct/Rehab LTC	79%	**Permanent Loan to Cost**	66%
Construct/Rehab LTV	68%	**Permanent Loan to Value**	75%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$0	NA
Initial Replacement Reserve Deposit	$188,000	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 8/24/15 Senior Staff Date: 8/27/15

UNIT MIX AND RENT SUMMARY **Board Approval**

Woodglen Vista **Project Number 15-002-R/S**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	1	1	722	44	66
Flat	2	1	804	96	288
Flat	3	2	1,085	48	216
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				188	570

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	25%	**45%**	**50%**	**60%**	**80%**	**0%**	**Mgr**
CalHFA			39	148			1
TCAC			39	148			1
-							
-							
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	**Restricting Agency**	**% of Area Median Income**	**Average Restricted Rents**		**Average Market Rents**	**Average Monthly Savings**	**% of Market Rents**
			Number of Units	**Unit Rent**			
Studios	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
1 Bedroom	**CalHFA**	**50%**	9	$712	$1,325	$613	54%
	CalHFA	**60%**	37	$860		$465	65%
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**50%**	20	$846	$1,480	$634	57%
	CalHFA	**60%**	77	$1,024		$456	69%
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**50%**	10	$930	$1,800	$870	52%
	CalHFA	**60%**	34	$1,128		$672	63%
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**65%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	8/24/15					Senior Staff Date:	8/27/15

SOURCES & USES OF FUNDS SUMMARY					Board Approval
Woodglen Vista			Project Number	15-002-R/S	
SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT FUNDS SOURCES ($)	PER UNIT ($)	%
CalHFA Loan	31,000,000				0.0%
CalHFA Other Loan	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	2,032,411				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	2,941,850				0.0%
CalHFA Permanent Loan		25,940,000	25,940,000	137,979	69.6%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		2,032,411	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		11,329,000	11,329,000	60,261	30.4%
TOTAL SOURCES OF FUNDS	**35,974,261**	**39,301,411**	**37,269,000**	**198,239**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS USES ($)	PER UNIT ($)	%
Payoff Acquisition/Rehab Financing		35,974,261			
Acquisition Costs	19,520,000	-	19,520,000	103,830	52.7%
Construction/Rehab Costs	9,380,985	-	9,380,985	49,899	25.3%
Relocation Costs	574,000	-	574,000	3,053	1.6%
Architectural Costs	100,000	-	100,000	532	0.3%
Surveys & Engineering Costs	-	-	-	-	0.0%
Contingency Reserves	2,191,506	-	2,191,506	11,657	5.9%
Loan Period Loan & Other Costs	925,689	-	925,689	4,924	2.5%
Permanent Loan Costs	-	1,410	1,410	8	0.0%
Legal Fees	200,000	-	200,000	1,064	0.5%
Reserves	-	871,971	871,971	4,638	2.4%
Reports & Studies	40,500	-	40,500	215	0.1%
Other Construction/Rehab Costs	664,850	-	664,850	3,536	1.8%
Developer Fees & Costs	98,231	2,453,769	2,552,000	13,574	6.9%
TOTAL PROJECT COSTS	**33,695,761**	**39,301,411**	**37,022,911**	**196,930**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Board Approval
Woodglen Vista	**Project Number**		**15-002-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 2,179,776	$ 11,595	73.14%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	915,264	4,868	30.71%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	42,000	223	1.41%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 3,137,040**	**$ 16,686**	**105.26%**
Less: Vacancy Loss	**$ 156,852**	**$ 834**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 2,980,188**	**$ 17,521**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 213,000	$ 1,133	$ 0
Management Fee	89,406	476	3.00%
Social Programs & Services	31,000	165	1.04%
Utilities	221,925	1,180	7.45%
Operating & Maintenance	263,123	1,400	8.83%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	25,000	133	0.84%
Other Taxes & Insurance	160,000	851	5.37%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 1,003,454**	**$ 5,338**	**33.67%**
Replacement Reserves	$ 94,000	$ 500	3.15%
TOTAL OPERATING EXPENSES	**$ 1,097,454**	**$ 5,838**	**36.82%**
NET OPERATING INCOME (NOI)	**$ 1,882,734**	**$ 10,015**	**63.18%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Permanent Loan	$ 1,641,151	$ 8,730	55.07%
CalHFA Section 8 Loan	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 1,641,151**	**$ 8,730**	**55.07%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 241,583**	**$ 1,285**	**8.11%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15 to 1**		
Date: 8/24/15		Senior Staff Date:	08/27/15

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Woodglen Vista**
2	**Board Approval**										**Project Number**	**15-002-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,234,270	2,290,127	2,347,380	2,406,065	2,466,216	2,527,872	2,591,069	2,655,845	2,722,242	2,790,298
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	1.00%	915,264	924,417	933,661	942,997	952,427	961,952	971,571	981,287	991,100	1,001,011
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	43,050	44,126	45,229	46,360	47,519	48,707	49,924	51,172	52,452	53,763
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**3,192,584**	**3,258,670**	**3,326,270**	**3,395,422**	**3,466,163**	**3,538,530**	**3,612,564**	**3,688,305**	**3,765,793**	**3,845,071**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	111,714	114,506	117,369	120,303	123,311	126,394	129,553	132,792	136,112	139,515
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	45,763	46,221	46,683	47,150	47,621	48,098	48,579	49,064	49,555	50,051
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	2,152	2,206	2,261	2,318	2,376	2,435	2,496	2,559	2,623	2,688
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**159,629**	**162,933**	**166,314**	**169,771**	**173,308**	**176,927**	**180,628**	**184,415**	**188,290**	**192,254**
28	**EFFECTIVE GROSS INCOME (EGI)**		**3,032,955**	**3,095,736**	**3,159,957**	**3,225,651**	**3,292,854**	**3,361,604**	**3,431,936**	**3,503,890**	**3,577,503**	**3,652,818**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	244,000	252,540	261,379	270,527	279,996	289,795	299,938	310,436	321,301	332,547
31	Management Fee	3.00%	90,989	92,872	94,799	96,770	98,786	100,848	102,958	105,117	107,325	109,585
32	Utilities	3.50%	229,692	237,732	246,052	254,664	263,577	272,802	282,351	292,233	302,461	313,047
33	Operating & Maintenance	3.50%	272,332	281,864	291,729	301,940	312,508	323,445	334,766	346,483	358,610	371,161
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	25,313	26,198	27,115	28,064	29,047	30,063	31,116	32,205	33,332	34,498
36	Other Taxes & Insurance	3.50%	165,600	171,396	177,395	183,604	190,030	196,681	203,565	210,689	218,064	225,696
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	94,000	94,940	95,889	96,848	97,817	98,795	99,783	100,781	101,789	102,806
39	**TOTAL OPERATING EXPENSES**		**1,121,926**	**1,157,542**	**1,194,359**	**1,232,417**	**1,271,759**	**1,312,431**	**1,354,476**	**1,397,943**	**1,442,881**	**1,489,340**
40	**NET OPERATING INCOME (NOI)**		**1,911,029**	**1,938,194**	**1,965,598**	**1,993,234**	**2,021,095**	**2,049,173**	**2,077,460**	**2,105,946**	**2,134,622**	**2,163,478**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	Construct/Rehab Net Oper. Inc.	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**
51	**CASH FLOW AFTER DEBT SERVICE**		**269,878**	**297,043**	**324,447**	**352,083**	**379,944**	**408,022**	**436,309**	**464,796**	**493,472**	**522,327**
52	**DEBT SERVICE COVERAGE RATIO**		**1.16**	**1.18**	**1.20**	**1.21**	**1.23**	**1.25**	**1.27**	**1.28**	**1.30**	**1.32**
53	Date Prepared:	08/24/15									Senior Staff Date:	8/27/15

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Woodglen Vista**
2	**Board Approval**										**Project Number**	**15-002-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,860,055	2,931,556	3,004,845	3,079,966	3,156,966	3,235,890	3,316,787	3,399,707	3,484,699	3,571,817
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	1.00%	1,011,021	1,021,131	1,031,342	1,041,656	1,052,072	1,062,593	1,073,219	1,083,951	1,094,791	1,105,739
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	55,107	56,485	57,897	59,344	60,828	62,349	63,907	65,505	67,143	68,821
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**3,926,183**	**4,009,172**	**4,094,085**	**4,180,967**	**4,269,866**	**4,360,832**	**4,453,913**	**4,549,163**	**4,646,633**	**4,746,377**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	143,003	146,578	150,242	153,998	157,848	161,794	165,839	169,985	174,235	178,591
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	50,551	51,057	51,567	52,083	52,604	53,130	53,661	54,198	54,740	55,287
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	2,755	2,824	2,895	2,967	3,041	3,117	3,195	3,275	3,357	3,441
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**196,309**	**200,459**	**204,704**	**209,048**	**213,493**	**218,042**	**222,696**	**227,458**	**232,332**	**237,319**
28	**EFFECTIVE GROSS INCOME (EGI)**		**3,729,874**	**3,808,714**	**3,889,380**	**3,971,918**	**4,056,373**	**4,142,790**	**4,231,218**	**4,321,705**	**4,414,301**	**4,509,058**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	344,186	356,233	368,701	381,605	394,961	408,785	423,093	437,901	453,227	469,090
31	Management Fee	3.00%	111,896	114,261	116,681	119,158	121,691	124,284	126,937	129,651	132,429	135,272
32	Utilities	3.50%	324,004	335,344	347,081	359,229	371,802	384,815	398,283	412,223	426,651	441,584
33	Operating & Maintenance	3.50%	384,152	397,597	411,513	425,916	440,823	456,252	472,220	488,748	505,854	523,559
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	35,706	36,955	38,249	39,588	40,973	42,407	43,892	45,428	47,018	48,663
36	Other Taxes & Insurance	3.50%	233,595	241,771	250,233	258,991	268,056	277,438	287,148	297,198	307,600	318,366
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	103,834	104,873	105,922	106,981	108,051	109,131	110,222	111,325	112,438	113,562
39	**TOTAL OPERATING EXPENSES**		**1,537,373**	**1,587,034**	**1,638,379**	**1,691,467**	**1,746,357**	**1,803,111**	**1,861,795**	**1,922,474**	**1,985,218**	**2,050,097**
40	**NET OPERATING INCOME (NOI)**		**2,192,501**	**2,221,680**	**2,251,001**	**2,280,451**	**2,310,016**	**2,339,679**	**2,369,423**	**2,399,231**	**2,429,084**	**2,458,961**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	Construct/Rehab Net Oper. Inc.	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**
51	**CASH FLOW AFTER DEBT SERVICE**		**551,350**	**580,529**	**609,850**	**639,301**	**668,865**	**698,528**	**728,272**	**758,080**	**787,933**	**817,810**
52	**DEBT SERVICE COVERAGE RATIO**		**1.34**	**1.35**	**1.37**	**1.39**	**1.41**	**1.43**	**1.44**	**1.46**	**1.48**	**1.50**
53	Date Prepared:	08/24/15									Senior Staff Date:	8/27/15

	A	B	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1	**PROJECTED PERMANENT LOAN CASH FL0V**											**Woodglen Vista**
2	**Board Approval**										**Project Number**	**15-002-R/S**
3		**YEAR**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	3,661,112	3,752,640	3,846,456	3,942,617	4,041,183	4,142,212	4,245,768	4,351,912	4,460,710	4,572,227
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	1.00%	1,116,796	1,127,964	1,139,244	1,150,636	1,162,142	1,173,764	1,185,501	1,197,356	1,209,330	1,221,423
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	70,542	72,305	74,113	75,966	77,865	79,812	81,807	83,852	85,948	88,097
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**4,848,450**	**4,952,909**	**5,059,813**	**5,169,219**	**5,281,190**	**5,395,788**	**5,513,076**	**5,633,121**	**5,755,988**	**5,881,748**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	183,056	187,632	192,323	197,131	202,059	207,111	212,288	217,596	223,035	228,611
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	55,840	56,398	56,962	57,532	58,107	58,688	59,275	59,868	60,467	61,071
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	3,527	3,615	3,706	3,798	3,893	3,991	4,090	4,193	4,297	4,405
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**242,423**	**247,645**	**252,991**	**258,461**	**264,060**	**269,789**	**275,654**	**281,656**	**287,799**	**294,087**
28	**EFFECTIVE GROSS INCOME (EGI)**		**4,606,028**	**4,705,264**	**4,806,822**	**4,910,758**	**5,017,131**	**5,125,998**	**5,237,422**	**5,351,464**	**5,468,189**	**5,587,661**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	485,508	502,501	520,089	538,292	557,132	576,632	596,814	617,702	639,322	661,698
31	Management Fee	3.00%	138,181	141,158	144,205	147,323	150,514	153,780	157,123	160,544	164,046	167,630
32	Utilities	3.50%	457,039	473,036	489,592	506,728	524,463	542,819	561,818	581,482	601,834	622,898
33	Operating & Maintenance	3.50%	541,884	560,850	580,479	600,796	621,824	643,588	666,114	689,428	713,557	738,532
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	50,367	52,129	53,954	55,842	57,797	59,820	61,913	64,080	66,323	68,644
36	Other Taxes & Insurance	3.50%	329,509	341,042	352,978	365,333	378,119	391,353	405,051	419,228	433,900	449,087
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	114,698	115,845	117,003	118,173	119,355	120,549	121,754	122,972	124,201	125,443
39	**TOTAL OPERATING EXPENSES**		**2,117,186**	**2,186,561**	**2,258,300**	**2,332,487**	**2,409,204**	**2,488,541**	**2,570,586**	**2,655,435**	**2,743,184**	**2,833,932**
40	**NET OPERATING INCOME (NOI)**		**2,488,842**	**2,518,703**	**2,548,522**	**2,578,272**	**2,607,926**	**2,637,458**	**2,666,836**	**2,696,030**	**2,725,005**	**2,753,728**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	Construct/Rehab Net Oper. Inc.	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**
51	**CASH FLOW AFTER DEBT SERVICE**		**847,691**	**877,552**	**907,371**	**937,121**	**966,776**	**996,307**	**1,025,685**	**1,054,879**	**1,083,854**	**1,112,577**
52	**DEBT SERVICE COVERAGE RATIO**		**1.52**	**1.53**	**1.55**	**1.57**	**1.59**	**1.61**	**1.62**	**1.64**	**1.66**	**1.68**
53	Date Prepared:	08/24/15									Senior Staff Date:	8/27/15

	A	B	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP
1	**PROJECTED PERMANENT LOAN CASH FLOW**											**Woodglen Vista**
2	**Board Approval**										**Project Number**	**15-002-R/S**
3		**YEAR**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	4,686,533	4,803,696	4,923,789	5,046,884	5,173,056	5,302,382	5,434,942	5,570,815	5,710,086	5,852,838
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	1.00%	1,233,638	1,245,974	1,258,434	1,271,018	1,283,728	1,296,566	1,309,531	1,322,626	1,335,853	1,349,211
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	90,300	92,557	94,871	97,243	99,674	102,166	104,720	107,338	110,021	112,772
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**6,010,470**	**6,142,227**	**6,277,094**	**6,415,144**	**6,556,458**	**6,701,113**	**6,849,193**	**7,000,779**	**7,155,960**	**7,314,821**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	234,327	240,185	246,189	252,344	258,653	265,119	271,747	278,541	285,504	292,642
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	61,682	62,299	62,922	63,551	64,186	64,828	65,477	66,131	66,793	67,461
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	4,515	4,628	4,744	4,862	4,984	5,108	5,236	5,367	5,501	5,639
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**300,524**	**307,111**	**313,855**	**320,757**	**327,823**	**335,056**	**342,460**	**350,039**	**357,798**	**365,741**
28	**EFFECTIVE GROSS INCOME (EGI)**		**5,709,947**	**5,835,116**	**5,963,239**	**6,094,387**	**6,228,635**	**6,366,058**	**6,506,733**	**6,650,740**	**6,798,162**	**6,949,080**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	684,858	708,828	733,637	759,314	785,890	813,396	841,865	871,330	901,827	933,391
31	Management Fee	3.00%	171,298	175,053	178,897	182,832	186,859	190,982	195,202	199,522	203,945	208,472
32	Utilities	3.50%	644,699	667,264	690,618	714,789	739,807	765,700	792,500	820,237	848,946	878,659
33	Operating & Maintenance	3.50%	764,381	791,134	818,824	847,482	877,144	907,844	939,619	972,506	1,006,543	1,041,772
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	71,047	73,534	76,107	78,771	81,528	84,382	87,335	90,392	93,555	96,830
36	Other Taxes & Insurance	3.50%	464,805	481,073	497,911	515,338	533,374	552,043	571,364	591,362	612,059	633,482
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	126,698	127,965	129,244	130,537	131,842	133,161	134,492	135,837	137,196	138,568
39	**TOTAL OPERATING EXPENSES**		**2,927,786**	**3,024,850**	**3,125,238**	**3,229,063**	**3,336,445**	**3,447,507**	**3,562,377**	**3,681,186**	**3,804,071**	**3,931,173**
40	**NET OPERATING INCOME (NOI)**		**2,782,161**	**2,810,266**	**2,838,001**	**2,865,324**	**2,892,190**	**2,918,550**	**2,944,356**	**2,969,555**	**2,994,091**	**3,017,907**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	1,641,151	1,641,151	1,641,151	1,641,151	1,641,151	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	Construct/Rehab Net Oper. Inc.	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**1,641,151**	**-**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**1,141,010**	**1,169,115**	**1,196,850**	**1,224,173**	**1,251,039**	**2,918,550**	**2,944,356**	**2,969,555**	**2,994,091**	**3,017,907**
52	**DEBT SERVICE COVERAGE RATIO**		**1.70**	**1.71**	**1.73**	**1.75**	**1.76**	**NA**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	08/24/15									Senior Staff Date:	8/27/15

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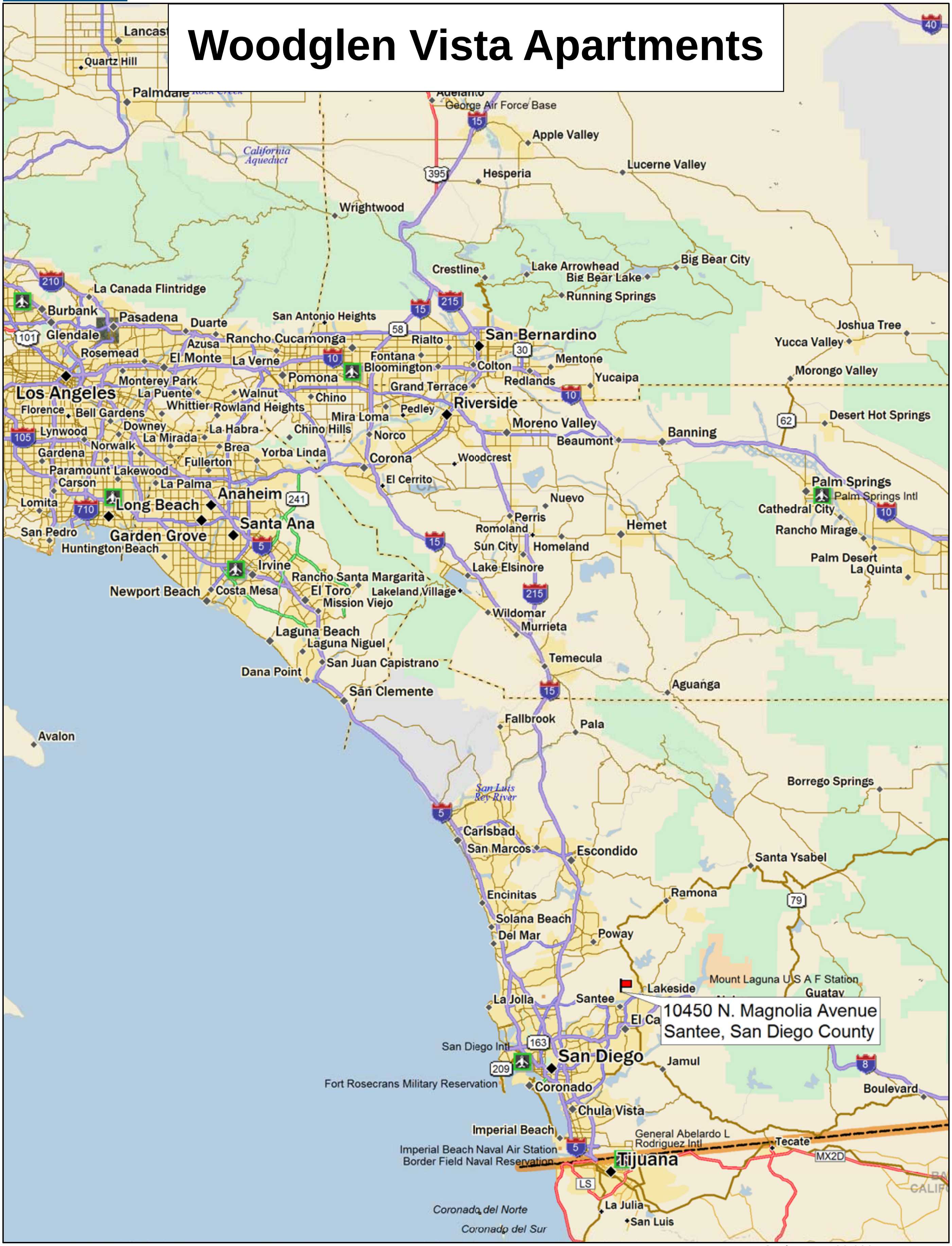
DeLorme Street Atlas USA® 2010

