STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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The Westin San Francisco Airport
1 Old Bayshore Highway
Millbrae, California

Thursday, November 18, 2004
9:33 a.m. to 10:55 a.m.

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Reported By: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR
**APPEARANCES**

**Board of Directors Present**

JOHN A. COURSON  
*(Board Chair)*  
President  
Central Pacific Mortgage

CURT AUGUSTINE  
for Sunne Wright McPeak  
Secretary  
Business, Transportation and Housing Agency

EDWARD W. BAYUK  
Executive Vice President  
Coachella Petroleum, Inc.

PETER N. CAREY  
President/CEO  
Self-Help Enterprises

RICHARD L. FRIEDMAN  
for Lucetta Dunn  
Director  
Department of Housing and Community Development

JOHN G. MORRIS  
President  
John Morris, Inc.

THERESA A. PARKER  
Executive Director  
California Housing Finance Agency

JACK SHINE  
Chairman  
American Beauty Development Co.

LAURIE WEIR  
for Phillip Angelides  
State Treasurer

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A P P E A R A N C E S
Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

For the Staff of the Agency:

BRUCE D. GILBERTSON
Director of Financing

JIM LISKA
Housing Finance Officer

DENNIS MEIDINGER
Comptroller

RUTH VAKILI
Multifamily Programs

LINN G. WARREN
Director of Multifamily Programs

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

Also Present

TAWNYA FALKNER
Domus Development

MAKANI MAEVA
Allied Pacific Development

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BE IT REMEMBERED that on Thursday, November 18, 2004, commencing at the hour of 9:33 a.m., at The Westin San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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CHAIRPERSON COURSON: I'll call the meeting of the Board of California Housing and Finance to order, and ask that we call the roll.

MS. OJIMA: Thank you.

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Item 1: Roll Call

Ms. Weir for Mr. Angelides?

MS. WEIR: Here.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Here.

MS. OJIMA: Mr. Carey?

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker?

(No audible response was heard.)

MS. OJIMA: Mr. Friedman for Ms. Dunn?

MR. FRIEDMAN: Here.

MS. OJIMA: Mr. Augustine for Ms. McPeak?

MR. AUGUSTINE: Here.

MS. OJIMA: Mr. Morris?
MR. MORRIS: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Here.

MS. OJIMA: Ms. Boel?

(No audible response was heard.)

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

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Item 2. Approval of the minutes of September 8, 2004, Board of Directors Meeting

CHAIRPERSON COURSON: Okay, the first order of business in the board binders are the minutes of the September 8th Board of Directors meeting.

Is there a motion to approve the minutes?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris.

Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: By Mr. Carey.

Is there any discussion on the minutes?

(No audible response was heard.)

CHAIRPERSON COURSON: Let's call the roll.
MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Abstain.

MS. OJIMA: Thank you.

Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

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Item 3: Chairman/Executive Director Comments

CHAIRPERSON COURSON: I'd just like to make a few comments about some of the activities that we've been involved in since our last Board meeting. I think we
mentioned at the last meeting in Chicago, I was really
pleased to be able to attend, along with members of the
staff, the National Conference of State Housing Agencies
annual meeting. Also from the Board, Laurie was there;
and, obviously, a number of the staff of CalHFA.

What really struck me from that meeting, it was
an opportunity for me, being fairly new, to talk to
others who were in similar situations, in other housing
finance agencies. And as I mentioned to Laurie earlier,
it gave me an appreciation as just the cursing and the
blessing of being large, and of the some of the
complexities that we deal with in our state, just based
upon the size and the complex issues we deal with, versus
some of what seemingly, probably not for them, at least,
to me seem fairly simple needs that we deal with in some
of the other states.

But it was a terrific meeting. And one of the
things that was most gratifying, is that our Executive
Director, Terri Parker, was elected as treasurer and
officer of NCSHA. So she is now one of five officers
that serves us well; and it was very proud for California
to have Terri elected to that position. It is a great
honor; and others would have liked to have served in that
position also. And Terri was the one who was elected.
And so we congratulate her for that. It's a pretty proud
moment for California. And certainly, it will bring some
benefits to us, as she now is one of the really five key
policy makers and leaders on the national basis and as we
deal on issues in Washington.

So congratulations to you, Terri.

The other item I'll mention -- we haven't
coordinated this, maybe I'm stealing some of your
thunder -- but we have an awards luncheon; and at that
luncheon, there must be probably, I'd say 10 or 12
different awards. And housing finance agencies submit,
if you will, applications to be considered for these
awards. And I think I'm right in saying that in
California, we submitted, I think, in five different
categories. And we were the award winner, first place in
two of those. And one, in particular -- and I see Ken is
here, Ken Giebel -- one was our efforts in public
relations and communications, which was one that was very
visible -- obviously, one that a lot of housing finance
agencies are trying to get the message out, of housing
and their role.

