1. REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS
   HOME MORTGAGE REVENUE BONDS 2004 SERIES DEF.........................2002

2. UPDATE ON VARIABLE RATE BONDS AND INTEREST
   RATE SWAPS..............................................................................[handout]

3. LEGISLATIVE REPORT.................................................................2004
MEMORANDUM

To: Board of Directors

Date: April 28, 2004

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS
        HOME MORTGAGE REVENUE BONDS 2004 SERIES DEF

On April 23rd, we entered into a bond purchase agreement to deliver to Citigroup the Agency’s
2004 Series D, Series E, and Series F bonds. The total bond financing, consisting of $129.1
million of tax-exempt variable rate bonds, $50 million of unswapped taxable variable rate bonds,
and $20.9 million of tax-exempt serial bonds, is $200 million. The swap rates for the $129.1
million of tax-exempt variable rate bonds were set on April 16th. The transaction proceeds will
be used to fund approximately 1,050 new loans with rates expected to range from 4% to 5%.

The bonds have been structured in three series as shown on the table on page 2. The Series D
bonds are non-AMT serial bonds which were priced on April 21st. The Series E Bonds are tax-
exempt variable rate demand obligations with liquidity to be provided by JPMorgan Chase
Bank. The Series F Bonds are taxable variable rate LIBOR-indexed bonds that will be insured
by FSA and are expected to be purchased by the Federal Home Loan Bank of San Francisco. If
interest rates stay low we plan to leave these bonds outstanding and directly recycle
prepayments into new mortgages.

We have arranged interest rate swaps to provide a fixed rate cost of funds for the Series E
Bonds. In order to reduce the overall cost and eliminate negative carry during loan origination
we were able to arrange for two forward starting swaps that will start in April, 2005. The Series
E bonds will be sold with a low fixed interest rate through April 1, 2005, when we will remarket
the bonds in a daily or weekly mode, coinciding with the start of the swaps. The swaps are
structured with declining notional amounts that match the expected amortization of the
corresponding variable rate bonds.
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<th>SERIES</th>
<th>D</th>
<th>E</th>
<th>F</th>
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<td>$ Amount</td>
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<td>Indexed Floaters</td>
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<td>Taxable</td>
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<td>Maturities</td>
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<td>2023 &amp; 2035</td>
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<td>2035: 20 yrs</td>
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<td>Bond Insurer</td>
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MEMORANDUM

To: CalHFA Board of Directors

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

Date: 26 April 2004

Subject: Legislative Report

Federal Activity
We have continued our efforts to increase co-sponsors for HR 284 and S. 595 bills that would repeal the Ten-Year Rule. We are up to 416 co-sponsors (343 for HR 284 and 73 for S. 595), including 75% of the California delegation. A modified repeal of the Ten-Year Rule has been included in S. 1637, the corporate/jobs bill currently being discussed in the Senate. S. 1637, as amended on the Senate floor April 8, contains a one-year repeal of the Ten-Year Rule for Mortgage Revenue Bonds (MRB) outstanding, effective upon the bill’s date of enactment, and prospective repeal of the Rule for MRBs issued after the bill’s date of enactment. Most believe S.1637 is the last opportunity for passage of corporate- and job-related tax provisions this year, saying any additional tax legislation will focus on individual tax relief. NCSHA is hopeful that the Senate will return to the bill the first week in May. On the House side, Ways and Means Committee Chairman William Thomas (R-CA) has indicated the House will likely wait for the Senate to complete action on S. 1637 before it brings its corporate/jobs bill, H.R. 2896, to the House floor. That bill does not contain Ten-Year Rule relief or the other provisions of the Housing Bond and Credit Modernization and Fairness Act, H.R. 284.

State Activity
Budget
Both the Assembly and Senate have started their Budget subcommittee hearings, but very little final action has been taken. Most items have come up for preliminary discussion, but most have been left open to allow the committee to gather additional information and/or await May Revise information.

Legislation
Last week marked the deadline for non-fiscal bills to pass our of policy committee, so the fate of some bills has been determined. Those that failed passage will be reported below, but will not appear on future reports. As always, if you have any questions, please give me a call at (916) 324-0801 or email me at drichardson@calhfa.ca.gov.