Woodglen Vista Apartments



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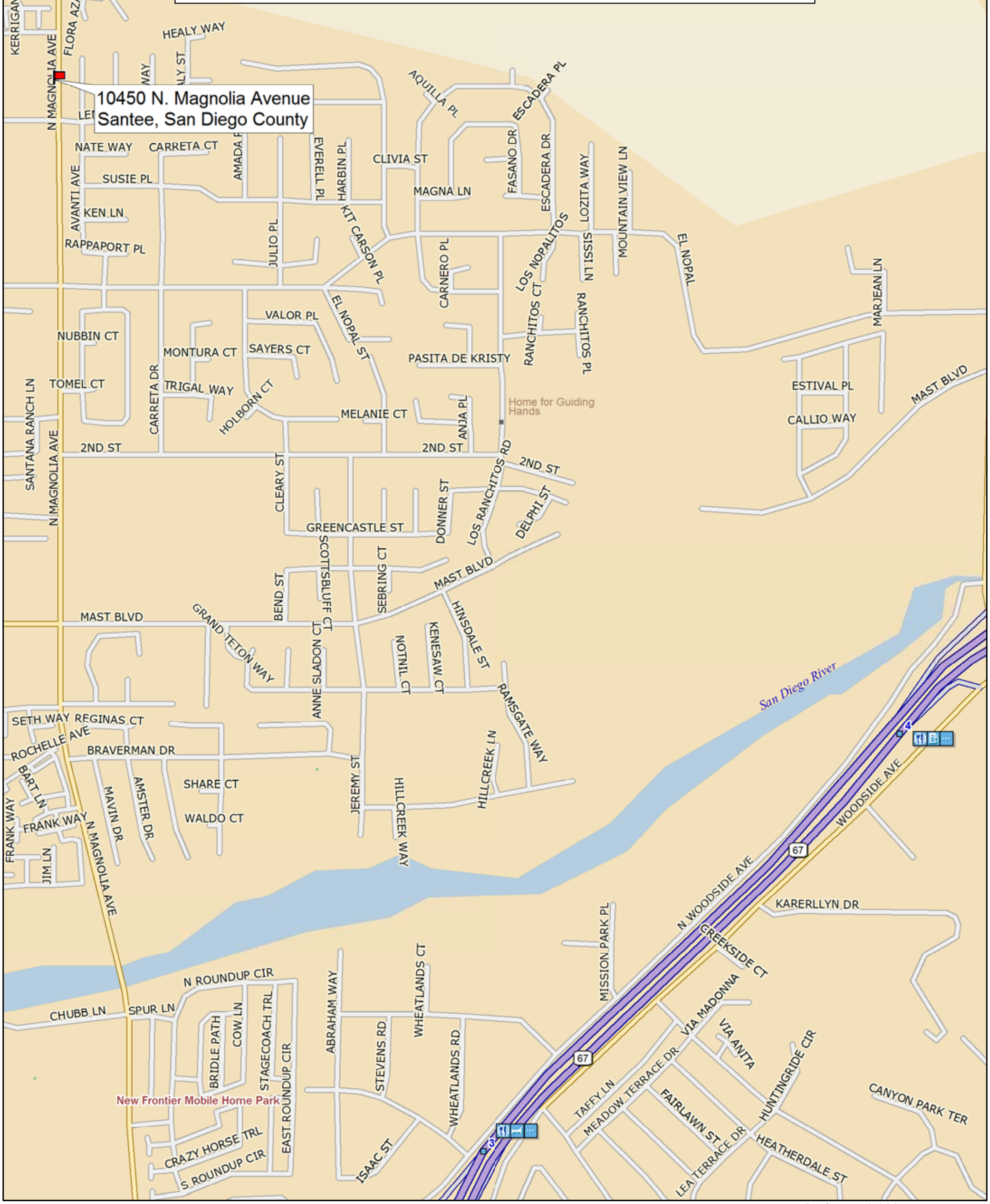
Woodglen Vista Apartments



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ACQUISTION/REHABILITATION LOAN PROGRAM

Program Description	The **Acquisition and Rehabilitation Loan Program ("Acq/Rehab" Program")** provides acquisition/rehabilitation and permanent loan financing for housing developments in order to preserve and/or increase the affordability of existing multifamily housing developments.
Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • For Section 8 projects, final commitment is conditioned upon review and acceptance by CalHFA of the AHAP contract. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. This includes subordinate loans, deferred payment loans, residual receipts loans, indirect loans provided by CalHFA to localities or other lending entities and made to a project, or any other financing provided directly or indirectly by CalHFA at loan origination or anytime thereafter. Please click here for the CalHFA Portfolio Loan Prepayment Policy
Loan Amount	• Minimum 1.15x debt service coverage ratio • Lesser of 90% of restricted value or 80% of development costs
Fees (subject to change)	• **Application Fee:** $5,000 non-refundable, due at time of application submittal • **Loan Fee:** 1.00% of the acquisition/rehabilitation loan amount due at loan close • **Credit Enhancement Fee:** included in the interest rate • **Bond Issuer Fee and Monitoring Fee:** included in the interest rate • **CDLAC Allocation Fee:** 0.035% of the bond amount, $600 due at time of CDLAC application submittal with the remaining fee due at loan close
Rate & Terms (subject to change)	**Rehabilitation Loan (NOTE: fully disbursed at loan close):** • Please click here for Indicative Interest Rates • Loan Payments/Term – interest only, up to 24 months **Permanent Loan (fully amortized or balloon payment):** • Please click here for Indicative Interest Rates • Loan Payment/Term – fully amortized, up to 35 years • Balloon Payment Term – click here for Addendum for Balloon Payment Loan requirements **Interest Rate is locked 30 days prior to loan close**
Credit Enhancement	The Acq/Rehab Program will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing program. Projects financed through the

	Acq/Rehab Program must comply with the Davis-Bacon Act and/or California prevailing wage requirements.
Prepayment	The loan may be prepaid at par 15 years after the placed in service date with a written 120-day notice.
Subordinate Financing	Tax credits and loans or grants are encouraged from local government and third parties to achieve project feasibility. All loans, leases, development and regulatory agreements must be subordinate, and coterminous or of greater term that, the CalHFA financing. Any loans with amortized debt will be included in the minimum 1.15x debt service ratio calculation.
Occupancy Requirements	• **Either (a) 20%** of the unit types must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), **OR (b)** 40% or more of the unit types must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for HUD for household size ("40% @ 60% AMI"): **however** in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI. • For those units restricted by CalHFA to 60% or less of AMI, in adjusting rents for household size, the Borrower will assume that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit. • Projects for seniors require rents based on one person per bedroom on the CalHFA restricted units.
Due Diligence	**All of the following due diligence efforts are required and shall be provided at the borrower's expense:** • Property appraisal (ordered by CalHFA) • Green Physical Needs Assessment for rehabilitation projects with "Needs Over Time" analysis for the term of the loan (ordered by CalHFA) o Substantial rehabilitation of the project must meet or exceed 15% of the project's value after the rehabilitation (currently at $18,000 per unit) • Phase I Environmental Site Assessment report including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation) • Market study • Rehabilitation period inspection fees are estimated at $500 -

	$1,000 per month • Termite/Dry Rot reports by licensed company • Seismic review and other studies may be required at CalHFA's discretion • Other studies/reports at CalHFA's discretion
Required Reserves	• **Replacement Reserve:** Initial cash deposit required, annual deposit required, varies by project type and PNA. • **Operating Expense Reserve (may be required):** 10% of annual gross income due at permanent loan closing (letter of credit or cash). • **Impounds:** One year's prepaid earthquake, hazard insurance premiums, and property tax assessments. • **Earthquake Insurance Waiver:** Available on projects which have met CalHFA earthquake waiver standards during construction. • **Other reserves as required (at CalHFA's discretion).**
Questions	Questions regarding the Acq/Rehab Program can be directed to CalHFA's Multifamily Program's Division: • James Morgan, Housing Finance Chief, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8806 • Email address: jmorgan@calhfa.ca.gov **or** • Ruth Vakili, Loan Officer, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8816 • Email address: rvakili@calhfa.ca.gov

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.

06/15

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RESOLUTION 15-17

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Woodglen Vista Housing Partners, LP, a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Santee, San Diego County, California, to be known as Woodglen Vista Apartments (the "Development"); and

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

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, the Development has received a TEFRA Resolution as required by the Tax Equity and Fiscal Responsibility Act of 1983, and under 26 U.S.C. section 147(f); and

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

WHEREAS, on July 13, 2015, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Executive Director is authorized to cause the Agency to file an application with the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of California Qualified Private Activity Bonds for the Development, and to pay any fees required by CDLAC, and certify the posting of the required performance deposit; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
15-002-R/S	WOODGLEN VISTA APTS.	$31,000,000.00	Acq/Rehab Financing
	Santee, San Diego County	$25,265,000.00	Permanent Financing

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

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

I hereby certify that this is a true and correct copy of Resolution 15-17 adopted at a duly constituted meeting of the Board of the Agency held on September 10, 2015, at Burbank, California.

ATTEST:_______________________
Secretary

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State of California

M E M O R A N D U M

To: Board of Directors

Date: August 27, 2015

From: Tony Sertich, Director of Multifamily Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: MAPLEWOOD APARTMENTS

Attached is a report on the Maplewood Apartments multifamily project and proposed Agency loan that is presented for Board approval. The loan approval write-up has been reconfigured in an attempt to simplify the review for Board members and Agency staff.

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California Housing Finance Agency

MULTIFAMILY PROGRAMS DIVISION

Final Review & Request for Loan Approval

Project Name:	Maplewood Apartments (Lakeview, San Diego County)
CalHFA Loan Amount:	$ 8,600,000

TRANSACTION FACTS

Loan Origination:	Ruth Vakili	**Underwriting:**	Ruth Vakili
Asset Management:	Cheryl McDonald	**Loan Administration:**	Pamela Norman
Legal (Internal):	Nicole Slaton	**Legal (External):**	Rich Moore / Orrick
Projected Closing Date:	11/16/15	**Approval Expiration Date:**	3/31/2016

1.	**Address**	12713 Mapleview Way; Lakeside, San Diego County, 92040					
2.	**Legislative Districts**	**Congress:**	50	**Assembly:**	71	**State Senate:**	38
3.	**Brief Project Description**	Maplewood Apartments is a 79-unit affordable family project consisting of ten two-story low-rise apartment buildings and one community building. The project has 51 two-bedroom units, 28 three-bedroom units, a pool, and a play structure. The property was built in 1985 and acquired in 2000 by Maplewood Housing Associates, L.P., an affiliate of Community HousingWorks, the Sponsor/Developer. The property is being sold to Lindo Housing Associates, L.P., a California limited partnership.					
4.	**Sponsor/Developer**	The Developer is Community HousingWorks ("CHW"), a California non-profit public benefit corporation.					
5.	**Borrower**	Lindo Housing Associates, L.P., a California limited partnership.					

CALHFA LOAN TERMS

		Acquisition & Rehabilitation Loan	Permanent Loan
6.	**Total Loan Amount**	$8,600,000	$4,670,000
7.	**Loan Term**	18 months	17 year maturity, amortized over 35 years
8.	**Interest Rate**	Currently 3.90%. Underwritten at 4.15%. The rate is subject to change and will be locked 30 days prior to loan closing.	Currently 4.95%. Underwritten at 5.2%. The rate is subject to change and will be locked 30 days prior to loan closing.
9.	**Loan to Value**	69%	66%
10.	**Loan to Cost**	54%	29%

TRANSACTION CONCLUSIONS

11. Project Strengths

- CHW has been a very active and successful developer of affordable housing since 1989.
- The project will be substantially rehabilitated, extending the useful life of this property.
- There will be no rent increase as a result of this refinance.
- There is substantial unmet demand for affordable housing in this area and the project is 100% leased.
- 62% of the units are rented at 35% to 50% AMI and the rents are 49% to 79% of market rents for the area.
- The new financing extends the affordability of the property for an additional 55 years.
- The loan is underwritten with strong credit factors such as a DCR of 1.21 and permanent LTV of 66%.
- In year 17, the project can support a new loan sufficient to pay off the existing CalHFA loan.

12. Project Weaknesses w/ Mitigants:

- The new CalHFA loan will mature in 17 years from the date of conversion and will have a balloon payment. The Borrower will be required to refinance the project in year 17 at a potentially higher interest rate.
    - Utilizing standard underwriting criteria, this project can refinance in year 17 and sustain an interest rate increase of at least 3% over the underwriting interest rate (see Exit Strategy, #28).

13. Conclusion/Recommendation:

The Multifamily Lending Division supports approval of this loan at the amount requested and subject to the terms proposed.

MISSION & AFFORDABILITY

14. CalHFA Mission/Goals

This project serves large families (35% of the units are 3-bedrooms) and is deeply affordable. This transaction will maintain and extend the existing affordability for another 55 years. In addition, the rehabilitation will extend the project's useful life, improve the tenant's living conditions and generate savings in energy and water consumption.

15. Project Affordability Restrictions

Area Median Income Level	New Restrictions	Existing Restrictions
35%	13 Units (16%)	13 Units (16%)
50%	35 Units (44%)	35 Units (44%)
60%	30 Units (38%)	30 Units (38%)
Manager	1 Unit (1%)	1 Unit (1%)
Market	N/A	N/A

The above represents affordability restrictions of the County of San Diego ("County") HOME/CDBG loan, which recorded in July 2000. The County restrictions are for a term of 55 years and expire in 2055. In addition, 100% of the units will be restricted to 60% AMI for a term of 55 years under the Tax Credit ("TCAC") program. The TCAC restrictions will expire in 2071.

16. CalHFA Affordability Restrictions

The existing CalHFA Regulatory Agreement restricts 20% of the units to 50% AMI. The existing Regulatory Agreement will be terminated at loan closing and a new CalHFA Regulatory Agreement will be recorded extending the same affordability restrictions until the latest of (a) payment in full of the CalHFA Loan; (b) twenty (20 years from the date of closing of the CalHFA Acquisition and Rehabilitation Loan; (c) the end of the Qualified Project Period; or (d) termination of the CDLAC conditions.

17. Geocoder Information

- Central City: no
- Low/Mod Census Tract: moderate
- Minority Census Tract: 30%
- Underserved: no
- Below poverty line 16%

CURRENT PORTFOLIO LOAN

18.	Previous CalHFA Loan:	☒ Yes ☐ No	$3,050,000 closed in December 2000
19.	Unpaid Principal Balance:	$2,194,461	
20.	Loan Maturity Date:	January 1, 2031	
21.	Affordability Restriction Expiration:	January 1, 2031	
22.	Yield Maintenance Due:	$250,000	
23.	Other CalHFA Debt:	None	
24.	Other Debt Sources	County of San Diego	

PROJECT FINANCING STRUCTURE

25. Acq/Rehab Debt & Grants

Source	Amount	Lien Position	Debt Type
CalHFA Acq/Rehab Loan	$8,600,000	1st	Interest-Only Debt
County CDBG/HOME Loan	$2,043,782	2nd	Residual Receipts Loan
Seller Carry Back Note	$2,411,129	3rd	Residual Receipts Loan
Tax Credit Equity	$925,000	n/a	n/a
Other Sources (NOI, reserves)	$456,509	n/a	n/a
TOTAL	**$14,436,420**		

26. Permanent Debt & Grants

Source	Amount	Lien Position	Debt Type
CalHFA Permanent Loan	$4,670,000	1st	Amortizing Loan
County CDBG/HOME Loan	$2,043,782	2nd	Residual Receipts Loan
Seller Carry Back Note	$2,411,129	3rd	Residual Receipts Loan
Developer Equity Contribution	$466,048	n/a	Grant
Tax Credit Equity	$5,861,899	n/a	n/a
Other Sources (NOI, reserves)	$456,509	n/a	n/a
TOTAL	**$15,909,367**		

27. Cash Flow Analysis

The CalHFA loan was underwritten with existing rents, while using an operating budget that is reasonable and consistent with both the property's past operating budgets as well as comparable properties' operating budgets.

The debt coverage ratio in the first year of operations is 1.21 and increases to 1.52 in year 17 of the permanent loan term. This is based on the assumption of annual increases of 2.5% for income, 3.5% for expenses and 1% for replacement reserves.

The priority of net cash flow distribution after payment of expenses, the CalHFA loan and the County HOME/CDBG monitoring fee is as follows:

1. Asset & Property Management Fees: $25,000 (3% annual increase)
2. Resident Services Fee: $30,000 (3.5% annual increase)
3. County HOME/CDBG loan repayment: 50% of net cash flow
4. Seller Carry Back loan repayment: 50% of net cash flow

28. Exit Strategy

The permanent loan will be repaid via principal and interest payments, amortized over 35 years. Principal and interest repayment begins at conversion from the acquisition/rehabilitation loan to the permanent loan. The permanent loan matures 17 years after conversion and has a balloon payment. Using our standard underwriting criteria, the projected net operating income is sufficient to refinance the outstanding loan balance in year 17 as follows:

CalHFA loan balance at maturity:	$3,385,438
DCR at maturity:	2.13
NOI at maturity:	$448,455
Estimated value at maturity:	$7,949,250 (current cap rate of 5.5% + 1% underwriting margin)
New loan amount supportable:	$4,743,388 (at 1.15 DCR, 7.2% interest rate, 30 year loan)
Loan to value of new loan:	60%

The interest rate could increase to 9.2% (assuming NOI above, 30 year amortization at 1.15 DCR) and the project could still support a loan sufficient to retire the loan balance above.

DEVELOPMENT SUMMARY

29.	**Total Development Costs**	$15,909,367	**Per Unit:**	$201,384
30.	**Hard Development Costs**	$4,267,774	**Per Unit:**	$54,023
31.	**Hard Development Contingencies**	$591,142	**% of Hard Development Costs:**	14%

32. Site Description

- The 2.32 acre site is rectangular in shape with generally level topography.
- The site is not in a flood zone.
- The subject property is zoned "RU", Urban Residential district. According to a County planning representative, the subject property is considered a legal conforming use under the designated zoning.

33. Energy Savings

The proposed scope of rehabilitation increases energy efficiency through installation of Energy Star appliances, dual-pane Low-E windows, new HVAC equipment, and new roofing.

The energy study estimated overall savings at 28.6% which exceeds TCAC and CDLAC minimums. The Borrower has lowered the operating budget projections for electricity by 20% to account for the projected overall savings.

34. Water Savings

Water efficiency upgrades are anticipated to result in a cost reduction of 5%.

35. Environmental Review

A Phase 1 Environmental Assessment performed by SCS Engineers dated April 15, 2015, found no evidence of a Recognized Environmental Conditions ("REC") in connection with the project site. However the Phase 1 states that there is a low likelihood that a REC exists at the site as a result of a release of hazardous materials/wastes or petroleum products from an off-site source. If the project site is ever redeveloped and/or if soil excavation or soil export are ever proposed, the potential presence of a REC should be re-evaluated.

The NEPA review is in progress and a NEPA clearance is required prior to loan closing.

36. Seismic Review

According to a seismic study by Partner Engineering and Science, Inc., dated July 2, 2015, the property is not within a documented Alquist-Priolo special studies earthquake zone.

The report also stated the Probable Maximum Loss ("PML") for the Project is 6%. The damage ratio meets CalHFA's seismic risk criteria of a PML ratio of 20% or less, thus earthquake insurance is not required.

37. Relocation

- Per a Relocation Plan completed by Laurin Associates in April 2015, there will be no permanent relocation required; tenants will be temporarily relocated for a period of 5-6 days.
- The property manager will provide a "relocation concierge" to assist the tenants, if needed, with any temporary moving, scheduling, claims for reimbursement and answering questions.
- All tenants will be provided appropriate notice regarding the scope of work and how the work will affect access to their units and care of contents.
- $233,075 has been budgeted for relocation costs. This equals $2,950 per unit.

38. Construction Scope

Upon completion, substantial rehab is anticipated to reduce maintenance repair costs by 21% compared to the 2015 operating budget.

Major elements include:

- Site work and Landscaping ($267,000)
  - Concrete repairs; accessible path of travel
  - Irrigation & landscaping
  - Tot lot surface
  - Project sign
  - Fencing replacement at pool
  - Landscaping upgrades

- Site furnishings
- Building Exterior ($1,012,606)
  - Replace 8 roofs (3 were previously replaced)
  - repair siding stucco and replace T-111 with Hardi Plank; paint exterior
  - Replace windows with dual-pane low-E windows
  - Repair stairs and balconies; alternate to enclose risers
- Unit Interiors and Community Room ($2,170,571)
  - Replace flooring: vinyl plank at living space, bath & kitchen, vinyl plank or carpet at bedrooms
  - Replace Kitchens: all new appliances, cabinets, countertops, lighting
  - Replace Bathroom: most new fixtures & cabinets & lighting
  - Replace PTAC unit with more energy efficient model
  - Paint interior
  - Accessibility upgrades on five units
  - Site furnishings
  - Maintenance storage facility
  - Community room and office improvements
- Solar PV ($136,000)
  - Solar PV system

Hard Cost Contingency is $591,142, which is 14% of total hard costs.

39. Budget Comments:

The purchase price of the Project is $7,120,000, is based on the appraisal, and is calculated as follows:

Contract Price	**$7,120,000**
Less:	
CalHFA Existing Indebtedness (projected to 9/1/15)	$2,194,461
CalHFA Yield Maintenance Fee	250,000
Assumed County Debt	2,043,782
Gross Profit to Seller	**$2,631,757**
Seller Carry Back Loan	$2,411,129
Net Cash Out to Seller	**$220,628**

The Seller Carry Back loan will be for a term of 55 years, at an interest rate of 2.19% and repayment is via 50% of residual receipts.