And congratulations to Ken and to Terri and the
rest of the staff for the awards we won. But that also
was a pretty proud time at that meeting.

Let me mention a couple of other things that I
was struck with. As I went around, and they have
different sessions, and I went around to different meetings, multi-family and also single-family meetings, it was really striking that the message that was coming out in virtually every meeting I was in, whether it was in the multi-family or the single-family, was the affordability issue, and listening to people in various states talking about how they're struggling to produce their mission as HFAs first-time home builders because of affordability.

And I'll segue out of that and come back in a minute; but I just was in New York for a meeting of the advisory board of the National Association of Home Builders. And I was struck as they were talking about different topics in housing and the need to create products and abilities to respond to the housing needs of affordability. And I think in front of you, each of you has -- I just really took out of their materials three pages or four pages that have to do with affordability in California. Actually, three.

And I was struck, when you look at the first page and they talk about California as -- and let me mention also, for the public, if there are public here, there are extra copies of these on the back table. So you can see California as a percentage of the population in households and housing units.
But then when you look at the mean value of homes relative to the remainder of the United States, at the 177 percentile, and then also look at the median household income at 113 percent, and it was -- I go back, and I was thinking about how folks at NCSHA were bemoaning affordability in their states, and these numbers sort of drove it home, that if they think they have an issue to deal with, take a look at our California numbers.

And if you look at the next page, there is a graph, that the left-hand axis -- being California, along with a solid line -- and the right hand being the U.S.; and you can see that as of the mid-point of this year, our affordability -- this is the median income, being able to afford the median price house, is at 19 percent, as compared to the United States, at, roughly, about 53 percent. So 19 percent of our households are able to afford to purchase that median price home, as opposed to 53 percent in other parts of the country.

The next page really deals with some jumbo products. They went through and exampled the home builders of some of the different kinds of products that are available on the conventional market and the effect they have upon the monthly payments and the need to create in the conventional market, products to combat
affordability.

But the last page, which I thought was particularly interesting, also was the fact that now you see that the affordability levels are now approaching and are at the 30-year fixed rate mortgage.

So if you take that same affordability formula and applied it now, it is at the level of the fixed rate mortgages. Whereas before, you can see how that gap has really narrowed very quickly over the last couple of years.

MR. MORRIS: Are these mortgages, for this year, are these percentages -- where it says number of mortgage loans, are these for this past year or --

CHAIRPERSON COURSON: Yes, yes.

So I just share that with you as sort of an interesting piece of information that I picked up. And going back to the NCSHA, so when they talk about affordability, clearly it's on everybody's thoughts. But here in California, one of our challenges -- not only our challenge but other agencies in this state that deal with housing, really are left with a daunting task of trying to meet our mission of providing first-time home buyers with lower and moderate housing. And it's a daunting task.

And it turns out, in most states, it's
interesting, there is, in fact -- there's money -- there
clearly is liquidity and plenty of mortgage liquidity
available. One of the big issues, of course, is being
able to create the housing -- the affordable housing
stock. And that's a challenge.

Let me segue out of that and into a meeting --
or several meetings that we had in Washington. I
reported at the last board meeting that Terri, myself and
Linn Warren were going to go to Washington and try to
make the rounds, if you will, and call on those who are
potential stakeholders in what we do here at CalHFA. And
we did that. We were there the first week of October.

We met with Fannie Mae and Freddie Mac, and had,
I think, very good meetings with both groups, to talk
about the opportunities for us to partner with them, to
leverage our dollars with their affordable housing needs,
and how we can work together on homelessness initiatives
and also with them dealing as a participant in some of
our loans or a liquidity provider.

Clearly, they are incentived with their new
affordable housing goals which have been announced, to
find additional ways to participate in states, to achieve
their low- and moderate-income housing goals. And with
the contacts and with the relationships that Terri and I
have had separately and now together, we think there's a
very good opportunity that in California, we'll work with them. We've talked about several initiatives with them in the state of California, dealing with homelessness or dealing with the ability to bring into a community our resources, along with the resources of the other housing agencies in the state to provide housing.

And the integration of these resources is one that we had a meeting at the Mortgage Bankers Association of America, with the president and staff person for the U.S. Conference of Mayors. And we are going to work with cities -- we've got a couple, two cities, that we're hopefully being able to talk to in California, to see if we can't go in with the city, with the housing folks, with the other housing agencies in the state, and sort of vertically integrate some of these resources we've got to meet housing needs in our communities and provide the stock, if you will -- to figure out how to provide the stock to meet this affordability.