Bonds
SB 1595 (Ducheny) State Housing Investment Trust Act of 2004
Status: Senate Housing and Community Development Committee
Summary: This bill would enact the State Housing Investment Trust Fund Act of 2004 which, if adopted, would authorize the issuance of bonds in an unspecified amount pursuant to the State General Obligation Bond Law for the purpose of financing new construction and rehabilitation of housing developments affordable to low- and very low income individuals and families. It was introduced to provide a long term source of funding for housing.
2005

Building Standards
SB 1508 (Ducheny) Real property loans: restrictions: code violations (As Introduced)
Summary: This bill would prohibit a person or entity from making a loan secured by a deed of trust or mortgage on non-owner-occupied residential real property if a notice of code violation has been recorded against the property by the local code enforcement agency, unless the loan does not exceed certain amounts, or unless a portion of the loan is withheld pending compliance with the code enforcement notice or to directly pay contractors for construction work completed in response to the code enforcement notice.

SB 1634 (Alarcon) Real property: substandard conditions (As amended 4/26/04)
Status: Senate Appropriations Committee
Summary: This bill would authorize the department charged with enforcing building standards or health department employee to issue an administrative citation for violations of those standards. The bill would require the building owner or owner's agent receiving an order or notice to abate to provide specified identification information to the city or county department that issued the order. The bill would authorize the department issuing the order or notice to provide specified notices in the event of noncompliance, after a reinspection. The bill would authorize the enforcement agency to charge the property owner for costs related to the issuance of the order or notice. The bill encourages each city or county department with enforcement of building standards to post a searchable database of violations on its website. In Senate Housing Committee, the bill was supported by a number of housing and labor organization. It was opposed by the California Apartment Association, California Housing Council, Apartment Association of Orange County, California Association of Realtors, Berkeley Property Owners Association, predominately because of the length of time information would be posted on the web.

Construction Defect
AB 2071 (Houston) Limitation of actions: construction defects (As Introduced)
Status: Assembly Judiciary Committee.
Summary: This bill would bar an action to recover damages for or arising from a latent deficiency, if that action is brought more than six-years after the substantial completion of the development or improvement. Actions based on soil subsidence or similar specified conditions would be barred if the action is brought more than ten-years after the substantial completion of the development or improvement.

AB 2333 (Dutra) Construction defect actions (As Introduced)
Summary: This bill promotes the use of joint cost sharing agreements (JCSA). Specifically, this bill would require a builder who receives notice of a claim for alleged construction deficiencies with regard to a residential construction unit to offer a JCSA to any other potentially responsible person, if the builder intends to hold any other person responsible for any of the losses or damages associated with the claim. If any of these persons objects to the terms of the proposed agreement within 30 days, that party may demand that the terms of the agreement be submitted to a neutral arbitrator for a binding determination as to the initial allocation of defense costs, as specified, including the selection of defense counsel by a majority vote of the parties.
to the agreement. Among other things, the bill would provide that, to the extent a person and
his or her insurer timely enter into and perform all of their responsibilities pursuant to the
agreement, the defense and indemnity obligations of the parties to the agreement and their
insurers regarding the specific claim shall be allocated on a comparative fault basis and any
provision to the contrary would be void and unenforceable. The bill would also provide that a
party to the agreement would have the right to opt out of the agreement at any time.

AB 2804 (Calderon) Construction defects (As Introduced)
Summary: This bill would provide that, except as specified, all agreements affecting any
residential construction contract that purport to indemnify the promise against liability for all
claims for actionable defect, or other damages to property, are against public policy and are
void and unenforceable.

AB 2812 (Dutra) Prelitigation procedure: residential construction defects prior to 2003
(As Introduced)
Summary: Existing law, applicable to residences originally sold on or after January 1, 2003,
specifies the rights and requirements of a homeowner to bring an action for construction
defects, including applicable standards for home construction, the statute of limitations, the
burden of proof, the damages recoverable, a detailed prelitigation procedure, and the
obligations of the homeowner. This bill would establish a similar, but separate, prelitigation
procedure required for residential construction pursuant to an agreement entered into prior to

SB 1833 (Dunn) Construction defects: joint cost sharing agreements (As Introduced)
Summary: This bill would require a builder against whom a construction defect claim has been
received to offer all other potentially responsible persons a joint cost sharing agreement. The
bill would specify the required contents and effect of that agreement, including the duty to
indemnify other potentially responsible persons, and relief from specified legal responsibilities.
The bill would require the builder to select the defense counsel to represent all parties to the
agreement, and would prohibit claimants from bringing an action directly against a party to the
agreement other than the builder. This bill would apply to all contracts between potentially
responsible persons entered into after January 1, 2005.