The existing County HOME/CDBG loan will be assigned to, and assumed by, the Borrower. The loan of $1,376,364 is for a 55 year term at 3% interest. The loan closed in 2000 and has a remaining term of 40 years. The new loan amount of $2,043,782 is the original principal loan of $1,376,364 plus accrued unpaid interest of $667,418. The County HOME/CDBG loan has an annual monitoring fee of $4,000 (increasing annually at1%). Repayment of the County note will be via 50% of residual receipts.

The project has applied for 4% tax credits. Tax credit equity will be provided by an affiliate of Union Bank, and is estimated to be $1.12.

The Borrower’s general partner will contribute $466,048 to the project.

CalHFA will record a first priority deed of trust against the real property and the project. The CalHFA loan is subject to the assignment by the Borrower of the tax credit equity, and all rights under non-CalHFA financing commitments and receipt of all necessary approvals, consents, exemptions and/or waivers from local, state or federal entities.

PROJECT DETAILS

40.	**Tenancy / Occupancy Type:**	Family			
41.	**Total Residential Units:**	79			
42.	**Property Construction**	Low-Rise			
		Buildings:	11	**Stories:**	2
		Elevators:	none	**Unit Style:**	flats
		Year Built:	1985	**Year of Last Rehab:**	2000
43.	**Total Land Area (acres)**	2.32 acres			
		Residential Square Footage:	60,612	**Residential Units per Acre:**	34.1
		Covered Parking Spaces:	0	**Total Parking Spaces:**	107
44.	**Commercial Space:**	☐ **Yes** ☒ **No**		**Square Footage:**	N/A
45.	**Appraisal Review**				

- The appraisal valuation is based on an income capitalization approach and identified 6 comparable properties from ½ mile to 2 miles from the subject property.
- The appraiser reported that cap rates for multifamily properties in the region ranged from 4.08%-5.5%. The appraiser selected a 5.5% cap rate for the subject property.
- A 5% vacancy assumption was used consistent with market practice, even though the project has historically had a 0-3% vacancy rate.
- The appraiser concluded a $12,550,000 post rehabilitation investment value with rent restrictions assuming stabilized occupancy and a $7,100,000 restricted value.
- The permanent loan to value is 66%.

46. Property Description

- This 79-unit, low-rise project was built in 1985 on a 2.32 acre site, consisting of ten two-story residential buildings. The buildings are wood frame with stucco siding exterior, concrete slab foundations, and pitched roofs with asphalt shingles.
- The site also includes a single-story building that contains a manager's office and a common laundry room and recreation room, as well as an adjacent in-ground swimming pool, and a playground.
- The apartments have a through-wall electric PTAC unit for heating and cooling. All units have a gas oven/cooktop and vented hood, a refrigerator, cabinets and carpeting/vinyl flooring.
- Domestic hot water is provided via a natural-gas fired copper boiler with a solar panel pre-heat system.
- The property is zoned "RU," Urban Residential District, by the San Diego County Planning Department and is a legal conforming use under the designated zoning.
- There are 107 uncovered tenant parking spaces.
- The project includes 79 units as follows:

Unit Size	Income Restriction	Number of Units	Square Feet
2 Bedroom	35% AMI	6	709
2 Bedroom	50% AMI	25	709
2 Bedroom	60% AMI	20	709
3 Bedroom	35% AMI	7	990
3 Bedroom	50% AMI	10	990
3 Bedroom	60% AMI	10	990
3 Bedroom	Manager Unit	1	990

MARKET ANALYSIS

47.	**Market Study:**	Colliers International	June 12, 2015

48. Macro Market Overview

- The Primary Market Area ("PMA") for the property is generally the boundaries of the City of Lakeside, which is a 2.5 mile radius surrounding the Property. The Secondary Market Area ("SMA") includes the San Diego area, up to a ten-mile radius from the property.
- There were 60,770 people in the PMA in 2014 and the population is expected to grow 5.3% over the next five years.
- There are 21,291 households with an average household size of 2.77 persons in the PMA.
- There is a strong demand for affordable housing in the PMA because 46% of the population earn less than $50,000 annually.
- Thirty-four percent of the households in the PMA are renters.
- Rents in the PMA have risen by 2.25% annually since 2009.

49. Submarket Analysis

- The project is located in the City of Lakeside at 12713 Mapleview Street in San Diego County in a neighborhood that consists mostly of other residential uses and supporting commercial development.
- The community of Lakeside, a largely semi-urban and rural community, is approximately 25 miles from downtown San Diego.
- There is significant commercial development to the south of the Project, including National and local retail stores, grocery chains, eateries and banks all within 1.5 miles.
- Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, libraries and schools. There are a number of parks, golf courses, and other recreational facilities in the area.
- San Diego Metropolitan Transit System provides bus service to the Community of Lakeside and into the surrounding areas.

50. Supply

The property should remain fully occupied during and after the proposed renovation construction based on the following:

- Occupancy rates for market rate apartments in the El Cajon / Santee / Lakeside sub-market averaged 98.7%, thus affordable units will be in high demand.
- Market rents for two bedroom units average $1,210 and $1,597 for three bedroom units. The Project's rents are from 49% to 79% of average market rents.
- The typical wait time for Section 8 housing is 8 to 10 years. The only other LIHTC property in Lakeside reports an extensive waiting list.
- The PMA is a stable rental market, with no new affordable housing projects under construction or in the planning stages.

51. Demand/Absorption

The demand analysis for the primary market area shows that if the project was vacant, full lease-up would require 6.2% of the unmet demand to achieve full occupancy.

DEVELOPMENT TEAM OVERVIEW

<table>
<tr><td>52.</td><td>Borrower</td><td>Lindo Housing Associates, L.P.</td></tr>
<tr><td colspan="3">The Borrower will be Lindo Housing Associates, L.P., a California limited partnership whose General Partner is Lakeside Family Housing LLC, a California limited liability company, whose managing member is CHW).

It is expected that an affiliate of Union Bank will be admitted as the Borrower’s tax credit investor limited partner at the CalHFA loan closing.</td></tr>
<tr><td>53.</td><td>Guarantor</td><td>Community HousingWorks</td></tr>
<tr><td colspan="3">A Payment and completion guarantee on the project rehabilitation is provided by CHW.</td></tr>
<tr><td>54.</td><td>Developer/Sponsor</td><td>CHW</td></tr>
<tr><td colspan="3">CHW is the managing member of Lakeside Family Housing LLC, Borrower’s general partner. CHW has extensive experience developing low income housing tax credit and multifamily housing. Since 1989, CHW’s multifamily division has established a successful track record as a real estate developer in urban, suburban, and rural areas. CHW has completed and currently own 32 rental communities with nearly 2,000 apartments located throughout San Diego County and Los Angeles County and has approximately 750 apartments currently in the pipeline. CHW is the sole developer or lead partner in the development of all the apartments in its portfolio.</td></tr>
<tr><td>55.</td><td>Management Agent</td><td>ConAm Management Corporation</td></tr>
<tr><td colspan="3">• ConAm Management Corporation (ConAm) currently manages a diverse portfolio of multifamily properties comprising more than 49,000 units located in 14 states and 26 metropolitan areas.
• ConAm has extensive experience in the management of affordable housing. Since 1985 the firm has been involved in the management of over 34,000 affordable/tax credit and government-regulated housing units, throughout the United States. Currently, ConAm manages more than 19,000 affordable and government-regulated units in Arizona, California, Colorado, Florida, Kansas, Missouri, Nevada, New Mexico, Texas and Washington. The company’s affordable management portfolio includes Section 8, 221d, Tax Exempt Bond, Section 42, LIHTC, and rural developments.
• ConAm understands that the management of affordable housing is significantly different than the management of conventional housing and that such management demands specialized expertise, staffing and support—all of which ConAm has in place.</td></tr>
<tr><td>56.</td><td>Contractor</td><td>Portrait Homes</td></tr>
<tr><td colspan="3">• Portrait Homes, Inc., located in Corona, was formed in 1990 and has since built over 10,000 units of affordable apartments and rehabilitated over 6,000 units throughout California.
• Portrait Construction Inc., a California corporation (“Portrait”) is a new entity formed by Portrait Homes in 2012 to handle the general contracting operation. Portrait Homes Inc. now handles single family development.
• Projects range from single-family residences to large multi-family projects, including affordable family and senior housing projects.
• Portrait currently has over 450 units of new construction and 250 units of rehabilitation for several affordable housing developers, including Jamboree Housing.
• Portrait’s completed project list includes projects developed by BRIDGE Housing, Related Capital, MidPen Housing and Mercy Housing, to name a few.
• In addition, Portrait has built luxury apartment projects for the Irvine Apartment Communities and Simpson Housing.
• Portrait has a single bonding capacity of $30 million and an aggregate bonding capacity of $66 million.</td></tr>
</table>

57.	**Architect**	John Stewart Company, Construction Services Group

- The John Stewart Company, a California corporation (JSCo") began in 1978 with a small staff and a commitment to providing high quality management for affordable housing in the Bay Area. Over the past 30 years, JSCo has grown as a property manager and expanded its scope of services to include residential and commercial development, financial consulting and construction management.
- The JSCo construction services group provides construction management, architectural services, owner's construction representation and general contracting services both for their own properties and for a wide variety of outside clients and facilities. The diversified company composite of property managers, developers, real estate specialists, engineers, accountants, architects and contractors enable them to provide a comprehensive approach to rehabilitation throughout the budget, design, and construction processes.
- JSCo construction services group specializes in repairs and rehabilitations of existing occupied multifamily housing properties. Its knowledge of these properties enable it to navigate the host of potential issues that can beset rehab work in and around occupied housing, such as temporary relocation, property and personnel protection, accommodation of special needs, resident coordination, and mitigation of lead, mold and asbestos containing materials.
- The Borrower has engaged JSCo to assist them in project design, renovation, and construction management during the rehabilitation process.

CALHFA INTERNAL REVIEW

58.	**Loan Covenants or Special Terms & Conditions:**

- Project must receive allocation of 4% tax credits from TCAC, which is expected October 21, 2015.
- Project must receive allocation of tax-exempt private activity bonds from CDLAC, which is expected on September 16, 2015.
- HUD must provide a firm approval letter for the use of FHA Risk-Share on this project.

EXHIBITS

A. Detailed Financial Analysis
   i. Project Summary
   ii. Unit Mix and Rent Summary
   iii. Sources and Uses of Funds Summary
   iv. Projected Initial Annual Rental Operating Budget
   v. Projected Permanent Loan Cash Flow
B. Site/location map
C. Term Sheet

PROJECT SUMMARY — Board Approval

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 15-010-R/S

Project Full Name	Maplewood	**Borrower Name:**	Lindo Housing Associates L.P.
Project Address	12713 Maplewood	**Managing GP:**	--
Project City	Lakeside	**Developer Name:**	Community Housing Works
Project County	San Diego	**Investor Name:**	Union Bank
Project Zip Code	92040	**Prop Management:**	ConAm
		Tax Credits:	4
Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	2.32
Tenancy/Occupancy:	Family	**Residential Square Footage:**	60,612
Total Residential Units:	79	**Residential Units Per Acre:**	34.05
Total Number of Buildings:	11		
Number of Stories:	2	**Covered Parking Spaces:**	0
Unit Style:	Flat	**Total Parking Spaces:**	107
Elevators:	none		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	8,600,000	1.000%	18	--	4.150%
--	--	--	--	--	--
County HOME / CDBG	2,043,782	--	18	--	3.000%
Seller Carryback Note	2,411,129	--	--	--	2.190%
Reserves	80,000	--	--	--	--
Construct/Rehab Net Oper. Inc.	376,509	--	--	--	--
Investor Equity Contribution	925,000	--	--	--	--

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Permanent Loan	4,670,000	--	17	35	5.200%
--	--	--	--	--	--
--	--	--	--	--	--
County HOME / CDBG	2,043,782	--	55	55	3.000%
Seller Carryback Note	2,411,129	--	55	55	2.190%
Reserves	80,000	--	--	--	--
Construct/Rehab Net Oper. Inc.	376,509	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	NA	NA	NA	NA
Developer Equity Contribution	466,048	NA	NA	NA	NA
Investor Equity Contributions	5,861,899	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	8/17/15	**Capitalization Rate:**	5.50%
Investment Value ($)	12,550,000	**Restricted Value ($)**	7,100,000
Construct/Rehab LTC	54%	**Permanent Loan to Cost**	29%
Construct/Rehab LTV	69%	**Permanent Loan to Value**	66%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$85,758	NA
Initial Replacement Reserve Deposit	$79,000	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 8/27/15 — Senior Staff Date: 8/27/15

UNIT MIX AND RENT SUMMARY **Board Approval**

Maplewood **Project Number 15-010-R/S**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	2	1	709	51	153
Flat	3	2	990	28	126
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				79	279

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	25%	**35%**	**50%**	**60%**	**80%**	**60%**	**0%**
CalHFA			16				
CDLAC							
TCAC				78			
ounty of San Diego		13	35	30			
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	**Restricting Agency**	**% of Area Median Income**	**Average Restricted Rents Number of Units**	**Unit Rent**	**Average Market Rents**	**Average Monthly Savings**	**% of Market Rents**
Studios	**TCAC**	**35%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	NA	**-**	-	-		-	-
1 Bedroom	**TCAC**	**35%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	NA	**-**	-	-		-	-
2 Bedrooms	**TCAC**	**35%**	6	$597	**$1,210**	$613	49%
	CalHFA	**50%**	5	$868		$342	72%
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	20	$871		$339	72%
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	20	$950		$260	79%
	NA	**-**	-	-		-	-
3 Bedrooms	**TCAC**	**35%**	**7**	$688	**$1,597**	$909	43%
	CalHFA	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	10	$1,004		$593	63%
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	10	$1,160		$437	73%
	NA	**-**	-	-		-	-
4 Bedrooms	**TCAC**	**35%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	NA	**-**	-	-		-	-
5 Bedrooms	**TCAC**	**35%**	-	-	-	-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	NA	**-**	-	-		-	-
Date Prepared:	8/27/15					Senior Staff Date:	8/27/15

SOURCES & USES OF FUNDS SUMMARY					Board Approval
Maplewood			**Project Number**	**15-010-R/S**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS SOURCES ($)**	**PER UNIT ($)**	**%**
CalHFA Loan	8,600,000				0.0%
CalHFA Other Loan	-				0.0%
County HOME / CDBG	2,043,782				0.0%
Seller Carryback Note	2,411,129				0.0%
-	-				0.0%
Other Non-CalHFA Sources of Funds	80,000				0.0%
Construct/Rehab Net Oper. Inc.	376,509				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	925,000				0.0%
CalHFA Permanent Loan		4,670,000	4,670,000	59,114	29.5%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
County HOME / CDBG		2,043,782	2,043,782	25,871	12.9%
Seller Carryback Note		2,411,129	2,411,129	30,521	15.2%
-		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		80,000	-	-	0.0%
Construct/Rehab Net Oper. Inc.		376,509	376,509	4,766	2.4%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		466,048	466,048	5,899	2.9%
Investor Equity Contributions		5,861,899	5,861,899	74,201	37.0%
TOTAL SOURCES OF FUNDS	**14,436,420**	**15,909,367**	**15,829,367**	**200,372**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS USES ($)**	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		14,436,420			
Acquisition Costs	**7,120,000**	**-**	**7,120,000**	90,127	44.8%
Construction/Rehab Costs	**4,267,774**	**-**	**4,267,774**	54,022	26.8%
Relocation Costs	**233,075**	**-**	**233,075**	2,950	1.5%
Architectural Costs	**180,400**	**-**	**180,400**	2,284	1.1%
Surveys & Engineering Costs	35,000	-	35,000	443	0.2%
Contingency Reserves	731,125	-	731,125	9,255	4.6%
Loan Period Loan & Other Costs	**733,520**	**-**	**733,520**	9,285	4.6%
Permanent Loan Costs	**8,122**	**10,000**	**18,122**	229	0.1%
Legal Fees	**136,272**	**-**	**136,272**	1,725	0.9%
Reserves	**-**	**325,925**	**325,925**	4,126	2.0%
Reports & Studies	**48,185**	**-**	**48,185**	610	0.3%
Other Construction/Rehab Costs	**138,334**	**-**	**138,334**	1,751	0.9%
Developer Fees & Costs	**804,613**	**1,137,022**	**1,941,635**	24,578	12.2%
TOTAL PROJECT COSTS	**14,436,420**	**15,909,367**	**15,909,367**	**201,384**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Board Approval
Maplewood	**Project Number**		**15-010-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 849,576	$ 10,754	104.28%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	8,000	101	0.98%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 857,576**	**$ 10,855**	**105.26%**
Less: Vacancy Loss	**$ 42,879**	**$ 543**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 814,697**	**$ 11,398**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 127,288	$ 1,611	$ 0
Management Fee	37,150	470	4.56%
Social Programs & Services	-	-	0.00%
Utilities	74,296	940	9.12%
Operating & Maintenance	105,545	1,336	12.96%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	7,821	99	0.96%
Other Taxes & Insurance	68,036	861	8.35%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 420,136**	**$ 5,318**	**51.57%**
Replacement Reserves	$ 39,500	$ 500	4.85%
TOTAL OPERATING EXPENSES	**$ 459,636**	**$ 5,818**	**56.42%**
NET OPERATING INCOME (NOI)	**$ 355,061**	**$ 4,494**	**43.58%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Permanent Loan	$ 290,015	$ 3,671	35.60%
CalHFA Section 8 Loan	$ -	-	0.00%
County HOME / CDBG	$ 4,000	51	0.49%
Seller Carryback Note	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 294,015**	**$ 3,722**	**36.09%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 61,046**	**$ 773**	**7.49%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.21 to 1**		
Date: 8/27/15		Senior Staff Date:	08/27/15

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Maplewood**
2	**Board Approval**										**Project Number**	**15-010-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	849,576	870,815	892,586	914,900	937,773	961,217	985,248	1,009,879	1,035,126	1,061,004
6	Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	8,000	8,200	8,405	8,615	8,831	9,051	9,278	9,510	9,747	9,991
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**857,576**	**879,016**	**900,991**	**923,516**	**946,604**	**970,269**	**994,525**	**1,019,389**	**1,044,873**	**1,070,995**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	42,479	43,541	44,629	45,745	46,889	48,061	49,262	50,494	51,756	53,050
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	400	410	420	431	442	453	464	475	487	500
25	Garage and Parking Income	6.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**42,879**	**43,951**	**45,050**	**46,176**	**47,330**	**48,513**	**49,726**	**50,969**	**52,244**	**53,550**
28	**EFFECTIVE GROSS INCOME (EGI)**		**814,697**	**835,065**	**855,941**	**877,340**	**899,273**	**921,755**	**944,799**	**968,419**	**992,630**	**1,017,445**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	127,288	131,743	136,354	141,126	146,066	151,178	156,469	161,946	167,614	173,480
31	Management Fee	4.56%	37,150	38,079	39,031	40,007	41,007	42,032	43,083	44,160	45,264	46,396
32	Utilities	3.50%	74,296	76,896	79,588	82,373	85,256	88,240	91,329	94,525	97,834	101,258
33	Operating & Maintenance	3.50%	105,545	109,239	113,062	117,020	121,115	125,354	129,742	134,283	138,983	143,847
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	7,821	7,919	8,018	8,118	8,219	8,322	8,426	8,532	8,638	8,746
36	Other Taxes & Insurance	3.50%	68,036	70,417	72,882	75,433	78,073	80,805	83,634	86,561	89,590	92,726
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	39,500	39,895	40,294	40,697	41,104	41,515	41,930	42,349	42,773	43,201
39	**TOTAL OPERATING EXPENSES**		**459,636**	**474,188**	**489,229**	**504,774**	**520,841**	**537,447**	**554,613**	**572,355**	**590,696**	**609,654**
40	**NET OPERATING INCOME (NOI)**		**355,061**	**360,876**	**366,713**	**372,566**	**378,433**	**384,308**	**390,186**	**396,064**	**401,934**	**407,792**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	290,015	290,015	290,015	290,015	290,015	290,015	290,015	290,015	290,015	290,015
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	County HOME / CDBG	2	4,000	4,040	4,080	4,121	4,162	4,204	4,246	4,289	4,331	4,375
45	Seller Carryback Note	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**294,015**	**294,055**	**294,095**	**294,136**	**294,177**	**294,219**	**294,261**	**294,304**	**294,346**	**294,390**
51	**CASH FLOW AFTER DEBT SERVICE**		**61,046**	**66,821**	**72,617**	**78,430**	**84,255**	**90,089**	**95,925**	**101,760**	**107,588**	**113,402**
52	**DEBT SERVICE COVERAGE RATIO**		**1.21**	**1.23**	**1.25**	**1.27**	**1.29**	**1.31**	**1.33**	**1.35**	**1.37**	**1.39**
53	Date Prepared:	08/27/15									Senior Staff Date:	8/27/15