The other things we did, we met with FHA in Washington, talked about risk-sharing. We went to the Hill and met with both the Chief of Staff of the Majority of the House Financial Services and the Senate Banking and the Chief of Staff of the Minority of the House Financial Services and Senate banking, and had very good meetings. We certainly got our needs on the record with
them. It was good to make contacts. And I think you will find that, particularly with Terri's work at the national level now, we'll be doing more and more, and making sure that they understand our needs here in California and other HFAs.

The one thing that was striking, and I'm sure we'll hear about several times during the coming year, is really the debate over the Section 8 funds. And I think we heard some of that at the NCSHA. But clearly the Administration in their last two years in their budget proposal has had part of their budget a realignment of the way the Section 8 funds are managed. And basically what they are saying is, and I think the facts show, that Section 8, six years ago, was 38 percent of the total HUD budget; and today, in 2004, it's been 51 percent. And then you get into the war of the numbers. There are those who are saying it's at a plateau, that we've had sort of a perfect storm, and a lot of things have happened to cause this; and that it will, in fact, moderate itself. And you have others that say, in fact, it will continue to eat a bigger share of the HUD budget.

So there have been proposals in the budget. They have not made it out of committees, and in terms of the administration wanting to put the Section 8, if you will, funding and so on, back into the states. And that
has been, obviously, a debate -- a vigorous debate on the Hill.

But I think in all cases, when we talked about it -- with everybody we talked to on the Hill, and those at HUD, and even with the GSE's, and at this home builder's meeting I was at, everybody has a dog in this fight, so to say. And everybody's dog has a little different grooming to it. And so as we continue to rely on Section 8, I think in the state, the different housing agencies in the state really need to make sure that we keep our ear to the ground and we participate in that, because it's the cornerstone of much of the financing we're doing here, and there is a great debate going on.

It was disturbing to me that one of the answers we got on the Hill was that there are so many different approaches to Section 8 and so many different ways to solve it, that there was not a great deal of confidence that the different constituencies could come together in any meaningful consensus; and, therefore, the only way it was going to get fixed was to wait for the train wreck, and then fix it.

And my response to that is that that is an unacceptable approach and mind-set to take. And even though consensus is hard, sitting around, waiting for, quote, "the Section 8 train wreck" is something that
particularly with our housing resources and our housing agencies in California, is something that we've got to try to work with those, to see if we can avoid that.

So it was really two very good meetings, in terms of the NCSHA and Washington. I think we're getting a lot of good touches, if you will, for our agency, as we move forward into our programs over the coming year.

And with that, I will turn to Terri.

MS. PARKER: Thank you, Mr. Chairman.

You did steal some of my thunder. But on behalf of the staff, we all appreciate your recognition. And it's a pleasure being able to inform you of being able to receive two awards at the NCSHA.

The second award was, in addition to the media campaign, in innovative management techniques. And it was in recognition of a new staff orientation that we put together about a year ago, Jackie Riley and her staff, to really try to booster our recruitment and retention and deal with making sure our employees get acclimated, climatized, culturized as quickly as possible, and feel a part of what the organization is all about. So that was very nice to get that recognition also.

At your place is our new annual report. Just so you all have that. I'm not sure if you received it in the mail.
There's also the most recent Multifamily Newsletter. So I do want to bring your attention to that.

The other thing, in following up John's comments about our trip to Washington. We happened to be there at the time that the onset was involved in markup of the jobs and tax bill. And we actually were able to even corner the chairman of the committee, that was the conference committee, Mr. Thomas, in the hallway on his way to get a sandwich, to try to make a last-ditch pitch to have a ten-year rule included in the conference committee report.

Unfortunately, we were not successful with that, even though there had been last-minute attempts at trying to even have prospective consideration in that. We failed in being included in that. It was really a disappointment for a tremendous amount of work on the part of NCSHA and states in its totality. So since that's the end of the legislative session of which we were able to achieve across the country over 80 percent of co-sponsorship, NCSHA and the executive directors will have to decide for next year what we do about including that as a legislative agenda item. So we are meeting in December in New York to talk about finalization of our legislative agenda. So we'll see whether or not that
will, once again, be a task that we will have to go and convince members of the importance of the loss of those resources to California.

I presume all of you have the Board calendar for next year. We start our meeting in January. Just for our new Board members, this is the meeting that staff bring in and do a midyear update for you on where we are with our 2005-2008 business plan. We will update you on where we are in production goals for multifamily, single-family and insurance. We will give you an idea about any changes that we are making on product lines and start to begin to give some consideration to thoughts from the Board in developing the business plan that will be coming to the Board for adoption in the May Board. So that begins our update, but also our planning cycle for our next year business plan to be adopted probably by the Board in the May meeting.