Downpayment Assistance
AB 672 (Montanez) Housing: downpayment assistance and mortgages (As Amended
1/22/04)
Status: Pending before Senate Committee on Housing and Community Development
Summary: This bill would increase the amount of downpayment assistance available to low-
and moderate-income first-time homebuyers from the California Homebuyers Downpayment
Assistance Program (funded by Proposition 46) that purchase a home within a designated infill
opportunity zone from 3% to 5%.
2007

Housing Element
AB 1970 (Harman) Land use: housing element (As Introduced)
Status: Pending before Assembly Local Government Committee
Summary: This bill would allow cities of less than 25,000 people in the coastal zone that meet certain conditions to adopt a housing element that provides for no new housing units. According to Housing California, this bill was introduced at the request of the City of Seal Beach, which asserts that Leisure World, a senior-only housing development, meets the full housing needs of the community.

AB 2158 (Lowenthal) Housing elements: regional housing need (As Amended 4/12/04)
Status: Pending before Assembly Appropriations Committee
Summary: This bill reflects changes to the regional housing needs allocation process (RHNA) as proposed by the Housing Element Working Group. The bill would, among other things, provide greater transparency in how regional allocation numbers are developed and provides for greater local input.

AB 2348 (Mullin) Housing elements: regional housing need (As Amended 4/16/04)
Status: Pending before Assembly Appropriations Committee
Summary: This bill contains language developed by the Housing Element Working Group regarding adequate sites, land inventory and permitted use.

AB 2980 (Salinas) Housing elements: self-certification (As Amended 4/19/04)
Status: Pending before Assembly Appropriations Committee
Summary: This bill would enable a city or county to self-certify its housing element if it is producing, or has committed to product, a certain percentage of its regional housing need obligation. The bill is sponsored by the League of California Cities. As introduced, it contained a production standard of 15% for very low, low and moderate income housing to qualify for self-certification. The standard is blank in the current version.

Land Use
AB 1426 (Steinberg) Affordable housing: greater Sacramento region (As Amended 9/8/03)
Status: Senate Inactive File
Summary: This bill, until January 1, 2011, would require, except as specified, every city and every county within the greater Sacramento region that issues building permits for residential units to require or otherwise cause at least 5% of the aggregate amount of these new residential units to be affordable to, and occupied by, very low income households, and at least 5% of the aggregate amount of these new residential units to be affordable to, and occupied by, low-income households, as specified. It would require each city and each county in the region to prepare and submit to the Secretary for Business, Transportation and Housing an annual report with specified information and would require the Secretary to, no later than June 30, 2010, submit a report to the Legislature regarding the number of affordable residential units in the region. By increasing the duties imposed on local officials, this bill would impose a state-mandated local program.
SB 744 (Dunn) Planning: housing (As Amended 6/3/03)
Status: Pending Committee Assignment before the Assembly
Summary: This bill would require HCD to hear appeals from developers who have had an affordable housing development denied or have had conditions placed on the project that make it financially unfeasible. This bill is cosponsored by the CRLA, CBIA and Western Center on Law and Poverty. It is opposed by the League of Cities, California State Association of Counties, California Chapter of the American Planning Association, Association of California Water Agencies, and several individual cities.

SB 1592 (Torlakson) Local planning (As Amended 4/13/04)
Status: Senate Floor
Summary: This bill would, except as specified, require each city and each county to adopt or update an infill ordinance or specific plan that identifies potential infill sites and specifies appropriate zoning to encourage infill development on vacant and underutilized parcels. It would require the infill ordinance to provide at least five incentives for infill housing, as specified, as well as an affordable housing strategy. In the Senate Local Government Committee, this bill was supported by the California Chapter of the American Planning Association, American Federation of State, County and Municipal Employees, and the East Bay Municipal Utility District. It was opposed by the League of California Cities.

Landlord Tenant
SB 1328 (Torlakson) Housing: tenants: notices (As Amended 4/26/04)
Status: Senate Floor
Summary: Existing law, until January 1, 2011, requires, prior to the anticipated date of the termination of a subsidy contract, expiration of rental restrictions, or prepayment on an assisted housing development, as defined, that the owner proposing the termination, as defined, or prepayment of governmental assistance or the owner of an assisted housing development, as defined, in which there will be the expiration of rental restrictions provide a notice of the proposed change to each affected tenant household residing in the assisted housing development and to the affected public entities. Those defined terms are limited to certain federal subsidy programs. This bill would include additional state, local, or private subsidy programs within the definitions of "assisted housing development," "prepayment," and "termination" and would define "low or moderate income" and "very low income" for those purposes. The bill would also require the notice to contain additional specified information.