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Maplewood**
2	**Board Approval**										**Project Number**	**15-010-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,087,529	1,114,717	1,142,585	1,171,150	1,200,429	1,230,439	1,261,200	1,292,730	1,325,049	1,358,175
6	Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	10,241	10,497	10,759	11,028	11,304	11,587	11,876	12,173	12,478	12,789
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,097,770**	**1,125,214**	**1,153,345**	**1,182,178**	**1,211,733**	**1,242,026**	**1,273,077**	**1,304,904**	**1,337,526**	**1,370,964**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	54,376	55,736	57,129	58,557	60,021	61,522	63,060	64,637	66,252	67,909
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	512	525	538	551	565	579	594	609	624	639
25	Garage and Parking Income	6.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**54,889**	**56,261**	**57,667**	**59,109**	**60,587**	**62,101**	**63,654**	**65,245**	**66,876**	**68,548**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,042,882**	**1,068,954**	**1,095,677**	**1,123,069**	**1,151,146**	**1,179,925**	**1,209,423**	**1,239,658**	**1,270,650**	**1,302,416**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	179,552	185,837	192,341	199,073	206,040	213,252	220,716	228,441	236,436	244,711
31	Management Fee	4.56%	47,555	48,744	49,963	51,212	52,492	53,805	55,150	56,528	57,942	59,390
32	Utilities	3.50%	104,802	108,470	112,266	116,196	120,263	124,472	128,828	133,337	138,004	142,834
33	Operating & Maintenance	3.50%	148,882	154,093	159,486	165,068	170,845	176,825	183,014	189,419	196,049	202,910
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	8,855	8,966	9,078	9,192	9,307	9,423	9,541	9,660	9,781	9,903
36	Other Taxes & Insurance	3.50%	95,971	99,330	102,807	106,405	110,130	113,984	117,973	122,103	126,376	130,799
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	43,633	44,069	44,510	44,955	45,404	45,858	46,317	46,780	47,248	47,720
39	**TOTAL OPERATING EXPENSES**		**629,251**	**649,509**	**670,451**	**692,100**	**714,481**	**737,618**	**761,538**	**786,268**	**811,835**	**838,269**
40	**NET OPERATING INCOME (NOI)**		**413,631**	**419,445**	**425,227**	**430,969**	**436,665**	**442,307**	**447,885**	**453,390**	**458,815**	**464,147**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	290,015	290,015	290,015	290,015	290,015	290,015	290,015	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	County HOME / CDBG	2	4,418	4,463	4,507	4,552	4,598	4,644	4,690	4,737	4,785	4,832
45	Seller Carryback Note	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**294,434**	**294,478**	**294,522**	**294,567**	**294,613**	**294,659**	**294,705**	**4,737**	**4,785**	**4,832**
51	**CASH FLOW AFTER DEBT SERVICE**		**119,197**	**124,967**	**130,704**	**136,402**	**142,052**	**147,648**	**153,179**	**448,653**	**454,030**	**459,315**
52	**DEBT SERVICE COVERAGE RATIO**		**1.40**	**1.42**	**1.44**	**1.46**	**1.48**	**1.50**	**1.52**	**95.71**	**95.89**	**96.05**
53	Date Prepared:	08/27/15									Senior Staff Date:	8/27/15

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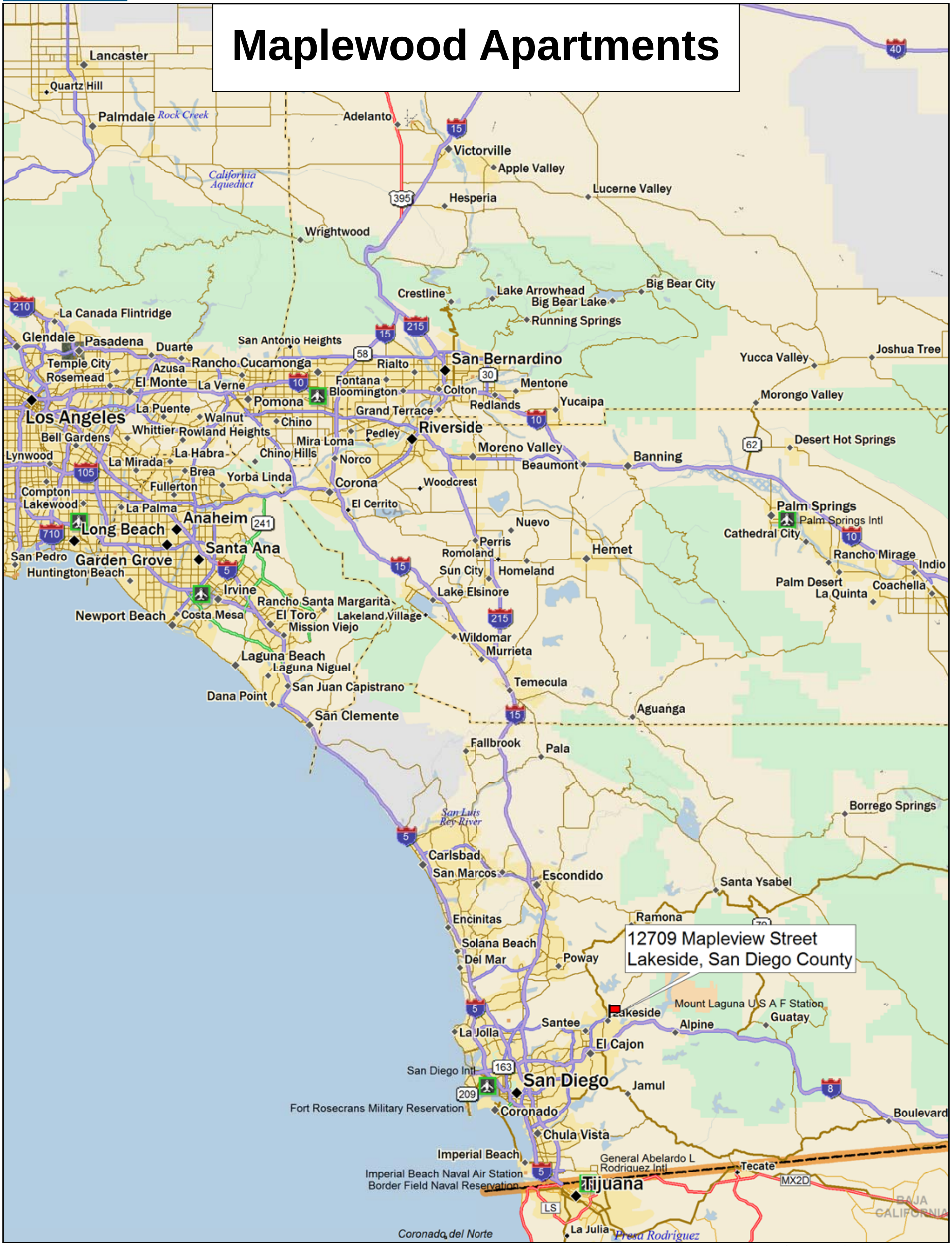
Maplewood Apartments



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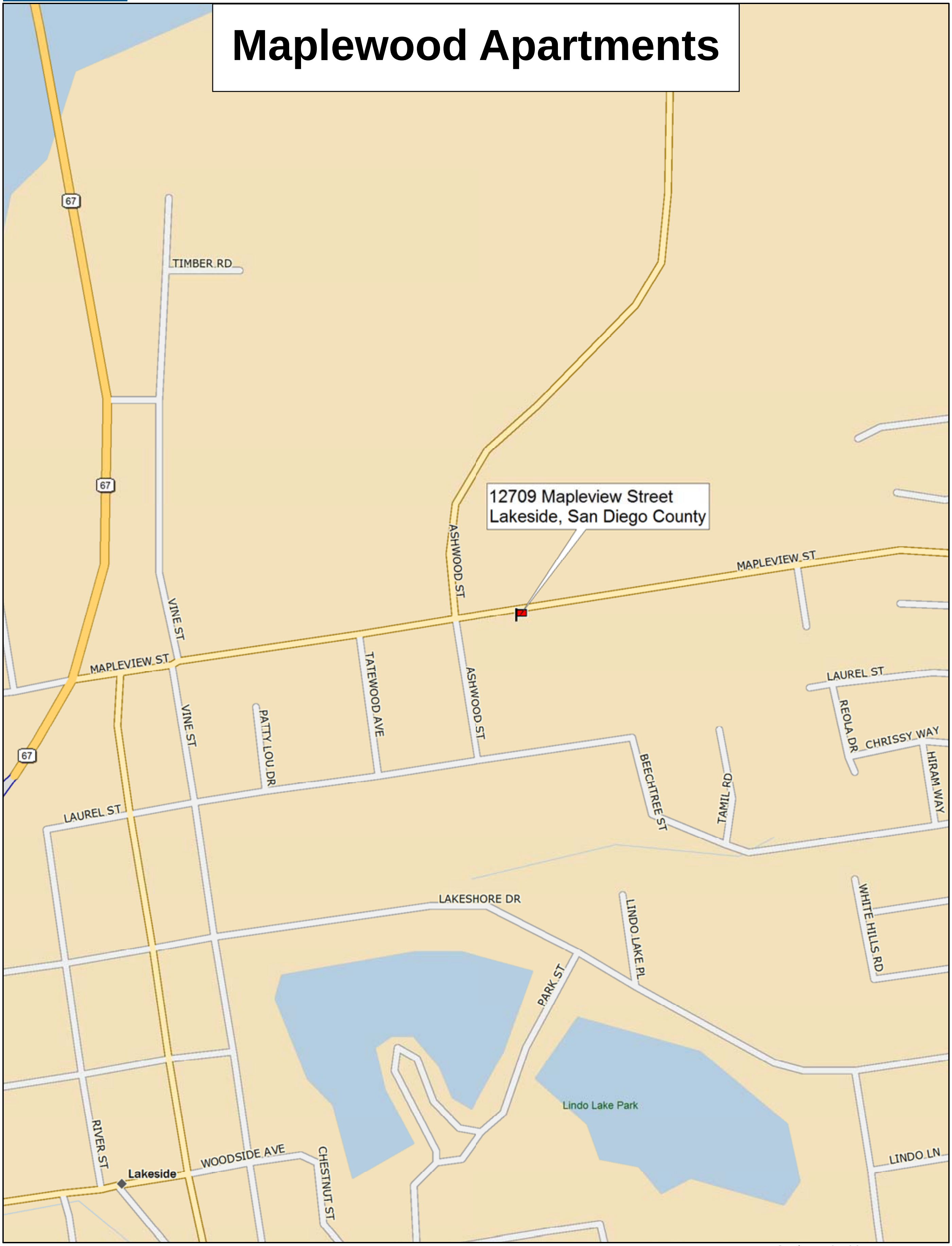
DeLorme Street Atlas USA® 2010

Maplewood Apartments



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California Housing Finance Agency

ADDENDUM – ACQUISITION/REHABILITATION LOAN PROGRAM

ADDITIONAL REQUIREMENTS FOR LOANS WITH BALLOON PAYMENTS[1]

Loan Terms	• Loan term not less than 17 years. • Amortization up to 35 years. • Affordable housing deed restriction for a minimum of 20 years.
Loan Amount	• A debt coverage ratio higher than 1.15x may be required for loans greater than $40 million. • Loans greater than $40 million may require a loan to value (LTV) lower than 90% of restricted value or loan to cost (LTC) lower than 80% of development costs.
Replacement Reserves	**Initial Deposit to Replacement Reserve** • A minimum of $1,000 per unit for family properties more than 25 years old. • A minimum of $750 per unit for senior properties more than 25 years old. • For family or senior properties less than 25 years old, the initial deposit to be determined via Physical Needs Assessment (**PNA**) recommendations and approved by CalHFA. **Replacement Reserve per unit per year** • A minimum of $400 per unit per year for family properties more than 25 years old. • A minimum of $300 per unit per year for senior properties more than 25 years old. • For family or senior properties less than 25 years old, the replacement reserve per unit per year to be determined via PNA recommendations and approved by CalHFA.
Development Team Experience	In addition to our standard Acq/Rehab Program underwriting requirements, developer must demonstrate 10 years or more of recent ownership and development experience of comparable scale, at least 5 years of which have been in multifamily affordable housing developments. Management company shall evidence comparable experience.
Exit Strategy	Borrower must demonstrate an exit strategy for loan payoff at maturity, acceptable to CalHFA and shall include: • Demonstration of potential for sale and re-syndication. • Financial analysis to stress-test for feasible acquisition based upon an interest rate increase, loan to value, and capitalization rate analysis for end of loan term. • Operating expense increase projected at 3% per year. • Real estate taxes increase projected at 2% per year. • Income increase projected at 2% per year. • Replacement reserves inflate at 1% per year.

Evaluation Check Points	• Annual Asset Management review of the project including a physical inspection and annual audits. • In year 10 of the permanent loan, CalHFA shall perform a property analysis, which includes a Physical Needs Assessment (**PNA**) that is prepared and completed by an independent third party PNA consultant (at the Borrower's expense), demonstrating financial feasibility for refinancing. • At its discretion, at the end of year 5 of the permanent loan or in any subsequent year up to year 10 of the permanent loan, CalHFA may conduct a comprehensive physical review which may require an independent third party PNA (at the Borrower's expense).
End of Term Marketability	**Year 14 of Permanent Loan** • Borrower to demonstrate is has a capable and willing partner to purchase the property. • Borrower to obtain appraisal to establish demand and market value in accordance with CalHFA requirements. • Appraisal shall include a market analysis of the current rent structure and regulatory requirements.
End of Term Loan to Value	Loan to value to be measured against restricted values based upon continuing restrictions beyond year 15 of the permanent loan period. Considerations may include changes in capitalization rates, interest rates and related factors potentially affecting value.
Questions	Questions regarding the Acquisition Rehabilitation Loan Program addendum can be directed to CalHFA's Multifamily Program's Division: • James Morgan, Housing Finance Chief, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8806 • Email address: jmorgan@calhfa.ca.gov **or** • Ruth Vakili, Loan Officer, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8816 • Email address: rvakili@calhfa.ca.gov

[1] All other CalHFA Acq/Rehab Program requirements shall be applied except as noted herein.

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.

06/15

California Housing Finance Agency

ACQUISTION/REHABILITATION LOAN PROGRAM

Program Description	The **Acquisition and Rehabilitation Loan Program ("Acq/Rehab" Program")** provides acquisition/rehabilitation and permanent loan financing for housing developments in order to preserve and/or increase the affordability of existing multifamily housing developments.
Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • For Section 8 projects, final commitment is conditioned upon review and acceptance by CalHFA of the AHAP contract. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. This includes subordinate loans, deferred payment loans, residual receipts loans, indirect loans provided by CalHFA to localities or other lending entities and made to a project, or any other financing provided directly or indirectly by CalHFA at loan origination or anytime thereafter. Please click here for the CalHFA Portfolio Loan Prepayment Policy
Loan Amount	• Minimum 1.15x debt service coverage ratio • Lesser of 90% of restricted value or 80% of development costs
Fees (subject to change)	• **Application Fee:** $5,000 non-refundable, due at time of application submittal • **Loan Fee:** 1.00% of the acquisition/rehabilitation loan amount due at loan close • **Credit Enhancement Fee:** included in the interest rate • **Bond Issuer Fee and Monitoring Fee:** included in the interest rate • **CDLAC Allocation Fee:** 0.035% of the bond amount, $600 due at time of CDLAC application submittal with the remaining fee due at loan close
Rate & Terms (subject to change)	**Rehabilitation Loan (NOTE: fully disbursed at loan close):** • Please click here for Indicative Interest Rates • Loan Payments/Term – interest only, up to 24 months **Permanent Loan (fully amortized or balloon payment):** • Please click here for Indicative Interest Rates • Loan Payment/Term – fully amortized, up to 35 years • Balloon Payment Term – click here for Addendum for Balloon Payment Loan requirements **Interest Rate is locked 30 days prior to loan close**
Credit Enhancement	The Acq/Rehab Program will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing program. Projects financed through the

	Acq/Rehab Program must comply with the Davis-Bacon Act and/or California prevailing wage requirements.
Prepayment	The loan may be prepaid at par 15 years after the placed in service date with a written 120-day notice.
Subordinate Financing	Tax credits and loans or grants are encouraged from local government and third parties to achieve project feasibility. All loans, leases, development and regulatory agreements must be subordinate, and coterminous or of greater term that, the CalHFA financing. Any loans with amortized debt will be included in the minimum 1.15x debt service ratio calculation.
Occupancy Requirements	• **Either (a) 20%** of the unit types must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), **OR (b)** 40% or more of the unit types must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for HUD for household size ("40% @ 60% AMI"): **however** in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI. • For those units restricted by CalHFA to 60% or less of AMI, in adjusting rents for household size, the Borrower will assume that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit. • Projects for seniors require rents based on one person per bedroom on the CalHFA restricted units.
Due Diligence	**All of the following due diligence efforts are required and shall be provided at the borrower's expense:** • Property appraisal (ordered by CalHFA) • Green Physical Needs Assessment for rehabilitation projects with "Needs Over Time" analysis for the term of the loan (ordered by CalHFA) o Substantial rehabilitation of the project must meet or exceed 15% of the project's value after the rehabilitation (currently at $18,000 per unit) • Phase I Environmental Site Assessment report including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation) • Market study • Rehabilitation period inspection fees are estimated at $500 -

	$1,000 per month • Termite/Dry Rot reports by licensed company • Seismic review and other studies may be required at CalHFA's discretion • Other studies/reports at CalHFA's discretion
Required Reserves	• **Replacement Reserve:** Initial cash deposit required, annual deposit required, varies by project type and PNA. • **Operating Expense Reserve (may be required):** 10% of annual gross income due at permanent loan closing (letter of credit or cash). • **Impounds:** One year's prepaid earthquake, hazard insurance premiums, and property tax assessments. • **Earthquake Insurance Waiver:** Available on projects which have met CalHFA earthquake waiver standards during construction. • **Other reserves as required (at CalHFA's discretion).**
Questions	Questions regarding the Acq/Rehab Program can be directed to CalHFA's Multifamily Program's Division: • James Morgan, Housing Finance Chief, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8806 • Email address: jmorgan@calhfa.ca.gov **or** • Ruth Vakili, Loan Officer, Multifamily Programs • 500 Capitol Mall, MS 1420, Sacramento, CA 95814 • Phone: 877.922.5432 or directly at 916.326.8816 • Email address: rvakili@calhfa.ca.gov

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.

06/15

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RESOLUTION 15-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Lindo Housing Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Lakeside, San Diego County, California, to be known as Maplewood Apartments (the "Development"); and

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

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, the Development has received a TEFRA Resolution as required by the Tax Equity and Fiscal Responsibility Act of 1983, and under 26 U.S.C. section 147(f); and

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

WHEREAS, on July 13, 2015, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Executive Director is authorized to cause the Agency to file an application with the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of California Qualified Private Activity Bonds for the Development, and to pay any fees required by CDLAC, and certify the posting of the required performance deposit; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
15-010-R/S	MAPLEWOOD APARTMENTS Lakeside, San Diego County	\$8,600,000.00 Acq/Rehab Financing \$4,670,000.00 Permanent Financing

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

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

I hereby certify that this is a true and correct copy of Resolution 15-18 adopted at a duly constituted meeting of the Board of the Agency held on September 10, 2015, at Burbank, California.

ATTEST:______________________
Secretary

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State of California

MEMORANDUM

To: Board of Directors **Date:** September 10, 2015

Don Cavier, Chief Deputy Director
Theodore (Ted) M. Ballmer, Attorney III
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Caltrans State Route 710 Affordable Sales Program

BACKGROUND

Over 40 years ago Caltrans began acquiring certain properties in the cities of Los Angeles, South Pasadena and Pasadena to make way for a freeway extension along State Route 710 (SR-710). Many of the properties included single (357) and multi-family (41) residences. In 1979, the Legislature passed SB 86 (Roberti) adding Government Code sections 54235 through 54238.7 (the "Roberti Act") setting forth the priorities and procedures for disposing of these "surplus residential properties." It is a complicated statutory regime, made more difficult because property values have risen dramatically over the last 35 years (the 2012 baseline market value of the properties is $236,912,000). However, the Legislature's stated intentions remain the same:

- To preserve and expand the supply of low and moderate income housing; and
- To mitigate the environmental effects caused by the displacement of a large number of persons as a result of disposing of these properties.

With these stated intentions in mind, Caltrans must adopt regulations in order to dispose of the properties. To that end, the Roberti Act expressly directs the Department of Housing and Community Development to make recommendations in order to effectuate the sales process. Additionally, the Roberti Act makes reference to CalHFA for purposes of verifying incomes of purchasers and occupants of housing financed by CalHFA. As a result of these statutory directives and references, and general expertise in affordable housing, Caltrans, HCD and CalHFA began a collaborative effort in fall 2014 to create a program to dispose of the properties (the "SR-710 Affordable Sales Program" or "ASP") as soon as practicable.

To date, Caltrans has held multiple workshops, created a dedicated website, prepared FAQs and other documentation introducing the ASP. As evidenced by Caltran's efforts, the public has been on notice and provided valuable feedback in the form of public comments. These public comments have helped Caltrans, HCD and CalHFA prepare the proposed ASP regulations that are now in the process of being finalized.

SR-710 AFFORDABLE SALES PROGRAM

A brief overview of the SR-710 ASP follows:

Priority

In general, the Roberti Act provides that the surplus residential property be offered for sale in the following order:

1. Prior owners (of which there are none);
2. Current occupants, but only if they qualify as an "affordable" household (e.g., low income);
3. Public and private housing-related entities; and then
4. Market rate would be occupants, with priority given to current and then former occupants.

Public comments were overwhelmingly concerned about the fact that current occupants who did not qualify as "affordable" would not have an opportunity to buy their residences before a public or private housing-related entity. Based upon these comments, the ASP regulations provide that a public or private housing-related entity must first offer to sell a newly acquired property to the current occupant. If the current occupant declines, then the entity would also be required to continue to offer to rent the property to the current occupant before making the home affordable to another renter. These sales conditions will help to minimize the need to relocate current tenants (some of whom have resided in their properties for 20 years or more) and thereby effectuate a primary goal of the Roberti Act (e.g., neighborhood preservation).

Sales Price

Depending upon the priority of the buyer, the Roberti Act provides for a different formula for determining the sales price. Specifically: qualifying affordable households will pay an "affordable" price based upon their income; public and private housing-related entities will pay a "reasonable" price based upon the feasibility of maintaining the residence for affordable housing; and would be owner-occupants (other than affordable households) will pay fair market value.