The staff is working on a number of kind of initiative areas that we have talked with you about. We'll be bringing more information as time allows us to develop these. But we are continuing to look at the development of some kind of a lending program for construction lending in residential housing. And also, as John mentioned, in partnerships, either in California or at the federal level, with the GSE's on lending
programs to promote or really take advantage of housing for the chronically homeless. So those are two areas that we're working on, in addition to everything else we're working on, but we hope to be bringing you more information.

And with that, Mr. Chairman, that concludes my report, with one exception. I do want to introduce to you, the Board, the selection of our new Comptroller, Dennis Meidinger.

Dennis, if you could stand up.

Dennis has worked with the Agency for well over a decade, most recently in the Financing Division. However, prior to that, he was in the Accounting Division. So for Dennis, he is going back to his original roots. And he formally replaces Bruce Gilbertson, who now will just be our Director of Financing, rather than the Director of Financing and Acting Comptroller.

So, Dennis, I just want to introduce you to everybody.

And we are continuing to work on our other senior manager vacancy, which is for our Director of Information Technology. I have made a selection, and the name is being submitted to the Governor's office for their review and consideration and appointment. And I
hope to report at our next Board meeting the introduction
of that individual.

With that, Mr. Chairman, that would conclude my
remarks.

CHAIRPERSON COURSON: Let me mention
logistically -- we'll go through the projects and the
other business on the agenda. We'll conclude and take
our public testimony, and then we're going to move into
an executive session for some legal matters. So we'll
complete the entire public portion of the Board work,
then move into the executive session. So that will be
our game plan today.

And I am told also that these are parking
stickers. So those of you who need to extricate yourself
from the parking fee, we have those up here.

With that, Mr. Warren, we will start through the
projects.

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Item 4. Discussion, recommendation and possible action
relative to final loan commitments for three
projects.

MR. WARREN: Okay, Mr. Chairman, Members of the
Board.

We have three projects for your consideration
today: A new construction project and two preservation
projects that utilize Prop. 46 acquisition funds.

When we get into the preservation products projects, we'll spend a little time going back over the program, which I don't think we had a project of the Prop. 46 nature in front of the Board for some time, so I'll spend a few minutes on that.

So with that, we will start with Seacliff Highlands and ask Laura and Ruth to present the project.

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**Item 4. Resolution 04-29 (Seacliff Highlands)**

MS. WHITTALL-SCHERFEE: This is a final commitment request for a construction and permanent loan on Seacliff Highlands. Seacliff Highlands is a 39-unit family project, located in the town of Aptos in Santa Cruz County.

The property will be owned by Seacliff Highlands Associates. It's a formed limited partnership that will include South County Housing Corp. as its managing general partner.

The construction loan that we are requesting is in the amount of 7,510,000 dollars. It's a variable interest rate. For 18 months, interest only, and it will be tax-exempt money.

The project will also include a permanent loan in the amount of $1,500,000 at 5.7 percent for 30 years.
And that, too, is tax-exempt money.

The property was acquired using an acquisition loan from the County of Santa Cruz Redevelopment Agency in May of 2003. And that was acquired by South County housing. That acquisition loan is still part of the deal. And that is in the amount of approximately 1,611,000 dollars.

In addition, there is going to be other financing, other public and local financing. There will be a County of Santa Cruz RDA redevelopment loan in the amount of 948,250 dollars. It's a 55-year loan, at 3 percent. Payment is residual receipt.

There is also an MHP loan that will come in as a permanent loan close in the amount of 2,868,318 dollars, for 55 years at 3 percent. And an AHP loan in the amount of 292,500 dollars, for 30 years.

There is a sponsor loan that is from the -- it's called an NRC loan, which stands for "Neighborhood Reinvestment Corporation." And that is 140,000 dollars for 30 years; and that is at zero percent.

And with that, I'm going to ask Ruth to take you to the project, and she'll explain the slides as well.

MS. VAKILI: This is a view of the project. It's actually 2.54 acres of an overall eight-acre parcel.

You can see the interchange of Highway 1 and State Park...
Drive. This is Seacliff Drive and McGregor. The project will consist of 39 townhome-style units -- I'm sorry, actually four flats, and the rest are townhome style. There will be a mix of one-, two- and three-bedroom units. The project is extremely well located, near Highway 1, in the town of Aptos. And it's convenient to all the employment and medical centers. It's less than a half of a mile from the state park and .3 mile from the beach, which is one of the, in my opinion, nicer features of the project.

And here, you can see how close it is to the ocean. The pictures were taken on a lovely day.

Part of the site improvements for this project will consist of building a new road off of Sea Ridge and accessing to McGregor. The developer will share on a pro rata basis with two other owners of the overall 8-acre parcel in the road improvements, off-site improvements and utilities.

Once the construction starts on this property, there is an agreement in place that requires the owners of the other two parcels to also participate. These owners consist of a church and a proposed park site. The church will be under construction starting next year.

Here, you can see a view of the community room. You can see the style of architecture that has wood
siding and asphalt shingle roof.