Misc
AB 2836 (Maddox) Housing (As Amended 4/12/04)
Status: Failed passage before Assembly Housing and Community Development Committee
Summary: This bill would, for purposes of provisions of the Planning and Zoning Law relating to housing elements and for purposes of the Building Equity and Growth in Neighborhoods Program (administered by HCD), authorize a city, county, or city and county to define "persons and families of moderate income" to include persons and families whose income does not exceed 140% or 200% of area median income if specified conditions are met. The bill was sponsored by Santa Barbara County. It was opposed in committee by the California Chapter of the American Planning Association, CRLA, Housing California and the Western Center on Law and Poverty.
2009

SB 1404  (Soto) Multifamily improvement districts (As Amended 4/15/04)
Summary:  This bill would provide for a program for the establishment of multifamily
improvement districts to levy assessments on residential rental properties within the district to
finance improvements and promote activities beneficial to those (residential) properties.

Prevailing Wage
AB 2194  (Cogdill) Public works (As Amended 4/1/04)
Status:  Sponsor has decided not to pursue this year
Summary:  This bill would clarify that inclusionary zoning and density bonus agreement do not
trigger prevailing wage.

SB 730  (Burton) Prevailing rate of per diem wages: determinations (As Amended 9/4/03)
Status:  Senate Inactive File
Summary:  This bill would require the Director of Department of Industrial Relations to provide
these wage rates to an awarding body within 120 days of a request for the rates, and would
require that any appeal of a wage rate determination be decided within 30 days of the appeal.
This bill would also require the director to maintain a log, as a public record, of these
determination requests and appeals, as provided.

Tax Credits
SB 1702  (Battin) Housing tax credits (As Amended 2/20/04)
Status:  Held in Senate Housing and Community Development
Summary:  This bill would require the Tax Credit Allocation Committee to allocate housing tax
credits to each county in proportion to the need identified by HCD in its determination of the
regional share of the statewide housing need.  No witnesses testified in Support.  The bill was
opposed by the State Treasurer, California Housing Partnership Council, California Rural Legal
Assistance Foundation, City of Roseville, Marin Housing, Mercy Housing California, Shelter, Inc
of Contra Costa County, Southern California Non-Profit Housing, and the Western Center on
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his or her insurer timely enter into and perform all of their responsibilities pursuant to the
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2013

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Summary:  This bill would provide for a program for the establishment of multifamily improvement districts to levy assessments on residential rental properties within the district to finance improvements and promote activities beneficial to those (residential) properties.

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Tax Credits
SB 1702  (Battin) Housing tax credits (As Amended 2/20/04)
Status:  Held in Senate Housing and Community Development
Summary:  This bill would require the Tax Credit Allocation Committee to allocate housing tax credits to each county in proportion to the need identified by HCD in its determination of the regional share of the statewide housing need. No witnesses testified in Support. The bill was opposed by the State Treasurer, California Housing Partnership Council, California Rural Legal Assistance Foundation, City of Roseville, Marin Housing, Mercy Housing California, Shelter, Inc of Contra Costa County, Southern California Non-Profit Housing, and the Western Center on Law and Poverty.
MEMORANDUM

To: Board Members

From: CALIFORNIA HOUSING FINANCE AGENCY

Date: May 20, 2004

Subject: REPORT SECTION MATERIAL: MAY 12, 2004 CALHFA BOARD OF DIRECTORS MEETING

Enclosed is a letter from the Christian Church Homes of Northern California for the Plaza de las Flores project. Please place this letter behind your “Report Section” in your Board binder. Please contact me at (916) 322-3958 should you have any questions. Thank you.

Enclosure
May 14, 2004

Theresa A Parker, Executive Director
California Housing Finance Agency
State of California
P.O. Box 4034
Sacramento, CA 95812-4034

Re: Plaza de las Flores
CalHFA 02-052-N

Dear Ms. Parker,

On behalf of Christian Church Homes of Northern California, we are writing to express our sincere gratitude to you, and to your fellow board members, for helping us to preserve Plaza de las Flores, a beautiful, 101-unit affordable senior project in Sunnyvale, California.

As you know, Plaza de las Flores was the first at-risk affordable housing facility to be preserved through the CalHFA and HCD funding programs created by Proposition 46. The programs and policies the CalHFA board championed and implemented – including the extremely flexible and beneficial acquisition loan mechanisms – gave our nonprofit agency critical new tools for expanding our mission of providing caring communities and deep affordability levels to California’s elderly citizens.

We are extremely proud to have been a part of this new program, and we look forward to working with CalHFA on future affordable housing preservation projects.

Sincerely,

William R. Pickel,
Development Project Manager

Donald H. McCreary,
President & CEO

cc: Matt Schwartz; Kathy Weremiuk