For sales to housing-related entities, it is anticipated that the "reasonable" price will be closer to the fair market value when the current occupant (who's income exceeds 150% AMI) intends to purchase the residence immediately after the housing-related entity acquires the property from Caltrans (e.g., the "double escrow"). If the housing-related entity intends to rent the property instead, then it is anticipated that the "reasonable" price may fall below the fair market value when factoring in the term of years for the restrictions and the affordable rents the housing-related entity agrees to charge tenants.

Affordability Restrictions/CalHFA Loan Product

If the sales price is less than fair market value, the Roberti Act provides that Caltrans must "ensure that the housing remain available" to low and moderate income households. In general, this means recording affordability restrictions. Public comments were also overwhelmingly concerned with the imposition of such restrictions, including how that would adversely impact an affordable buyer's ability to obtain financing. However, the Roberti Act is clear about the need to ensure affordability; and without such restrictions, an affordable buyer could immediately sell the property at fair market value for a (very big) windfall.

Nevertheless, the challenge to obtain financing is real because the required financing will not meet FHA guidelines. To address this problem and alleviate concern of potential affordable households, CalHFA has agreed, pending approval from the Board, to purchase and hold the mortgages of the affordable buyers (approximately 175 of the 357 single family residences are potentially "affordable"). CalHFA is in the process of designing a relevant loan product, the terms of which will be brought back to the Board in November 2015 for consideration. To that end, CalHFA has reached out to CalHFA-approved lenders and they appear willing and able to make such loans under the ASP.

In addition, the restrictions include a provision that allows the current owner to resell the property at fair market value at which time the restrictions will be removed. This provision will permit alienability of the property. In such event, a certain portion of the proceeds will be used for affordable housing (as discussed below), and the rest will go to the seller allowing for wealth creation while at the same time ensuring the Roberti goal of preserving and expanding the supply of low and moderate income housing will be met.

STATUS

- **Interagency Agreements**: CalHFA and Caltrans have executed an Interagency Agreement wherein Caltrans has promised to pay for CalHFA staff time and costs associated with providing advisory services to Caltrans in the creation and initial implementation of the ASP. The agreement is set to expire in Spring 2016. Prior to that expiration, it is anticipated that CalHFA and Caltrans will execute another interagency agreement wherein Caltrans will pay for CalHFA staff time and costs for further advisory services and other CalHFA activities associated with implementation of the ASP, including CalHFA lending activities. Caltrans and HCD have and will execute similar interagency agreements between themselves.

- **ASP Regulations**: With the assistance of HCD and CalHFA, the ASP regulations have been drafted and the public comment period will close in October 2015. Thereafter, OAL will have 30 days in which to provide further comments. It is anticipated that the ASP regulations will become final in early November 2015. It is further anticipated the ASP will be rolled out in two phases. Phase I involves 40 properties, mostly in the city of South Pasadena. Phase I is meant to be a pilot in order to ensure the ASP works as designed. Phase II will include the balance of the properties. Caltrans anticipates sending conditional notices of offer to known priority buyers for Phase I by mid-November 2015.
- **CalHFA Loan Product:** CalHFA staff has met with some approved lenders that have expressed an interest in participating in the ASP. Because the loan terms are not standard, lenders require time to approve, system design, and educate their loan officers about the proposed ASP loan product. Consequently, it is anticipated the ASP loan product will not be ready until the first quarter of 2016 which may impact the timing of Phase I.
- **Housing-Related Entities**: In an effort to assist housing-related entities with "double escrows" or holding properties for both single and multifamily affordable rental housing, CalHFA may consider making direct loans to these entities for such purposes, including for acquisition, rehabilitation and construction activities.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 10, 2015

Ken Giebel, Director of Homeownership (Single Family Lending)
Claire Tauriainen, Attorney III
Sheryl Angst, Housing Finance Officer
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CalHFA Blended Down Payment Assistance Proposal

Background:

Since 2000, CalHFA has offered the voter approved, bond-funded California Homebuyer's Downpayment Assistance Program (CHDAP) for low to moderate income, first-time homebuyers. CHDAP loans can currently accompany any first mortgage that meets our underwriting requirements. Prior to suspending the CHDAP program in 2008 when the bond market collapsed and we curtailed our first mortgage programs, 62% of CHDAP loans accompanied a CalHFA first mortgage. After we reinstated CHDAP in 2009, all CHDAP loans were made without a CalHFA first mortgage or what we call standalone CHDAPs. Even after we reinstated the CalHFA first mortgage programs in 2012, the vast majority of the CHDAP loans were standalones.

Since the reinstatement of the CHDAP program in 2009, we have funded 22,760 loans worth $140 million, of which, 90% are standalone CHDAPs.
As of June 30, 2015, we have disbursed all of the original allocated bond-funded CHDAP and HPA monies. CalHFA-administered DPA programs are now being funded from recycled dollars.

Proposal:

Given that we are relying on recycled funds for the foreseeable future, we propose that we blend the remaining CHDAP and HPA recycled funds into one DPA program and make it available with a CalHFA first mortgage only. All other current CHDAP and HPA underwriting requirements will remain in place.

Rationale:

Pairing the remaining recycled funds from CHDAP to a CalHFA-only first mortgage will support these borrower benefits:

a) Enables us to monitor the CalHFA first mortgages accompanying the DPA loans so that we can:
    - have an opportunity for early intervention in the case of troubled loans and offer modification solutions.
    - minimize CalHFA's risk exposure due to the new Federal mortgage origination regulations and HUD's concerns with premium priced mortgages with grants/down payment assistance.
    - enable greater auditing capabilities.
    - confirm that the first mortgages are meeting the GSE requirements.

b) Ensures the DPA funds are being used in the borrower's best interest.

c) Increased assistance level from 3% to 5%.

d) Extend the use of the recycled funds by an additional 12 - 14 months.

e) Safeguard that the borrowers' DPA, closing cost and MI write down needs are being met.

f) Streamline the CalHFA DPA process (e.g. simplify income limits, reduce amount of forms and ensure guideline continuity).

g) Enable the new DPA funds can be used with Government Programs including FHA, USDA, and VA loans.

Product Description:

- The new blended CalHFA DPA product will combine the remaining CHDAP and HPA recycled funds into one down payment assistance product providing up to 5% of the purchase price at 3% simple interest.
- The blended DPA could be used for:
    - Down payment assistance
    - Closing costs
    - First mortgage write down
    - Upfront Mortgage Insurance payment
- The blended DPA product, at 5%, will provide CalHFA borrower a maximum combined DPA of up to 8% when it is layered with the tiered CalPLUS Zip product*

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*Currently CHDAP provides 3% down payment or closing cost assistance at 3.25% interest. We also provide an additional $6,500 in assistance with our CalPLUS ZIP Extra products It appears that even though we are currently offering approximately 9% DPA with our CalPLUS products (CHDAP=3%, ZIP=3% & Extra ($6,500)= 3%), our borrowers are using between 6% and 8% with the max first mortgage LTV of 97%.

Recommendation:

Simultaneously discontinue the current CHDAP product and begin offering CalHFA borrowers the 5% blended DPA product with a CalHFA first mortgage, with a target date of October 5, 2015 that aligns with the TRID requirements.

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CalHFA First-time Homebuyer Down Payment Assistance Changes Questions & Answers

Why are you revising the DPA programs?

All program funds from the sale of previously-approved, state General Obligation Bonds have been fully distributed. Those programs are currently being offered with significantly fewer dollars, derived from recycled funds*. The changes being proposed would ensure that the limited funds currently available are being used to maximize borrower benefits and the program's sustainability. In addition, there is a need to revise these programs to reduce CalHFA's risk under the new TILA-RESPA Integrated Disclosure (TRID) regulations that are scheduled to take effect in October. The proposed streamlined DPA program will also provide CalHFA with greater oversight of the entire first mortgage and subordinate debt, which we currently lack. This will give CalHFA the opportunity to offer more timely modification options to sustain both the first mortgage and recycled DPA funds.

Specifically these changes would:

- Prolong the use of the recycled funds from approximately 30 months to 44 months, helping more first-time homebuyers over time by extending the length of time for funds to be recycled.
- Provide flexibility to allow a borrower the choice of DPA, closing costs or MI write down.
- Ensure that CalHFA has sufficient opportunity for early intervention in the case of troubled loans, and will allow the Agency to offer modification solutions before it's too late.
- Streamline the CalHFA DPA process (e.g. simplify income limits, reduce amount of forms and ensure guideline continuity.)
- Ensure that the new DPA funds can be used with government programs including FHA, USDA, and VA loans.
- Provide more borrowers the opportunity to take advantage of the lower interest rate on the CalHFA Conventional and FHA mortgage products.

How are you revising the programs?

CalHFA is proposing the elimination of two current DPA programs, CHDAP and ZIP Extra, and will introduce one comprehensive DPA program. We are proposing these qualifications:

*Recycled funds include principal and interest dollars, from DPA programs, that have been paid back when the first mortgage has been disturbed.

- Limited to first-time homebuyers
- Homebuyer education will be required
- Low to moderate income homebuyers
- Funds can be used for down payment assistance or closing costs and upfront mortgage insurance payment
- 45% DTI
- 640-680 FICO
- Can be combined with all CalHFA FHA and Conventional loan programs
    - CalHFA will begin work on extending to USDA and VA programs
- DPA amount will be up to 5% of the purchase price (CHDAP was limited to 3%)
- Available only with CalHFA-originated first mortgages

Where does the money come from?

The funds come from recycled funds from various down payment assistance programs that the Agency has administered over the years.

Why require the DPA to be used with CalHFA first mortgages?

Requiring that the proposed DPA is used with a CalHFA first mortgage will minimize risk to both the Agency and its borrowers in the following ways:

- CalHFA will have the opportunity to review the first mortgage for intervention in the case of troubled loans and will be able to offer modification solutions before it's too late.
- It will minimize CalHFA's risk exposure due to the new Federal mortgage origination regulations and HUD's concerns with premium priced mortgages on grants/down payment assistance.
- It will enable greater auditing capabilities.
- It will allow CalHFA to ensure that the first mortgages are meeting the GSE requirements.

How did CalHFA determine the 5% loan amount?

CalHFA performed an analysis of the current DPA program usage. By layering assistance from a number of current programs, borrowers can currently access as much as 9% DPA with our CalPLUS products (**CHDAP**=3%, **ZIP**=3% & **Extra** ($6,500) =3%). However, our analysis shows that most borrowers are only using between 6% and 8% with the max first mortgage LTV of 97%. With the existing 3% in ZIP, an additional 5% gets the borrower to that 8% we're seeing in the marketplace.

What is the urgency?

The new TRID regulations are scheduled to take effect October 3rd. Implementing these changes will reduce CalHFA's risk under those new provisions, and will protect the availability and sustainability of the funds so that more Californians can realize the dream of homeownership.

How risky are these loans?

Performance analysis indicates that risk is minimal due to CalHFA's underwriting and homebuyer education requirements.

Who uses CalHFA programs and who will benefit from them?

All program-qualified, low to moderate income first-time homebuyers in California can benefit from the new program.

Will the program be available on condos and manufactured homes?

Yes, per the CalHFA first mortgage guidelines.

When will the new DPA product be available?

We are planning to launch in early October 2015 so that new reservations and forms can be aligned with the implementation of TRID requirements.

When do you plan on accepting loans from mortgage brokers?

We anticipate that our Master Servicer will begin accepting broker-originated loans in September 2015.

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RESOLUTION 15-19

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE CESSATION OF THE CALIFORNIA HOMEBUYERS DOWNPAYMENT ASSISTANCE PROGRAM LOAN PRODUCT AND THE CREATION OF A BLENDED SOURCE DOWNPAYMENT ASSISTANCE PRODUCT

WHEREAS, the Agency's single family division has exhausted the original allocation of bond funds to purchase California Homebuyer's Downpayment Assistance Program ("***CHDAP***") loans and is rapidly expending the remaining recycled funds;

WHEREAS, the Agency cannot receive loan level data on CHDAP loans associated with first loans which are not purchased by the Agency ("***CHDAP standalones***") and is therefore unable to analyze the use and effectiveness of the down payment assistance on CHDAP standalones;

WHEREAS, with the clarity of hindsight, the Agency can see the considerable benefits of securing and analyzing loan data that is only available to CalHFA when downpayment assistance loans are used in conjunction with CalHFA first loan products;

WHEREAS, the new downpayment assistance product will allow CalHFA to improve tracking and processing, and evaluate the efficacy and success of our loan products, in addition to early intervention opportunities on distressed loans;

WHEREAS, the Agency is streamlining its product offerings and processes at origination in response to federal regulators' increasing disclosure requirements on loan originators and increased liability of creditors;

WHEREAS to reduce Agency risk in consideration of action by federal lawmakers;

WHEREAS, a new downpayment assistance product, which will utilize a blending of recycled funding sources and be coupled with CalHFA first mortgage products and will increase the amount of downpayment assistance from 3% to 5%, will be advantageous to California's home buyers;

WHEREAS, a new, single blended source downpayment assistance product will streamline the Agency's product offerings, simplifying processes for the Agency's lending partners and improve compliance review;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors (the "***Board***") of the California Housing Finance Agency, in consideration of the above, directs as follows:

<u>Section 1. Discontinuation of CHDAP.</u> CalHFA shall discontinue the CHDAP product as soon as is practicable.

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Section 2. Development and Introduction of New Blended-Source Downpayment Assistance Product. The Executive Director or her designee, is directed to take action necessary or appropriate and consistent with prudent lending standards, market necessity, and state and federal regulations to implement changes to the new down payment assistance (DPA) product's. This includes entering into, for and in the name and on behalf of the Agency, all necessary documents.

I hereby certify that this is a true and correct copy of Resolution 15-19 adopted at a duly constituted meeting of the Board of the Agency held on September 10, 2015, at Burbank, California.

ATTEST:______________________
Secretary

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State of California

M E M O R A N D U M

To Board of Directors **Date:** August 27, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: **ONGOING DISCUSSIONS TO SECURE A LINE OF CREDIT FOR THE AGENCY**

The Agency has prompted discussions with several providers to secure a line of credit. The line of credit is part of the Agency's plan to move master servicing functions from US Bank to Idaho Housing and will be used, among other purposes, to warehouse single family loans until they are placed into a mortgage-backed security. It is expected that at least one line of credit will be secured within the next six months.

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RESOLUTION 15-20

RESOLUTION IDENTIFYING A MEMBER OF THE BOARD TO PRESIDE AT MEETINGS OF THE BOARD IN THE ABSENCE OF THE CHAIRPERSON

WHEREAS, Health and Safety Code section 50907 provides that the Governor shall appoint a chairperson from among members of the governing board to preside at meetings of the board;

WHEREAS, the California Housing Finance Agency does not have a process in place should a chairperson not be appointed or available to preside at meetings of the governing board;

WHEREAS, the efficient administration of meetings of the governing board require a presiding member; and

WHEREAS, it is the intent of the board of directors to develop a process to identify a member to preside over meetings in the absence of a chairperson;

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

1. In the absence of the chairperson at a meeting of the governing board, the longest serving appointed member of the governing board shall preside over the meeting.

I hereby certify that this is a true and correct copy of Resolution 15-20 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 10, 2015, at Sacramento, California.

ATTEST: ________________________

Secretary

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State of California

M E M O R A N D U M

To Board of Directors **Date:** August 11, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: TEMPORARY CREDIT & LIQUIDITY PROGRAM (TCLP) - HMRB LOC REPLACEMENT AND EXIT FROM PROGRAM

On July 22, 2015, CalHFA replaced the remaining facilities provided by the US Treasury under the TCLP Program, completely exiting the program. Replacement letters of credit (LOCs) were negotiated for the remaining $510.7 million of variable rate bonds under the HMRB indenture.

Four banks provided the LOCs:

Bank of Tokyo – Mitsubishi UFJ, LTD.	$150.00Mn
Bank of America, N.A	$146.72Mn
Royal Bank of Canada	$140.00Mn
Sumitomo Mitsui Banking Corp.	$ 73.98Mn

Four banks are remarketing the bonds:

Mitsubishi UFJ Securities, Inc.	$ 96.35Mn
Merrill Lynch, Pierce, Fenner & Smith, Inc.	$146.72Mn
Morgan Stanley & Co., LLC	$127.63Mn
RBC Capital Markets, LLC	$140.00Mn

The LOCs all have 3 year terms with expirations occurring on July 20, 2018. The LOC fees range between 72.5 – 88 bps, which are a sizable improvement over the TCLP fees of 120 bps.

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State of California

M E M O R A N D U M

To: Board of Directors   Date: August 21, 2015

Timothy Hsu, Director of Financing
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: UPDATE OF CONDUIT ISSUANCE PROGRAM

The CalHFA Conduit Issuer Program (Conduit Program) is designed to facilitate both for-profit and non-profit developers in accessing tax-exempt and taxable bonds for the financing of family and senior affordable and mixed-income housing developments. The goals of the program are to increase and preserve the supply of affordable rental housing, maintain a quality living environment, leverage private sector funds to the greatest extent possible, and to cooperate with local jurisdictions to advance affordable housing goals.

CalHFA made numerous program changes in March 2015 to be more competitive on fees and added a locality review process in place to address any of the locality concerns. In addition to generating fee income for the Agency, the Conduit Program is an entry point for developers, lenders, bond counsels, and financial advisors to become more familiar with all of CalHFA multifamily programs and resources.

Conduits Completed in FY15-16:

	Project Name	City	Project Type	Units	Date Closed	Loan Amount
1	Betel Apartments	San Francisco	Family	50	7/15/2015	$ 18,000,000
				50		$ 18,000,000

Conduit Pipeline:

	Project Name	City	Project Type	Units	Closing Date	Loan Amount
(Pre-Application)						
(Application Submitted)						
(Final Commitment)						
1	Park Sunset Apartment	San Francisco	Senior	30	10/23/2015	$ 10,000,000
2	Grove at Manzanita	Carmichael	Family	89	11/1/2015	10,000,000
3	Kenneth Park	Carmichael	Family	97	11/1/2015	11,250,000
4	Summit at Fair Oaks	Fair Oaks	Family	70	11/1/2015	10,000,000
5	Sunrise Meadows	Rancho Cordova	Family	95	11/1/2015	10,500,000
6	Ortiz Plaza	Santa Rosa	Farm Worker/F	30	11/1/2015	7,060,000
7	Plum Tree West	Gilroy	Senior	70	12/1/2015	22,849,036
8	Rowland Heights	Rowland Heights	Family	144	12/1/2015	30,114,881
9	O'Farrell Towers	San Francisco	Family	101	12/1/2015	29,004,040
10	Downtown Hayward Seni	Hayward	Senior	60	12/7/2015	17,500,000
				786		$ 158,277,957

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** August 27, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Report and Highlights for July 31, 2015

- The overall delinquency rate has decreased from a high of 17.94% in January 2010 to 7.21% in July 2015.
  - The delinquency rate for FHA loans has decreased from a high of 19.86% in January 2010 to 8.64% in July 2015.
  - The delinquency rate for Conventional loans has decreased from a high of 16.31% in January 2010 to 5.93% in July 2015.
- Conventional MI loans with no reinsurance have the highest delinquency rate at 13.58% (comparing all conventional and FHA loans)
- The REO inventory reached its peak of 1,391 loans, between the third and fourth quarters of 2010 (315 FHA loans and 1,076 Conventional loans) it is now 56 loans (5 FHA loans and 51 Conventional loans).
- The annualized foreclosure rate for Conventional loans is 1.4 % compared to a high of 10% in 2010.
- As of July 2015, loans modified starting in 2011 have a lower default rate, which parallels the introduction of the Keep Your Home California (KYHC) Program. The loans modified starting in 2012 have an even lower default rate, which parallels the increase in the principal reduction program (PRP) maximum payment from $50,000 to $100,000.
- Since 2011 we have modified 625 loans (FHA and conventional) that received KYHC's Principal Reduction Program (PRP) funds, for a total of $38.9 million. "Cure" rates for modified loans (current at time of modification): 84%
- "Cure" rates for modified loans (delinquent at time of modification): 70%

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CalHFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO DELINQUENCY, REO & SHORT SALE, UNINSURED LOSS, AND LOAN MODIFICATION REPORT

July 31, 2015

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type

				DELINQUENCY RATIOS - % of Loan Count							
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
Federal Guaranty											
FHA	6,490	$ 635,498,764	30.92%	311	4.79%	83	1.28%	167	2.57%	561	8.64%
VA	144	13,175,533	0.64%	7	4.86%	1	0.69%	4	2.78%	12	8.33%
RHS	71	11,848,341	0.58%	2	2.82%	0	0.00%	2	2.82%	4	5.63%
Conventional loans											
with MI											
MI with Reinsurance	1,972	487,524,785	23.72%	67	3.40%	19	0.96%	72	3.65%	158	8.01%
No Reinsurance	383	84,332,191	4.10%	22	5.74%	10	2.61%	20	5.22%	52	13.58%
without MI											
Originated with no MI	3,330	559,834,627	27.24%	81	2.43%	19	0.57%	60	1.80%	160	4.80%
MI Cancelled*	1,569	263,321,733	12.81%	38	2.42%	5	0.32%	17	1.08%	60	3.82%
Total CalHFA	13,959	$ 2,055,535,974	100.00%	528	3.78%	137	0.98%	342	2.45%	1,007	7.21%
Weighted average of conventional loans:				208	2.87%	53	0.73%	169	2.33%	430	5.93%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

Note: In accordance with CalHFA's policy, *no trustee sale is permitted between December 15 and January 5 of any year without CalHFA's prior written approval.*

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type

				DELINQUENCY RATIOS - % of Loan Count							
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
30-yr level amort											
FHA	6,490	$ 635,498,764	30.92%	311	4.79%	83	1.28%	167	2.57%	561	8.64%
VA	144	13,175,533	0.64%	7	4.86%	1	0.69%	4	2.78%	12	8.33%
RHS	71	11,848,341	0.58%	2	2.82%	0	0.00%	2	2.82%	4	5.63%
Conventional - with MI	1,017	216,598,616	10.54%	48	4.72%	15	1.47%	32	3.15%	95	9.34%
Conventional - w/o MI	4,365	706,232,305	34.36%	100	2.29%	21	0.48%	56	1.28%	177	4.05%
40-yr level amort											
Conventional - with MI	225	59,433,290	2.89%	8	3.56%	3	1.33%	15	6.67%	26	11.56%
Conventional - w/o MI	159	29,872,945	1.45%	6	3.77%	2	1.26%	7	4.40%	15	9.43%
***5-yr IOP, 30-yr amort**											
Conventional - with MI	1,113	295,825,069	14.39%	33	2.96%	11	0.99%	45	4.04%	89	8.00%
Conventional - w/o MI	375	87,051,111	4.23%	13	3.47%	1	0.27%	14	3.73%	28	7.47%
Total CalHFA	13,959	$ 2,055,535,974	100.00%	528	3.78%	137	0.98%	342	2.45%	1,007	7.21%
Weighted average of conventional loans:				208	2.87%	53	0.73%	169	2.33%	430	5.93%

*As of June 1, 2015 all IOP loans (except 3 loans which were modified) were converted to fixed (amortizing) loans.