Here's a typical elevation of the units.

And a courtyard view.

The units will all have dishwashers, garbage disposals and central heat. The construction will be Type 5 wood frame with hardy shingle plank siding and wood trim. There will be 105 at-grade, uncovered parking spaces. And the community improvements will include a tot lot, open-space community areas with a barbecue and benches, and a community garden. There will be a laundry room located centrally near the tot lot area.

As a part of this development, the Soquel Water District is requiring that the developers offset the water use estimated by this project by 1.2 times the amount of estimated water usage. What this results in is a requirement to retrofit several -- actually, 92 homes and six commercial buildings in the water district. The developers have identified these homes and businesses that have signed up for this retrofit program. The cost has already been identified and the work will be underway in the next 30 days. The retrofit will consist of installing low-flow shower heads and toilets in these buildings.

The water district also, on a new development, requires that tenants of apartment buildings pay for
their own water. And this, in their viewpoint, encourages water conservation by the tenants.

In order to do so, there will be a master meter to the property, and submeters to each unit that will be read. Estimated water usage for the units has already been determined by the Housing Authority. And the water charges that the tenant must pay -- the rent is actually net of the water charges.

In order to ensure that there is no impact to the operating budget, we have put aside -- we will require a reserve in the amount of the annual estimated water usage. And that amount is 16,500 dollars.

In the event that there is a default situation and the tenant does not pay the water charge, this reserve would be utilized; or in the event that water usage impacts the operating budget itself, this reserve is intended to take the place of that type of impact.

Prior to construction and during construction, the water district has issued a conditional will-serve letter that is conditioned upon these obligations being met; and prior to completion of the project, the water district will accept and provide a final will-serve letter.

The market area for this project is the City of Aptos, Watsonville, Soquel, Capitola and Freedom and
portions of Santa Cruz. The estimated number of renters is 43 percent of the population.

The housing supply in this area consists primarily of market-rate housing, generally, older apartment buildings that are smaller. The occupancy rates for these types of projects is 98.6 percent. There are eight affordable housing projects in the Santa Cruz market that are located less than five miles from the subject. All of these properties are 100 percent occupied, and have waiting lists that exceed one year. Most of the rents are at 50 percent.

This project is expected to be built within 12 months; and it will take less than two months to reach 95 percent occupancy due to the very favorable market conditions for the project. We estimate that the construction and lease-up period will be 14 months.

The Phase I report that was completed on this property in 2003 revealed no environmental impacts to the property. Prior to the close of construction, however, we’ll ask for an updated Phase I environmental assessment report.

And similarly, the geotechnical report completed in February of 2003 indicated no subsurface conditions that would require any unusual measures for structural building code requirements.
MS. WHITTALL-SCHERFEE: The borrowing entity, as I mentioned earlier, is going to be Seacliff Highlands Associates, Limited Partnership; and the general partner is going to be South County Housing. The investor has yet to be determined. But the estimated tax-credit equity is expected to be approximately $3,800,000.

South County Housing is well known to CalHFA. They were the developer of one of our first loan-to-lender deals, Monticelli. They also have a second loan-to-lender -- that's Corralitos -- that is close to completion. And the Board recently approved Gilroy Transitional Housing as well.

The management agent is going to be South County Property Management. They have managed 24 rental properties, all owned by South County Housing. And South County Community Builders is going to be the contractor. They have constructed over 20 projects, with a total of 823 units since 1990.

And with that, we would be happy to answer any questions; and we would ask that you approve this final commitment request.

CHAIRPERSON COURSON: Questions?

Mr. Shine?

MR. SHINE: I take it that the parking there is all independent of the units? And are those covered or
uncovered spaces?

    MS. VAKILI: They are uncovered spaces, and they are independent of the units.

    MR. SHINE: I notice you will have two-bedroom townhomes, some with one bath and some with two. On the one-bath unit, is there no bathroom downstairs, is that the way it works?

    MS. VAKILI: That's right.

    MR. SHINE: Okay.

    CHAIRPERSON COURSON: Other questions?

    I have one question of water, which I found it interesting. As it's netted against the rent, initially, the water charges, as water costs through this project increase, will there continue to be increases -- how will the increase in water charges be handled going forward?

    MS. VAKILI: Well, going forward, as a function of normal rent increases, the water costs will be calculated into the equation as well, just as they are now.

    CHAIRPERSON COURSON: So if the water goes up, rents would have to be -- to continue the netting effect, rents would have to rise at the same rate as the water charges?

    MS. VAKILI: Yes.

    CHAIRPERSON COURSON: In addition to the other
rental increases?

MS. VAKILI: Yes.

CHAIRPERSON COURSON: Other questions?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there a motion?

MR. CAREY: So moved.