Cal HFA California Housing Finance Agency

July 31, 2015

Reconciled Loan Delinquency Summary
All Active Loans By Servicer

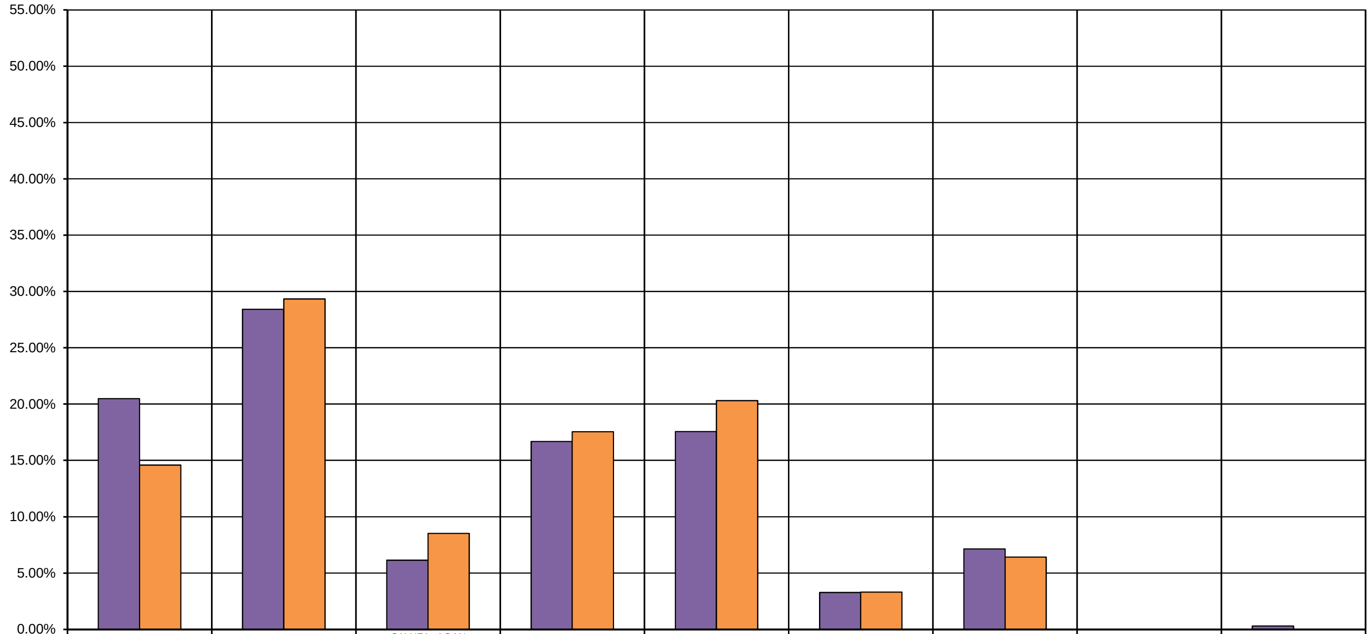
	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
CALHFA - LOAN SERVICING	5,202	$ 988,458,944	48.09%	145	2.79%	29	0.56%	105	2.02%	279	5.36%
GUILD MORTGAGE	3,306	454,930,163	22.13%	157	4.75%	41	1.24%	77	2.33%	275	8.32%
WELLS FARGO HOME MORTGAGE	1,560	145,398,843	7.07%	63	4.04%	21	1.35%	48	3.08%	132	8.46%
EVERHOME MORTGAGE COMPANY	1,437	114,577,166	5.57%	77	5.36%	18	1.25%	49	3.41%	144	10.02%
CALHFA - LOAN SERVICING - BAC HOME LOANS	1,377	206,375,116	10.04%	52	3.78%	13	0.94%	36	2.61%	101	7.33%
OCWEN MORTGAGE	564	60,961,394	2.97%	24	4.26%	9	1.60%	9	1.60%	42	7.45%
FIRST MORTGAGE CORP	461	78,252,893	3.81%	9	1.95%	5	1.08%	16	3.47%	30	6.51%
CITIMORTGAGE, INC.	31	5,965,991	0.29%	1	3.23%	1	3.23%	1	3.23%	3	9.68%
DOVENMUEHLE MORTGAGE, INC.	21	615,463	0.03%	0	0.00%	0	0.00%	1	4.76%	1	4.76%
Total CalHFA	13,959	$ 2,055,535,974	100.00%	528	3.78%	137	0.98%	342	2.45%	1,007	7.21%

Reconciled Loan Delinquency Summary
All Active Loans By County

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total: Count	%
LOS ANGELES	2,330	$ 420,878,032	20.48%	80	3.43%	14	0.60%	59	2.53%	153	6.57%
SAN DIEGO	1,091	199,652,715	9.71%	29	2.66%	9	0.82%	29	2.66%	67	6.14%
KERN	950	81,547,398	3.97%	44	4.63%	13	1.37%	22	2.32%	79	8.32%
FRESNO	848	62,705,281	3.05%	45	5.31%	10	1.18%	17	2.00%	72	8.49%
TULARE	826	61,701,185	3.00%	37	4.48%	14	1.69%	23	2.78%	74	8.96%
SANTA CLARA	790	172,151,248	8.38%	17	2.15%	4	0.51%	6	0.76%	27	3.42%
SAN BERNARDINO	611	86,582,320	4.21%	27	4.42%	5	0.82%	22	3.60%	54	8.84%
RIVERSIDE	604	79,018,174	3.84%	42	6.95%	15	2.48%	21	3.48%	78	12.91%
SACRAMENTO	598	91,220,867	4.44%	21	3.51%	4	0.67%	19	3.18%	44	7.36%
ALAMEDA	572	116,516,109	5.67%	14	2.45%	2	0.35%	9	1.57%	25	4.37%
ORANGE	572	107,886,739	5.25%	12	2.10%	1	0.17%	11	1.92%	24	4.20%
CONTRA COSTA	477	91,955,282	4.47%	15	3.14%	7	1.47%	14	2.94%	36	7.55%
IMPERIAL	403	34,983,110	1.70%	28	6.95%	7	1.74%	10	2.48%	45	11.17%
VENTURA	325	73,792,781	3.59%	8	2.46%	1	0.31%	6	1.85%	15	4.62%
BUTTE	309	30,033,493	1.46%	13	4.21%	2	0.65%	13	4.21%	28	9.06%
OTHER COUNTIES	2,653	344,911,243	16.78%	96	3.62%	29	1.09%	61	2.30%	186	7.01%
Total CalHFA	13,959	$ 2,055,535,974	100.00%	528	3.78%	137	0.98%	342	2.45%	1,007	7.21%

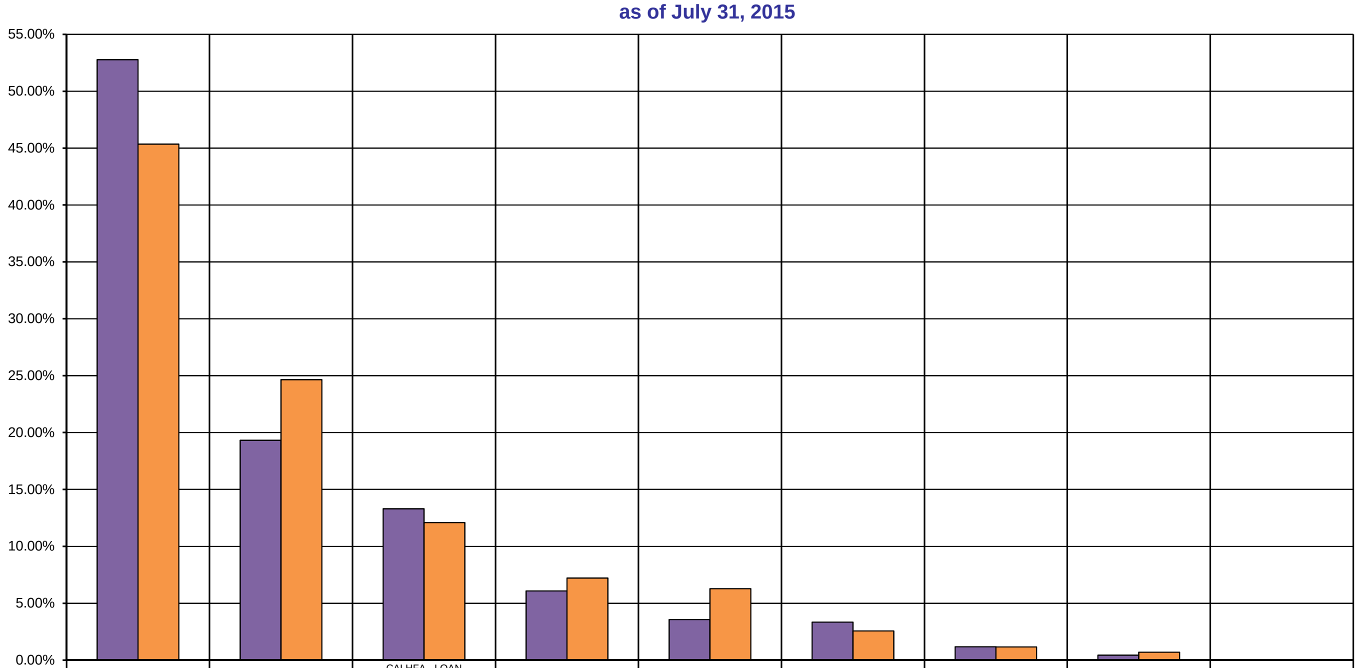
California Housing Finance Agency

CalHFA FHA Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of July 31, 2015



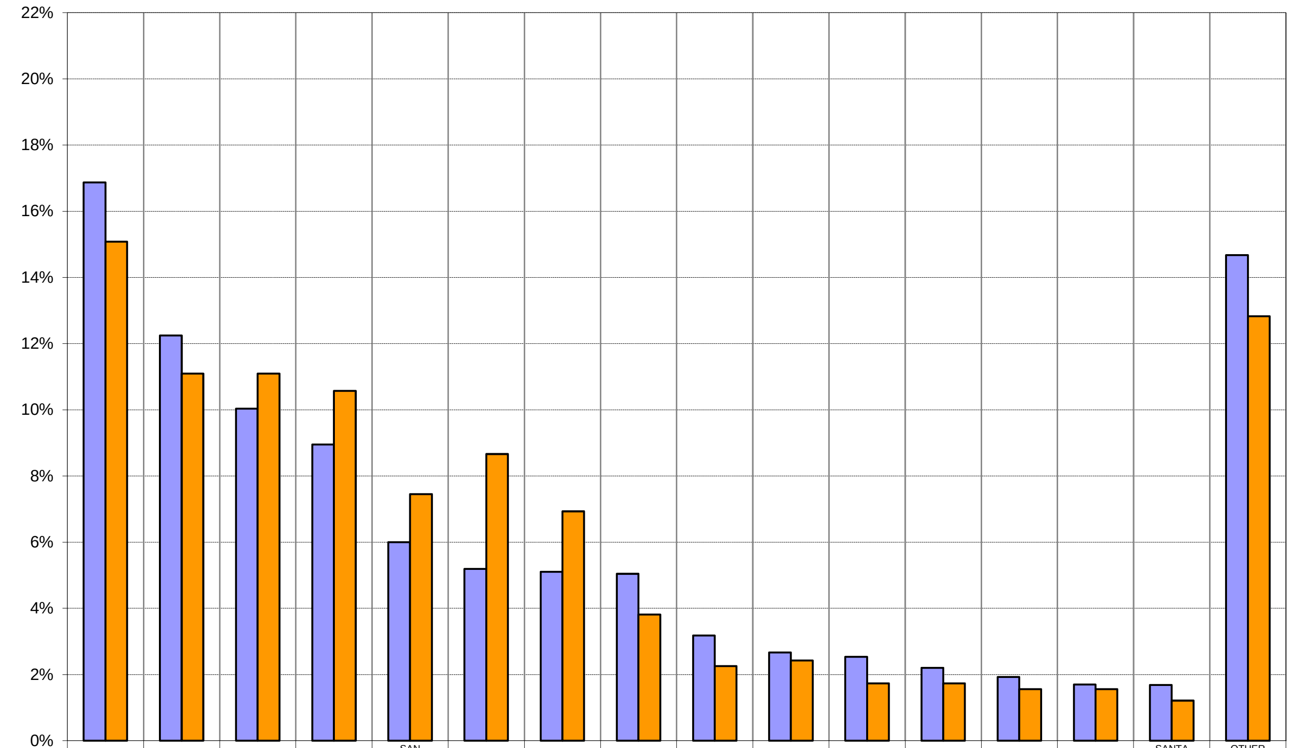
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.
% of Total Loan Count	20.48%	28.41%	6.14%	16.69%	17.57%	3.27%	7.14%	0.00%	0.30%
% of Total Delinquent Loan Count	14.58%	29.34%	8.51%	17.53%	20.31%	3.30%	6.42%	0.00%	0.00%

CalHFA Conventional Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of July 31, 2015



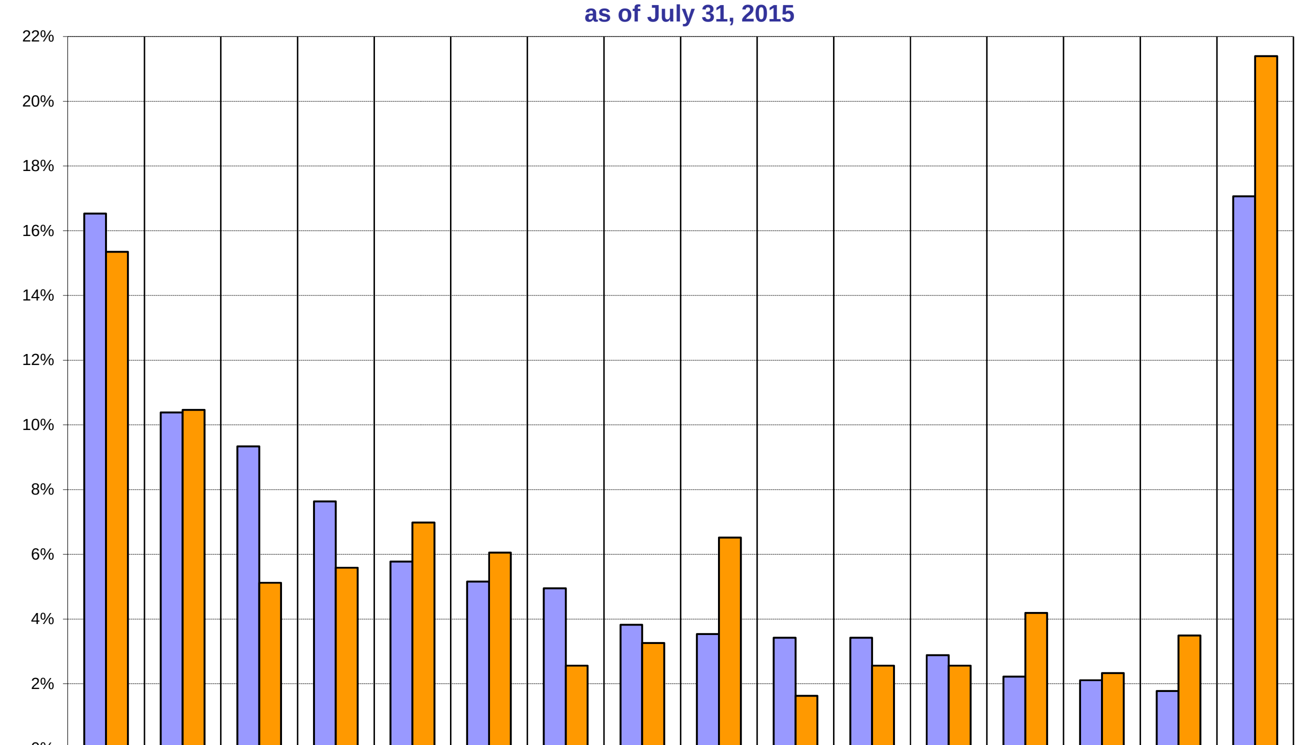
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.
% of Total Loan Count	52.78%	19.31%	13.30%	6.08%	3.57%	3.34%	1.17%	0.43%	0.01%
% of Total Delinquent Loan Count	45.35%	24.65%	12.09%	7.21%	6.28%	2.56%	1.16%	0.70%	0.00%

CalHFA FHA Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of July 31, 2015



	LOS ANGELES	KERN	TULARE	FRESNO	SAN BERNARDINO	RIVERSIDE	IMPERIAL	SAN DIEGO	ORANGE	SACRAMENTO	KINGS	BUTTE	MONTEREY	SAN JOAQUIN	SANTA BARBARA	OTHER COUNTIES
% of Total Loan Count	16.87%	12.24%	10.04%	8.95%	6.00%	5.19%	5.10%	5.04%	3.18%	2.67%	2.54%	2.21%	1.92%	1.70%	1.69%	14.68%
% of Total Delinquent Loan Count	15.08%	11.09%	11.09%	10.57%	7.45%	8.67%	6.93%	3.81%	2.25%	2.43%	1.73%	1.73%	1.56%	1.56%	1.21%	12.82%

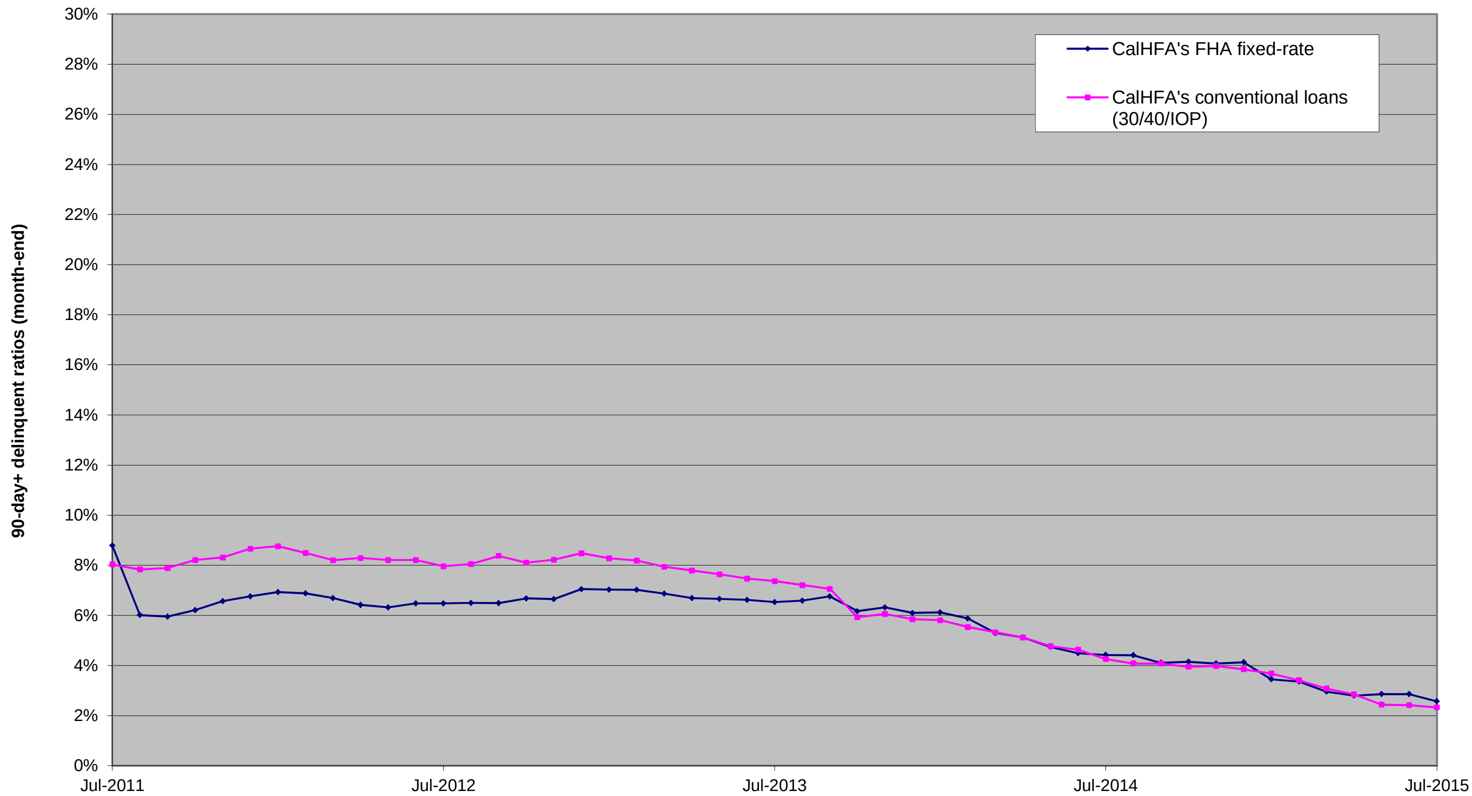
CalHFA Conventional Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of July 31, 2015