CHAIRPERSON COURSON: A motion to approve. Is there a second?

MR. BAYUK: Second.

CHAIRPERSON COURSON: We have a second. Any further discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response was heard.)

CHAIRPERSON COURSON: Seeing none, we'll call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.
MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-29 has been approved.

CHAIRPERSON COURSON: Okay, thank you.

The next project is Golden West Towers.

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Item 4. Resolution 04-31 (Golden West Towers)

MR. WARREN: Thank you, Mr. Chairman.

I'd like to spend a couple minutes going over the Proposition 46 Preservation Acquisition Program, that will be the framework for the next properties. As part of the Housing Bond, it was 45 million dollars set aside, designated to CalHFA to administer preservation acquisition funds. The purpose behind the fund was to leverage the 45 million dollars, 30 percent of the bond funds with 70 percent of agency funds with the 30 percent money from the bond being basically labeled as risk money. That in those situations where we have to move fairly quickly to acquire at-risk properties, in the
event that permanent financing structure didn't
materialize as anticipated, then the gap money or the
flexible money would be the "Prop. 46 money," as we refer
to it.

What the Agency did under an agreement with HCD,
under the bond agreement, is to construct the program in
which we'd move fairly quickly to acquire these
properties with good due diligence, and have a fairly
comprehensive exit strategy set out which would either
retire the acquisition money or allow some of the
Prop. 46 money to roll over on a permanent basis.

These two projects are in line with that. But
in some cases, as you'll see in one of the projects, all
the permanent financing sources are not completely
committed, although we're comfortable that they'll
eventually arrive. But that is the purpose of the
program, is to move quickly. Otherwise the projects
could be lost from that risk standpoint. So as we go
through that, we'll explain some of the risks that are
involved in both of these projects.

Jim Liska is here with me, and Jim will help
present.

So the first project that we have today is
Golden West Towers. This is 180-unit senior project
located in Torrance.
The financing request today, it's a little bit convoluted, so I'll go through it. There's an acquisition request in the amount of $7,395,000. That will be followed by a permanent request, so I'll talk about that in a minute.

The acquisition of funds is broken down into three components. The first is the CalHFA component which is a little over 4 million dollars. That's at 4 percent interest only for two years, which is the term for the Prop. 46 program.

Behind that, is the actual Prop. 46 money itself in the amount of $2,220,000. That is 3 percent that accrues during the period of time the money is outstanding. And then with that accrual, the principal is paid back with permanent financing.

And the third piece of the acquisition is an interest-reduction payment mortgage. This was originally a 236 project, in which monies were dedicated and prefunded to buy down the interest rate on the 236 loans, a number of years ago. There's approximately nine years remaining of the set-aside money. And what the Agency has done with these is we have capitalized the stream of income at a certain interest rate -- in this, 5.6 percent -- and that yields money which we can leverage the date of acquisition.
Following the acquisition of this property,
as Jim will describe, there is an enormous amount of
rehabilitation to be done for this project. This is
a 14-story tower that has significant seismic problems.
And one of the reasons that we were involved with this,
is to set forth a permanent financing, rehabilitation
financing to address some very serious seismic problems.
I think we have almost two-thirds to three-fourths of the
rehabilitation money being directed toward a seismic
retrofit.

After acquisition and after obtaining the bond
funds, we have a rehabilitation mortgage in the amount of
14,100,000 dollars, that will essentially be a variable
rate for the rehabilitation period. Once the
rehabilitation is completed, this 14-million-dollar loan
will roll into the permanent financing for a 20-year term
at 5.6 percent.

We picked 20 years because coincident with this,
what Jim will talk about, is a 20-year Section 8 contract
basis for the project. It is subject to annual renewals.
But we feel that this is a fairly good bet for a
project-based Section 8.

To hedge our bet on this, as you'll notice the
permanent loans are insured under FHA Risk Share. This
is a 50-50 loss arrangement that we have with HUD. And
under the theory that if anything does happen to
Section 8, which I think project-based at least by
today's conventional wisdom, is fairly secure, HUD will
be on the hook for any potential downside.

There is a bit of a variation on the use of the
46 funds. One thing that we are recommending that we do,
is normally what we do with the permanent financing, we'd
retire all the acquisition funds, with the exception of
the IRP loan. What we'd like to do is leave the Prop. 46
2-million-dollar loan in place on the project until the
seismic retrofit is complete. Our engineers have
conducted an extensive evaluation of the property, in
conjunction with the borrowers' engineers. It is a
fairly significant undertaking. But just in case, that
the cost estimates for the scope of work come in low,
we'd like to leave the Prop. 46 money in as a cushion and
as a contingency, in case something occurs that we didn't
catch.