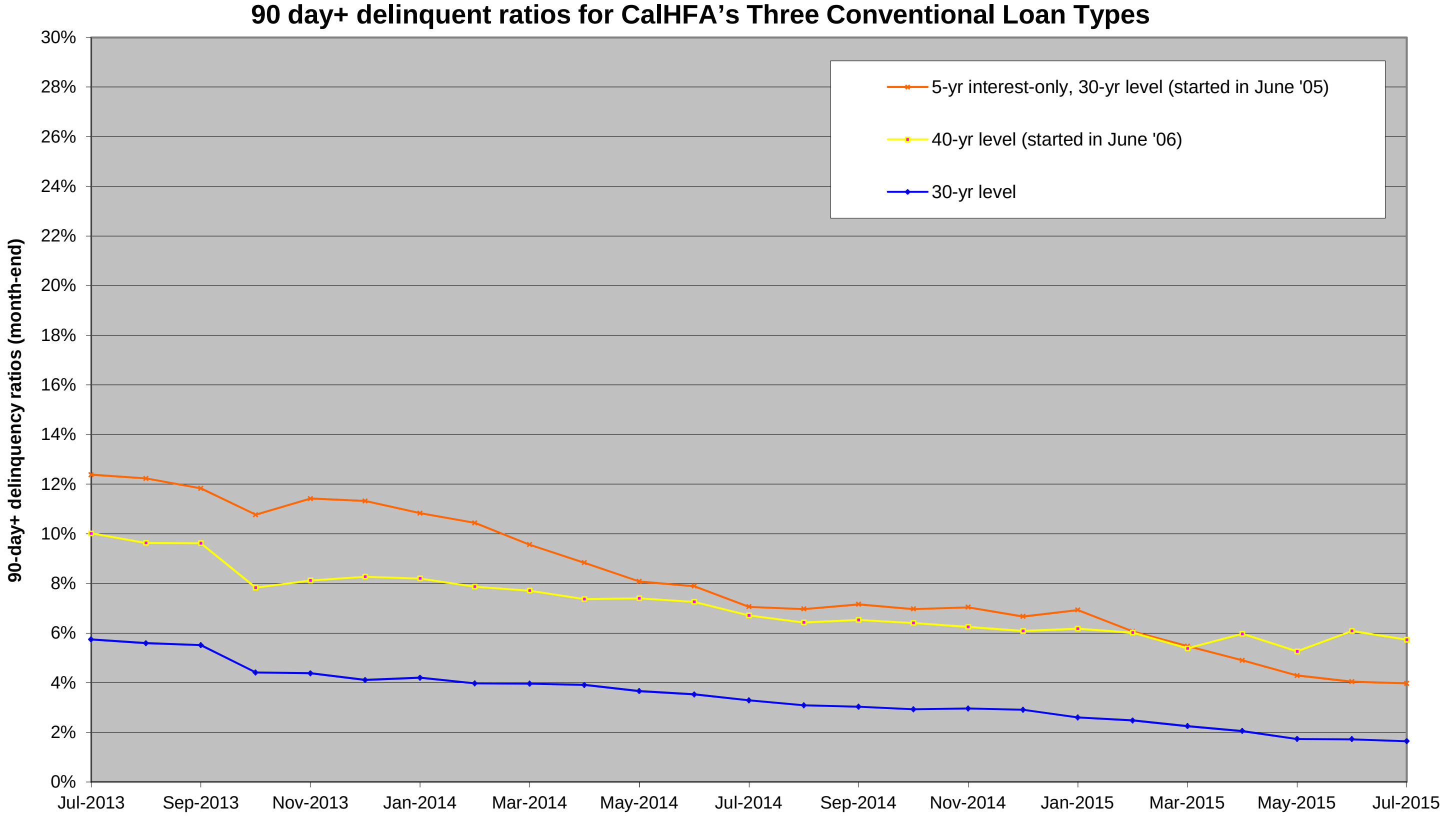
	LOS ANGELES	SAN DIEGO	SANTA CLARA	ALAMEDA	SACRAMENTO	CONTRA COSTA	ORANGE	VENTURA	RIVERSIDE	SONOMA	FRESNO	SAN BERNARDINO	BUTTE	TULARE	KERN	OTHER COUNTIES
% of Total Loan Count	16.53%	10.38%	9.33%	7.64%	5.78%	5.16%	4.95%	3.82%	3.53%	3.42%	3.42%	2.88%	2.22%	2.11%	1.78%	17.07%
% of Total Delinquent Loan Count	15.35%	10.47%	5.12%	5.58%	6.98%	6.05%	2.56%	3.26%	6.51%	1.63%	2.56%	2.56%	4.19%	2.33%	3.49%	21.40%

Cal HFA California Housing Finance Agency

90 day+ delinquent ratios for CalHFA's FHA and weighted average of all Conventional Loans



90 day+ delinquent ratios for CalHFA's Three Conventional Loan Types

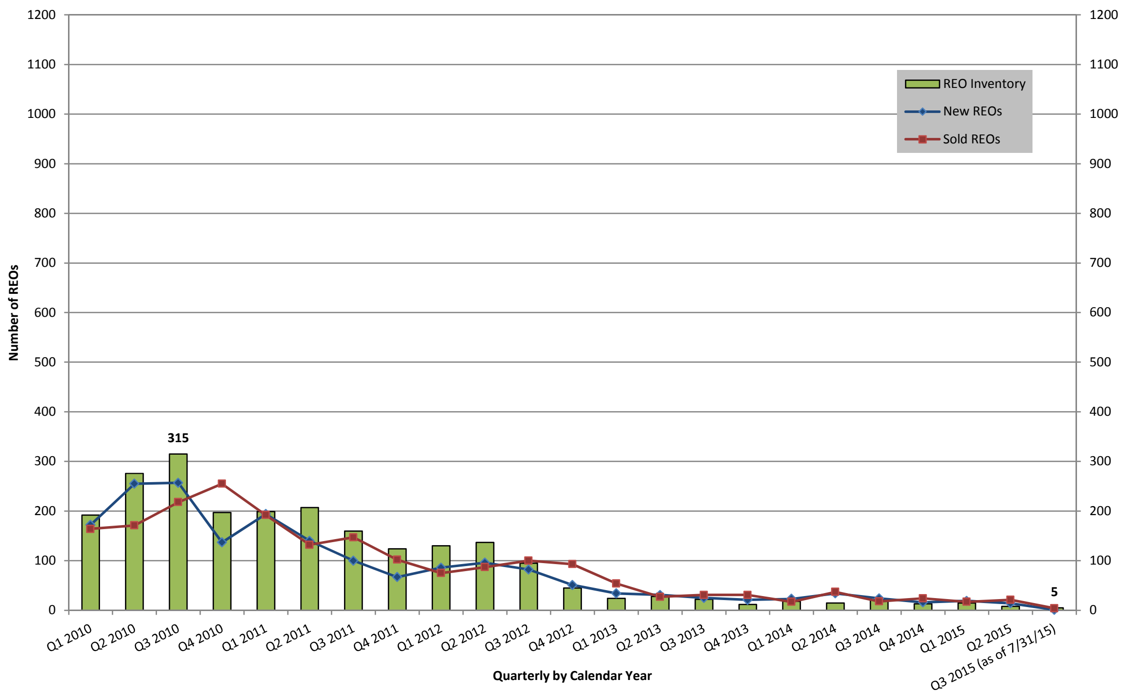


Real Estate Owned

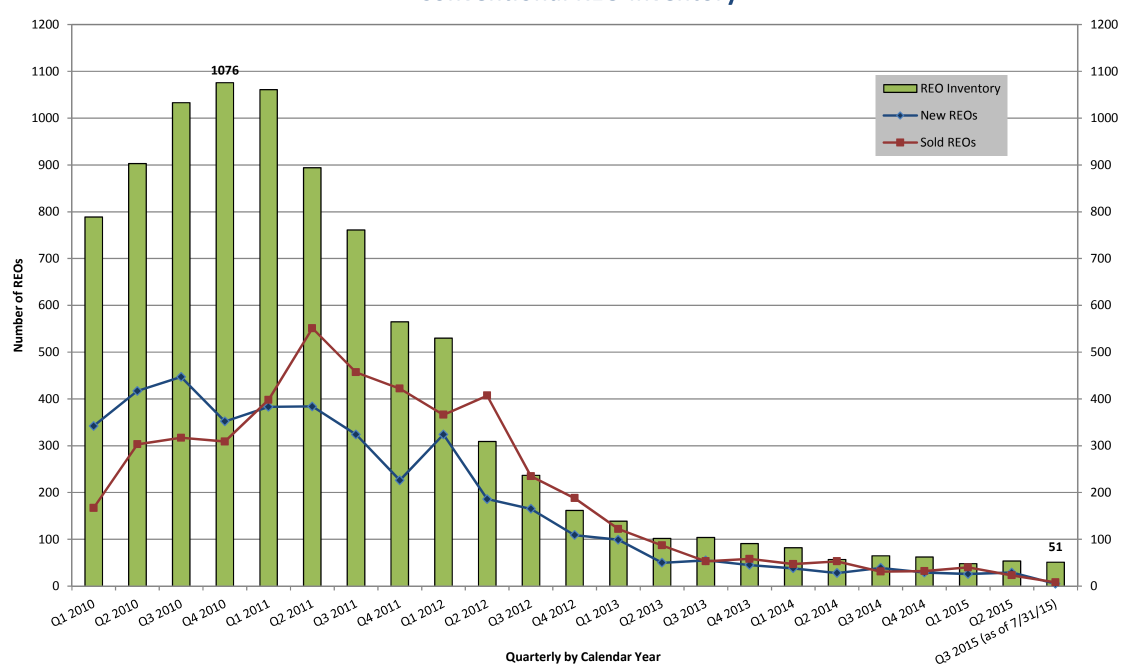
Calendar Year 2015 (As of July 31, 2015)												
			*Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-June	Reverted to CalHFA July	Total Trustee Sales	Repurchased by Lender Jan-June	Market Sale(s) Jan-June	Repurchased by Lender July	Market Sale(s) July	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	15	(2)	32	1	33	37		4		41	5	$ 839,113
Conventional	60	2	55	5	60		63		8	71	51	10,994,632
Total	75	0	87	6	93	37	63	4	8	112	56	$ 11,833,745

*3rd party trustee sales are not shown in this table (title to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales in calendar year 2009, thirty nine (39) 3rd party sales in calendar year 2010, twenty two (22) 3rd party sales in calendar year 2011, fourty one (41) 3rd party sales in calendar year 2012, fifty nine (59) 3rd party sales in calendar year 2013, fourty three (43) 3rd party sales in calendar year 2014, and there are twelve (12) 3rd party sales to date 2015.

FHA REO Inventory



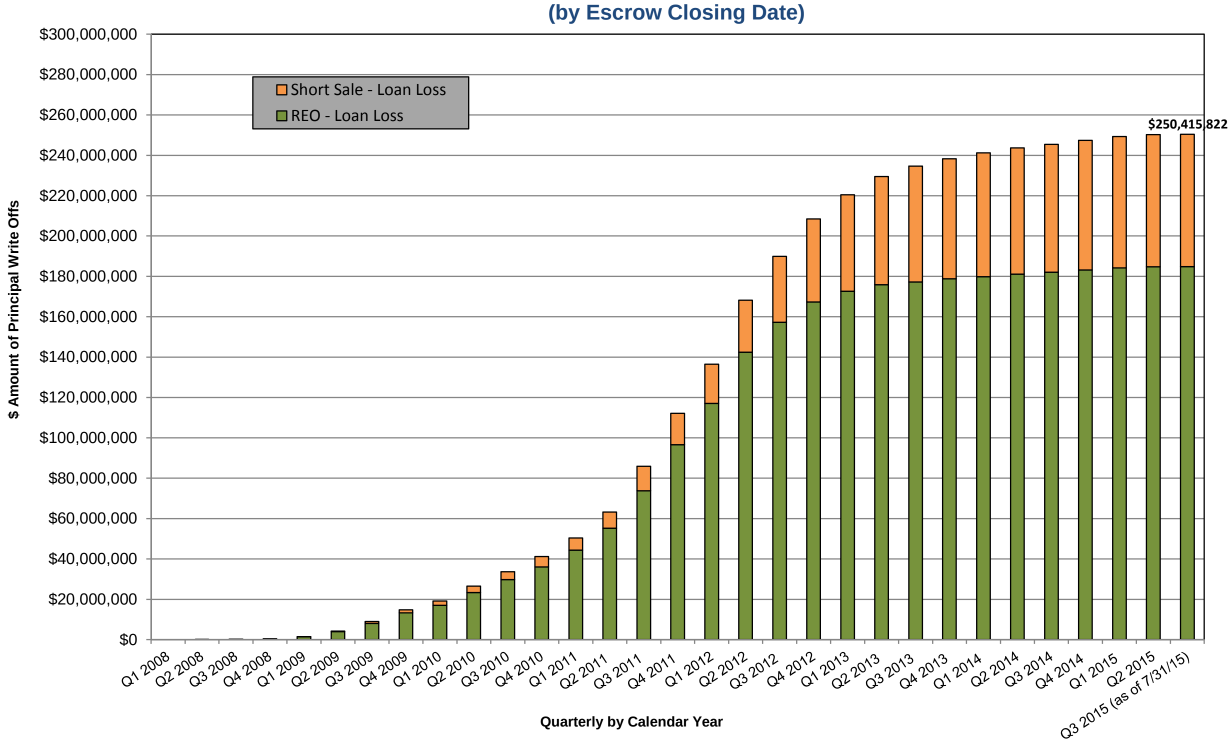
Conventional REO Inventory



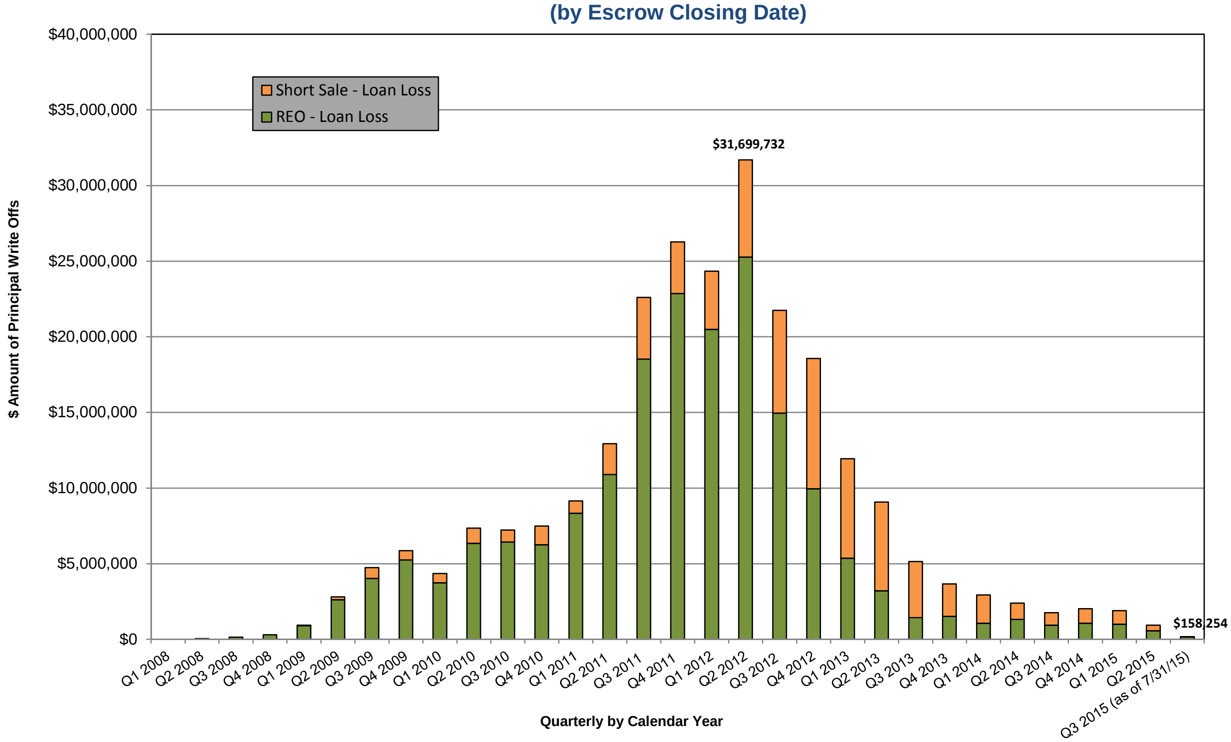
2015 Year to Date Composition of 1st Trust Deed Loss
(As of July 31, 2015)

	Disposition				
Loan Type	Repurchased by Lender	Market Sales	Short Sales	Loan Balance at Sales	Principal Write-Offs
FHA/RHS/VA	41		7	$ 7,670,651	
Conventional		71	43	28,956,953	$ (2,991,259)
	41	71	50	$ 36,627,603	$ (2,991,259)

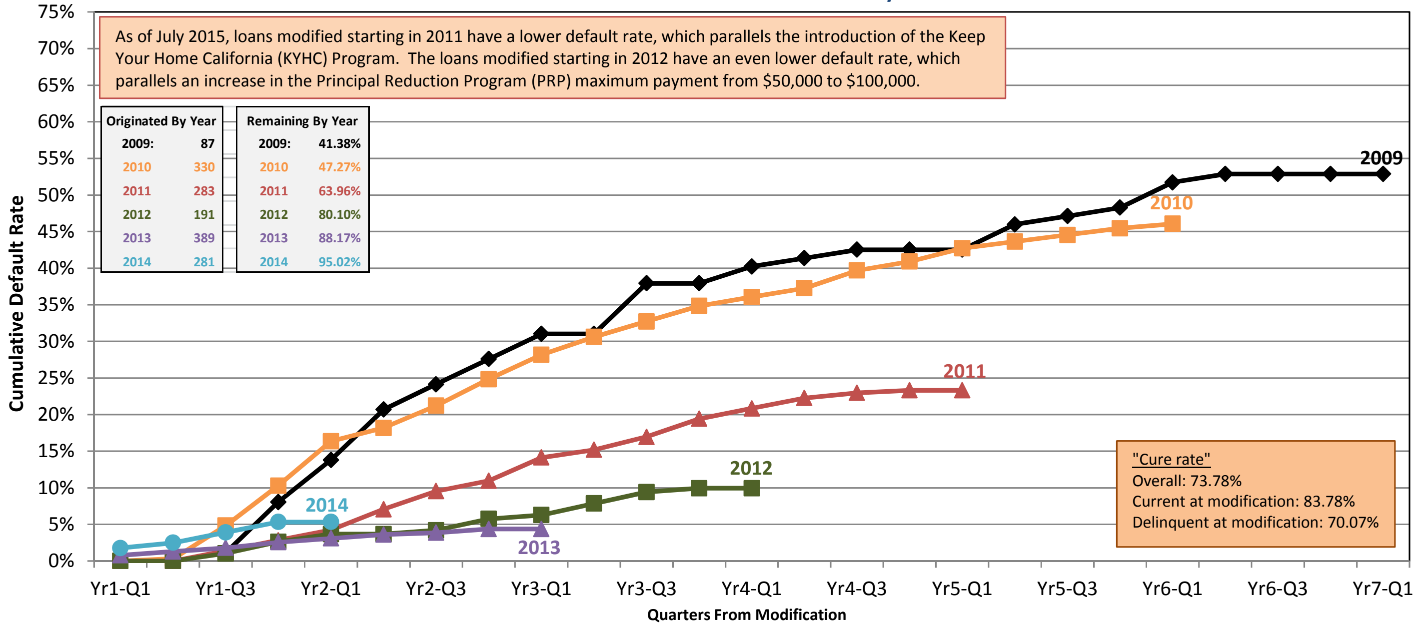
Accumulated Uninsured Loss from Sale of Conventional REOs & Short Sales (by Escrow Closing Date)



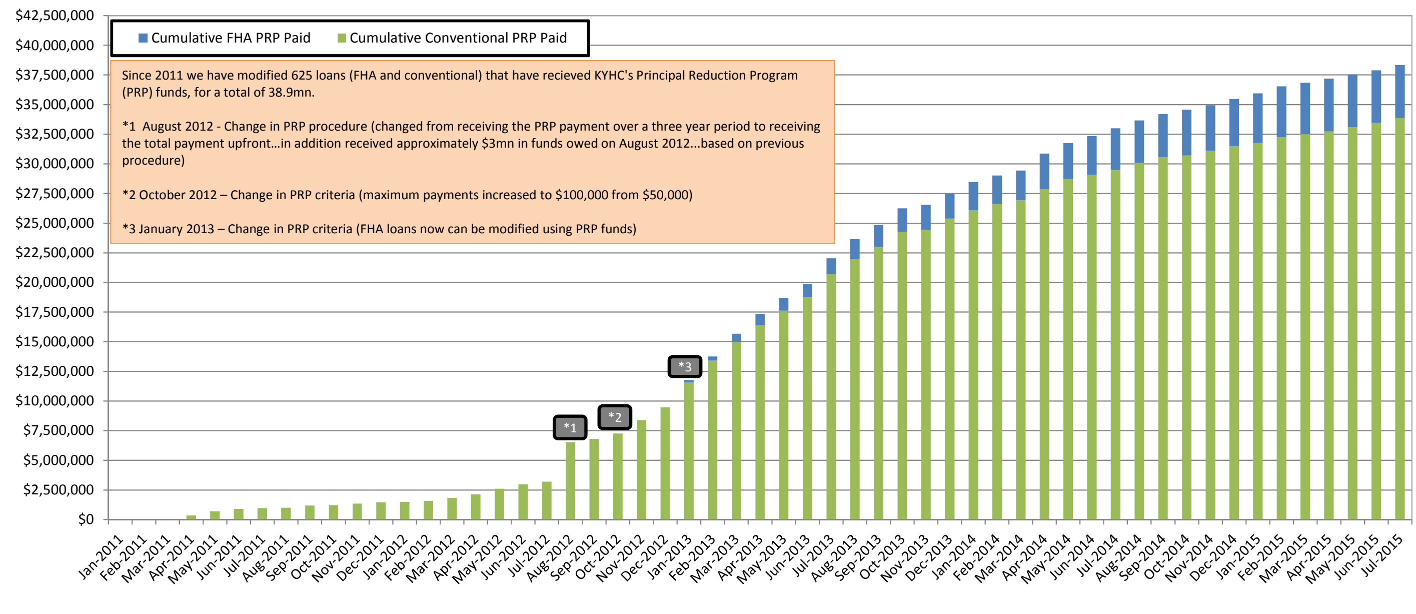
Comparison of Quarterly Uninsured Loss from Sale of Conventional REOs & Short Sales (by Escrow Closing Date)



Cumulative Default Rate For Conventional Modified Loans By Year of Modification



Cumulative Principal Reduction Payments (PRP) received from Keep Your Home California (KYHC)



State of California

M E M O R A N D U M

To: Board of Directors **Date:** August 27, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AGENCY BONDS, INTEREST RATE SWAPS, AND FINANCING RISK FACTORS REPORT

EXECUTIVE SUMMARY:

Since our last report, the variable rate debt decreased by $164 million, from $1,265 million to $1,102 million; and the swap notional outstanding decreased by $67 million, from $1,296 to $1,228 million. On May 6, 2015 and July 22, 2015, we replaced $72.45 million and $510.7 million, respectively, of temporary credit and liquidity program (TCLP) with Letters of Credit from five private banks. We have fully eliminated our TCLP exposure.