So that is a little bit of a variation. But
we'd like to think that it's in the spirit of the
Prop. 46 program to help preserve and rehabilitate the
property and be a flexible subsidy, in the event
something occurs we didn't anticipate. So that is a
variation. But I wanted the Board to be aware of that.
That's a little bit different.
So with that, I think that covers the financing side.

I'm going to ask Jim to go through the project and the contract and the borrower.

MR. LISKA: Mr. Chairman, members of the Board, good morning.

I appreciate your comments on the Section 8, Mr. Chairman, and apropos to our next couple of minutes as Linn indicated.

The subject property is a 14-story building located in almost Central Torrance. It's an existing HUD 236 project, with interest-reduction payments to it. We are in the process of having that decoupled. And as Linn indicated, we are seeking a 20-year HAP contract, with annual renewals. And hopefully, we should receive that approval from HUD today, as they have that authority now.

This is the entrance to the property.

The next one. There's a side view.

And here's the courtyard, with a little grass area. There's also a vegetable garden.

If we can go back to the beginning a little bit. But on the top is a beautiful penthouse, right up there.

Right up here is a penthouse with a beautiful
panoramic view of the surrounding area. It's a library, and you have a computer room up there for the seniors.

You saw the exterior, with the courtyard.

Down below, there's a central full commercial kitchen with a dining room. Right now, there's approximately 85 meals that are daily served from Meals on Wheels.

There's a pool room.

Surrounding the project, it's very accessible. Adjacent to the project, on one side is a condominium, on the west; on the other side is a multi-family residential. To the north, across the street, is a religious institution with the school. And then when you get to the south side, on the main arterial, it's Hawthorne Street with a hotel.

In close proximity, within a couple blocks, is a Del Amo Fashion shopping center, which is a regional shopping center, and it's anchored by Marshall's, Robinson-May, Sears, and multiple stores. In close proximity, the Little Company of Mary Hospital medical offices are approximately three blocks west of the subject. The subject also has a shuttle bus to provide services for the seniors for local shopping, medical attention, what have you.

As indicated, this project is predicated on a
20-year HAP contract. And we are tied to market-rate rents. The units are studios and one-bedrooms. It may seem like the rents are high, but a rent comparability study was done by HUD, as well as our own analysis by third parties. And we feel that the rents are reasonable.

As far as the rehabilitation, we are looking at approximately 73,300 dollars per unit. And as Linn indicated, a substantial portion of that is for the seismic retrofitting: Approximately 4.8 million, 5 million dollars.

KPFF, on behalf of the borrowers, did their study; and our own contract reviewer, URS, Bill Graf and Company reviewed the seismic retrofitting, as well as the costs. And we feel the cost estimates are reasonable; and they should be able to do it within that budget.

Other stuff they are doing: The City is requiring a fire sprinkler system, which is extensive. A fire alarm system. We're looking at window replacements, the roofs, plumbing, central HVAC system, painting, electrical. There is some plumbing. When we went out and did our due diligence, some of the lateral lines in the plumbing for the building have corrosion, disintegrated. And that's going to be an extensive cost to repair.
Cabinetry in the units, the units, again, are --
the studio units, with a pullman kitchen, and they're
very livable, but they are just a normal studio. And
then appliances.

As far as relocation, the majority of this work
is going to be on the exterior; so we shouldn't have too
much disruption with the tenants, even though we have a
little bit of a temporary relocation in the budget.

As far as environmental, there was some asbestos
that was found in the ceilings. And this will be removed
with trained personnel and with oversight.

The market, as far as subsidized projects or
low-income, affordable projects in the area, there isn't
much. There's an overwhelming demand for the projects.

As far as a development team, do you want to get
into that?

MR. WARREN: Yes. I'll comment.

The primary developer is Allied Pacific
Development of Seattle. This is the first project we've
done with Allied. However, they've had a vast amount of
experience, particularly with Section 8. So they've
demonstrated certain competency as they evaluated the
seismic.

The non-profit managing general partner is
Affordable Housing Access, managed by William Hirsch.
We have had a couple of other projects with this organization which is nonprofit.

So generally speaking, we're comfortable with the team. The property manager in this particular case is going to be Pacific West. And, again, we've vetted these folks as to their ability to manage essentially a Section 8, particularly a seniors project. So we think the team is pretty solid, given the challenge that they have.

So with that, I think, as we said, this is a -- from a physical challenge standpoint, there is certainly a lot of public policy in this, but certainly something that we think we should undertake. And with that, we'd like to recommend approval and be happy to answer any questions.

CHAIRPERSON COURSON: Questions?

Mr. Morris?

MR. MORRIS: The asbestos was only in the common area? There was no asbestos in the ceiling tiles in any of the units?

MR. LISKA: No, not from the testing, no.

MR. BAYUK: Your estimates on page 4 don't list asbestos removal.