1) We now have more swap notionals ($1.228mn) than variable rate debt ($1.102mn). This is due to our strategy of aggressively deleveraging the balance sheet by redeeming variable rate bonds. At this point we believe this mismatch is manageable.
2) Our collateral posting risk has been contained to around the $50 million range--at its height, it was $132 million.
3) We are continuing our general strategy of winding down our swap portfolio as quickly as we can while incurring as little cost as possible.
4) This report will be provided semi-annually, after February 1 and August 1, which are scheduled bond payment and swap notional reduction dates.

The following report describes our bond and interest rate swap positions as well as the related risks associated with variable rate and swap strategies. The report is divided into sections as follows:

1) Outstanding Bonds
2) Variable Rate Debt
    a) Variable Rate Debt Exposure
    b) Types of Variable Rate Debt
    c) Liquidity Providers
    d) Interest Rate Swaps
3) Financing Risk Factors
    a) Unhedged Variable Rate Risk
    b) Basis Risk
    c) Amortization Risk
    d) Termination Risk
    a) Collateral Posting Risk

1) OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru or conduit financings which make up an additional $425 million

BONDS OUTSTANDING
As of February 1, 2015
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$,1,243	$883	$2,126
Multifamily	333	219	552
TOTALS	$1,576	$1,102	$2,678

2) VARIABLE RATE DEBT

a) VARIABLE RATE DEBT EXPOSURE

Over the years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals (this strategy, however, has not been utilized since 2008.) Most of our interest rate exposure from variable rate debt is hedged in the swap market.

This section describes the variable rate bonds of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture) and MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture). The total amount of CalHFA variable rate debt is $1.1 billion, 35% of our $3.1 billion of total indebtedness as of September 1, 2015.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$246	$637	$883
MHRB (MF)	155	64	219
Total	$401	$701	$1,102

b) TYPES OF VARIABLE RATE DEBT

The following table shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us or to a third party by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$414	$469	$883
MHRB	70	0	149	219
Total	$70	$414	$618	$1,102

c) LIQUIDITY PROVIDERS

On October 19, 2009, the United States Treasury (Treasury) announced a new initiative for state and local housing finance agencies (HFAs) to provide a new bond purchase program to support new lending by HFAs and to provide a temporary credit and liquidity program (TCLP) to improve access of HFAs to liquidity for outstanding HFA bonds. On December 23, 2009, the Agency closed eight TCLP transactions with Treasury to replace the liquidity for $3.5 billion of variable rate bonds. The new liquidity became effective in January 2010 on the mandatory tender dates of the bonds with an initial expiration date of December 23, 2012. However, the Agency successfully negotiated with Treasury to extend the deadline for the TCLP to December 23, 2015.

With the approaching TCLP expiration date, the Agency took steps to obtain substitution liquidity from private banks. On November 19, 2014, the Agency replaced $81.3 million of TCLP with a line of credit from JPMorgan Chase Bank. On May 6, 2015, the Agency replaced $72.45 millon of TCLP with a line of credit from Citibank, and on July 22, 2015, the Agency replaced the remaining $510.7 million of TCLP with lines of credit from five private banks. Under these agreements, if our variable rate bonds cannot be remarketed these liquidity providers are required to buy the bonds from the bondholders. The table on the next page shows the banks which are providing liquidity.

LIQUIDITY PROVIDERS
As of 9/1/2015
($ in millions)

Financial Institution	$ Amount of Bonds
Bank of America	$138
Bank of Tokyo	137
RBC	122
JPMorganChase	78
Sumitomo	71
Citibank	71
Total	$617

d) INTEREST RATE SWAP

Currently, we have a total of 73 “fixed-payer” swaps with eleven different counterparties for a combined notional amount of $1.2 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$694	$69	$763
MHRB	465	0	465
TOTALS	$1,159	$69	$1,228

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$246	$517	$763
MHRB	155	310	465
TOTALS	$401	$827	$1,228

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today’s market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2015 semiannual debt service payment date we made a total of $25 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

The table on the following page shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties.

SWAP COUNTERPARTIES

Swap Guarantor	Credit Ratings Moody's	Credit Ratings S & P	Notional Amounts Swapped as of 8/1/2015 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	A+	$ 415	32
JPMorgan Chase Bank, N.A.	Aa3	A+	258	12
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	172	7
Deutsche Bank AG	A3	BBB+	115	10
AIG Financial Products, Corp. [2]	Baa1	A-	84	3
Citigroup Financial Products, Inc.	Baa1	A-	58	4
Morgan Stanley Capital Services, Inc.	A3	A-	50	1
BNP Paribas	A1	A+	31	1
Bank of New York Mellon	Aa2	AA-	25	1
UBS AG	A2	A	11	1
Dexia Credit Local New York Agency [2]	Baa3	BBB	10	1
			$ 1,228 [1]	73

[1] *$136.8Mn of Basis Swaps not included in totals; (recent payments have been positive to the Agency, though they have been comparatively small)*

[2] *Swap counterparty's rating has triggered Additional Termination Event (ATE); Agency has right to terminate the associated swaps; additionally, the rating agencies no longer consider these swaps to be effective hedges see "Termination Risk" section of report*

3) FINANCING RISK FACTORS

a) Unhedged Variable Rate Risk

As shown in Sec. 2(a), the Variable Rate Debt table, our "net" variable rate exposure is $700 million. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The $700 million of net variable rate exposure is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) $376 million (six month average balance) invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest; and, ii) $827 million notional amount of interest rate swaps in excess of the hedged bonds.

From a risk management perspective, these two positions serve as a balance sheet hedge for the $700 million of net variable rate exposure.

b) BASIS RISK

Almost all of our swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because our swap floating rates are based on indices, which consist of market-wide averages, while our bond floating rates are specific to our individual bond issues. The only exception is where our taxable floating rate bonds are index-based, as is the case of the taxable floaters we have sold to the Federal Home Loan Banks.

The relationship between the two floating rates changes as market conditions change. Some of the conditions that contributed to our extreme basis mismatch in 2009 and early 2010 were the collapse of the auction rate securities market, the impact of bond insurer downgrades, the funding of bank bonds at higher rates, and SIFMA/LIBOR ratio at historically high levels over 100% We responded to the market disruption by refunding, converting, or otherwise modifying many of the underperforming auction rate securities and insured VRDOs, and we eliminated bank bonds by taking advantage of the Temporary Credit and Liquidity Program offered by the federal government.

The new Temporary Credit and Liquidity Program from the federal government and the GSEs has significantly reduced basis mismatch. This has allowed CalHFA VRDOs to reset with little or no spread to SIFMA.

The floating formulas of Agency swaps are usually indexed to LIBOR or SIFMA. LIBOR is the London Interbank Offered Rate index which is used to benchmark taxable floating rate debt, and SIFMA is the Securities Industry and Financial markets Association Index to benchmark tax-exempt variable rates. When the SIFMA/LIBOR ratio is very high, the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low.

The SIFMA/LIBOR ratio for the past six months has been averaging 39% which means we have received more floating rate payments from the swaps than floating rate payments paid to the bondholders..

c) AMORTIZATION RISK

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the “normal” rate. Our interest rate swaps generally have had fixed amortization schedules that can be met under a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Actual Swap Par Options Exercised ($ in thousands)		Future Swap Par Options (next 5 years) ($ in thousands)
2004	$12,145	2016	$127,630
2005	35,435	2017	126,800
2006	20,845	2018	35,770
2007	28,120	2019	18,865
2008	18,470	2020	6,000
2009	370,490		$315,065
2010	186,465		
2011	288,700		
2012	361,975		
2013	243,855		
2014	162,140		
2015	95,160		
	$1,823,800		

Of interest is a $827 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the “10-year rule” of federal tax law and 2) the strategic debt management of the Agency to deleveraging the balance sheet by redeeming variable rate bonds.

d) TERMINATION RISK

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap "counterparty") to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination "events," i.e., circumstances under which our swaps may be terminated early, or "unwound". One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty's credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

Termination Value History

Date	Termination Value ($ in millions)
9/30/2013	($203)
12/30/2013	($176)
3/30/2014	($183)
6/30/2014 *	($186)
9/30/2014	($175)
12/31/2014	($183)
3/31/2015	($189)
6/30/2015	($162)

* As reported in financial statements

e) COLLATERAL POSTING RISK

Some ISDA agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, ratings, threshold amounts, independent amounts and any collateral already posted. Our trades are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event.

The Agency's obligation to post collateral under certain of its interest rate swap contracts has declined from its peak of $132 million at the end of January 2012. Between August 13, 2014 and August 12, 2015, the Agency's collateral posting requirements have ranged between $47 million to $59 million.

The table below shows the required collateral amounts currently posted to swap counterparties.

	Swap Collateral Posting as of 8/12/2015 *($ in millions)*
JPMorgan	$23.00
Goldman Sachs	7.97
Bank of America	6.25
BoA/Merrill Lynch	10.26
	$47.48

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State of California

M E M O R A N D U M

To: CalHFA Board of Directors   Date: August 25, 2015

From: Di Richardson, Director of Legislation
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

It is the last month of session, do or die for 2015. Included below are only bills that are still alive and kicking at the time of this writing! By the time you get the report, more are likely to have failed to pass off the Suspense Calendar.

Affordable Housing

AB 668 **(Gomez D) Property taxation: assessment: affordable housing.**
Status: Senate Appropriations – Suspense File.

Summary Would require the county assessor to consider, when valuing real property for property taxation purposes, a recorded contract with a nonprofit corporation that meets prescribed requirements, including requirements that the nonprofit corporation has received a welfare exemption for properties intended to be sold to low-income families who participate in a special no-interest loan program, and that the contract includes a restriction on the use of the land for at least 30 years to owner-occupied housing available at affordable housing cost.

Notes: According to the author, "this bill creates consistency throughout the state by authorizing the county assessors, when determining the value of a property for tax purposes for affordable housing sold to low-income families, to consider the effect of the recorded contracts and deed restrictions on affordability between the buyer and a nonprofit organization in assessment of that land."

Building Standards/Codes

SB 7 **(Wolk D) Housing: water meters: multiunit structures.**
Status: Assembly Appropriations - Suspense File

Summary: Would express the intent of the Legislature to encourage the conservation of water in multifamily residential rental buildings through means either within the landlord's or the tenant's control, and to ensure that the practices involving the sub-metering of dwelling units for water service are just and reasonable, and include appropriate safeguards for both tenants and landlords.

Dedicated Source

AB 1335 **(Atkins D) Building Homes and Jobs Act.**
Status: Pending Assembly Floor

Summary: This bill would impose a $75 fee for the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. Revenue generated from the fee would be deposited into the Building Homes and Jobs Trust Fund (Fund), which the bill would create, to be used for affordable housing purposes. The bill would require the Department of Housing and Community Development (HCD) to develop a plan for the investment of moneys derived from the fee. This bill would also state the intent of the Legislature to create the position of Secretary of Housing within State government.

Density Bonus

AB 744 **(Chau D) Planning and zoning: density bonuses.**
Status: Senate Floor

Summary: Would prohibit, at the request of the developer, a city, county, or city and county from imposing a vehicular parking ratio in excess of 0.5 spaces per bedroom on a development that includes the maximum percentage of low- and very low income units, and is located within one-half mile of a major transit stop if there is unobstructed access to the transit stop.

Notes: According to the author, AB 744 aligns local land use decisions more closely with the goals of AB 32 and SB 375 by reducing the parking required for housing developments that include affordable units and are close to transit or are home to seniors or special needs individuals. Much of California's existing parking requirements are based on low-density and single-purpose land use designations. Parking is costly to build and maintain and can increase the cost of projects in existing development areas.

Homeless

AB 870 **(Cooley D) Homelessness: rapid rehousing.**
Status: Senate Appropriations – Suspense File

Summary: Would establish a 2-year enhancement program within the Department of

Housing and Community Development for awarding grants to counties and private nonprofit organizations that operate a rapid rehousing program. The bill would require the department to develop guidelines to select 4 counties and private nonprofit organizations to receive these grant funds and require that eligible counties and private nonprofit organizations include those that are eligible to receive funds from the state pursuant to the Emergency Solutions Grants Program with a demonstrated high funding need.

Housing Finance

AB 90 **(Atkins D) Federal Housing Trust Fund.**
Status: Senate Appropriations – Suspense File.

Summary:
Would designate the Department of Housing and Community Development as the state agency responsible for administering funds received by the state from the federal Housing Trust Fund. This bill would require the department to administer the funds through programs that produce, preserve, rehabilitate, or support the operation of rental housing for extremely low income and very low income households, except that up to 10% of funding may be used to support homeownership for extremely low income and very low income households.

Miscellaneous

AB 447 **(Maienschein R) Property insurance: discrimination.**
Status: Senate Floor

Summary: Current law provides that sex, race, color, religion, ancestry, national origin, disability, medical condition, genetic information, marital status, or sexual orientation shall not, of itself, constitute a condition or risk for which a higher rate, premium, or charge may be required of the insured. This bill would, for specified types of real property, add certain other facts relating to the insured or the insured property to the categories that may not be used by an insurer for the purposes described above, including, under certain circumstances, the level or source of income and the receipt of government or public assistance by an individual or group of individuals residing or intending to reside upon the property.

Notes: This bill, sponsored by Housing California, is intended to prohibit any company that provides residential property insurance from refusing to issue a policy to tenants of Section 8 housing.

AB 1056 **(Atkins D) Housing assistance: formerly incarcerated tenants.**
Status: Senate Appropriations - Suspense File.

Summary: Would require the Board of State and Community Corrections to administer a competitive grant program that focuses on community-based solutions for reducing recidivism. The bill would establish minimum criteria for the grant program and would require the board to establish an Executive Steering Committee, composed of 13 members, including a housing expert, to adopt guidelines for the submission of proposals for the grant program, including threshold or scoring criteria, or both.

Notes: According to the author's staff, this bill was introduced to create the Second Chance Community Re-Entry Program to provide post-incarceration housing supports using a rapid-rehousing model

AB 1545 **(Irwin D)** **State of California Housing Agency Act.**
Status: 8/21/2015-From printer. May be heard in committee September 20.

Summary: Would establish in state government the Housing Agency, comprised of the Department of Housing and Community Development; the Bureau of Real Estate (which this bill would redesignate as the Department of Real Estate) the Contractors' State License Board; the Structural Pest Control Board; and the Department of Real Estate Finance, which this bill would also establish. The bill would redesignate the Business, Consumer Services, and Housing Agency as the Business and Consumer Services Agency, transfer certain duties of that agency to the Housing Agency, and make other conforming changes.

Notes: Bill sponsored by California Association of Realtors. Not expected to move this year – newly introduced for discussion purposes.

Mortgage Lending

AB 139 **(Gatto D)** **Nonprobate transfers: revocable transfer upon death deeds.**
Status: Senate Floor

Summary: Would, until January 1, 2021, create the revocable transfer on death deed (revocable TOD deed), as defined, which would transfer real property on the death of its owner without a probate proceeding. The bill would require that a person have testamentary capacity to make or revoke the deed and would require that the deed be in a statutory form provided for this purpose. The revocable TOD deed must be signed, dated, acknowledged, and recorded, as specified, to be effective.

Notes: This bill, following recommendations by the California Law Revision Commission (CLRC), allows owners of real property, until January 1, 2021, to transfer their property upon death, outside the normal probate procedure, through a written instrument known as a "revocable transfer upon death deed" (RTDD).

Tax Credits

AB 35 **(Chiu D) Income taxes: credits: low-income housing: allocation increase.**
Status: Senate Appropriations - Suspense File

Summary: This bill, for calendar years beginning 2015, would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects by $300,000,000, as specified. The bill, under the insurance taxation law, the Personal Income Tax Law, and the Corporation Tax Law, would modify the definition of applicable percentage relating to qualified low-income buildings that meet specified criteria.

Notes: According to the author, "California is undergoing a serious housing affordability crisis with a shortfall of over one million affordable homes. According to a 2014 report by the California Housing Partnership Corporation, median rents in California have increased by over 20 percent while the median income has dropped by 8 percent. The private housing market is simply not meeting the demand for low to moderate income homes. The shortage is particularly challenging in the rental market, typically the last resort for lower-income households, many of whom were forced out of single-family homes during the great recession. State and Federal divestment in affordable housing has exacerbated this problem. With the elimination of California's redevelopment agencies and the exhaustion of state housing bonds, California has reduced its funding for the development and preservation of affordable homes by 79 percent -- from approximately $1.7 billion a year to nearly nothing. There is currently no permanent source of funding to compensate for this loss.

SB 377 **(Beall D) Income taxes: insurance taxes: credits: low-income housing: sale of credit.**
Status: Assembly Appropriations

Summary: Would, for taxable years beginning on or after January 1, 2016, and before January 1, 2026 , allow a taxpayer that is allowed a low-income housing tax credit to elect to sell all or a portion of that credit to one or more unrelated parties for each taxable year in which the credit is allowed for not less than 80% of the amount the credit to be sold, as provided.

Notes: According to the author, "SB 377 seeks to increase the impact of the state's existing low-income housing tax credit (LIHTC) with no fiscal impact to the state by structuring the credits in a way that is not subject to federal taxation. LIHTCs are awarded to developers of qualified projects and are the primary source of capital to construct and rehabilitate thousands of affordable housing units each year. Non-profit affordable housing developers, who do not have the required tax liability on their own, must seek out private equity investments for their developments. Under current law, investors must become owners of the property to claim the credits against their state tax liabilities. Due to the fact that state taxes are deductible from federal taxes, a reduction in the state tax liability increases the federal tax liability for the investor. With the federal corporate tax rate at 35%, investors will generally invest no more than 65 cents for each dollar of state credit. SB 377 addresses this issue by allowing a developer who is awarded state credits to sell the credits to an investor without admitting the investor to the ownership partnership and thereby increasing the value of the credit, closer to one dollar for each dollar of credit, to the investor. SB 377 will significantly increase the value of state LIHTCs and therefore the public benefit because it will largely eliminate the federal tax impacts associated with investors claiming state credits. It will also greatly increase the efficiency of the program and allow many more affordable housing units to be built for the same level of state tax expenditure. In other words, this bill gives the state a bigger bang for its buck."

Veterans Homeless and Housing Program

AB 388 **(Chang R)** **Housing: homeless veterans: reports.**
Status: Senate Floor

Summary: The Department of Housing and Community Development is required to submit an annual report to the Governor and both houses of the Legislature on the operations and accomplishments during the previous fiscal year of the housing programs administered by the department and an evaluation, in collaboration with the Department of Veterans Affairs, of any program established by the department pursuant to the Veterans Housing and Homeless Prevention Act of 2014. This bill would additionally require the evaluation to include information relating to the effectiveness in helping homeless veterans of any programs that were funded pursuant to that act.

Notes: According to the author, "[r]ecent program guidelines established place reporting requirements on the sponsors of Proposition 41 housing programs. The content of those reports is currently permissive and therefore leaves room for these reports to leave out information measuring the success level of these programs."