MR. LISKA: Page 4? Of the narrative or the worksheet?
MR. BAYUK: The top of page 4.

MR. LISKA: Oh, the asbestos was just included in the overall rehab scope. I don't have a breakout -- a specific breakout for you that I did for this presentation.

If that's required, I can supply that to you.

MR. WARREN: We'll look into the number for you, Mr. Bayuk.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: Can you tell us how the relocation works? In other words, I assume there are a number of residents currently in these units.

MR. LISKA: This project is 99 percent, 100 percent occupied. And, again, the majority of the rehab scope is going to be the retrofitting, which is the exterior painting -- a lot of it is the exterior. And then we have the hallways, what have you.

As we get into the units themselves, you'll probably be doing rolling rehab, where tenants will be removed, maybe a floor at a time or what have you. And they'll be put up in temporary quarters nearby. And it will be --

MR. MORRIS: Have they told you where they're going to relocate these people?

MR. LISKA: Well, if they can get them -- if
there are relatives in the area or else a hotel or
something like that or social services -- somewhere,
where they can stay for a short period of time, until
their unit is back to being habitable again. But, again,
you're looking at appliances, cabinetry, that sort of
stuff. So they could be relatively fast, as far as
having them out of there and back.

MR. MORRIS: What happens if you don't have any
relatives in the area, and --

MR. LISKA: Then they're put up in a local
hotel/motel.

MR. MORRIS: And they've identified all those
properties, and where they're going to be relocated --
where these people are going to be taken out of their
units and put into some motel in Torrance?

MR. LISKA: I assume so. I can't speak on
behalf of the borrower. But it's part of their
relocation. They do have a relocation plan. It has to
be according to the uniform relocation standards and
everything else.

MR. WARREN: We generally monitor the
relocations plan. Because of certain issues surrounding
it, we don't enforce it, but we do ask the relocation
plan be set forth.

We normally don't get into identification of the
relocated facilities, but we expect them to comply with it. So we can certainly get that better defined.

MR. MORRIS: It's better than taking out the people and relocating them?

MR. WARREN: Right.

MR. MORRIS: I'd like to see a copy of the plan.

MR. WARREN: Sure, I'd be happy to forward that to you.

MR. FRIEDMAN: Mr. Chairperson, on the same topic, I know our folks had a similar concern that the relocation budgets seems a little light considering the extent of the work they'll be doing. So if we could get a copy of the plan also, we'll have our folks take a look at it.

MR. LISKI: A copy of the relocation plan?

MR. FRIEDMAN: The relocation plan.

CHAIRPERSON COURSON: When we get to the plan, why don't we distribute that to the members of the Board, so everybody can take a look at it?

MR. WARREN: All right.

CHAIRPERSON COURSON: Mr. Carey?

MR. CAREY: I may have missed it. Do you have the budget for relocation?

MR. WARREN: It's approximately 240,000 dollars, I believe.
CHAIRPERSON COURSON: On page 154.

MR. CAREY: Yes. Thank you.

CHAIRPERSON COURSON: Other questions?

Mr. Shine?

MR. SHINE: Not a question but just a comment. I am glad, given the scope of the work, that you have Morley on the job because they really know their stuff.

CHAIRPERSON COURSON: Other questions on the project? Comments?

(No audible response was heard.)

CHAIRPERSON COURSON: All right, is there a motion to approve?

MS. WEIR: Move approval.

CHAIRPERSON COURSON: Okay, Ms. Weir.

MR. SHINE: Second.

CHAIRPERSON COURSON: And Mr. Shine seconds.

Any other discussion? Any comments from the public?

(No audible response was heard.)

CHAIRPERSON COURSON: Seeing none, we'll call -- oh, I'm sorry, Mr. Morris?

MR. MORRIS: The only thing I'd like to do is -- I mean, you can go ahead and call the vote, but I'm going to abstain until I get a chance to review the report. And then if you get that to me later on, I don't know,
maybe just do a conference call to approve it. We don't need to wait until another Board meeting or whatever, but I would like to see the report because I am concerned about the relocation, especially.

CHAIRPERSON COURSON: I'll ask counsel.

If we call the roll today and Mr. Morris abstains, can he then, once he sees the report, record his vote?

MR. HUGHES: I don't think we could do that per a conference call. I think it would have to be in a public meeting, or it would have to be reopened at the next meeting.

MR. WARREN: Mr. Chairman, it might be appropriate if it would help Mr. Morris' decision on this, if the borrower addresses the components of the plan in more specificity. And I think it's important that we vote the project in today.

MR. MORRIS: Are they here?

MR. WARREN: Yes.

MR. MORRIS: Okay, great.

MS. MAEVA: Hi. Thanks for giving me an opportunity to speak.

CHAIRPERSON COURSON: Could you introduce yourself?

MS. MAEVA: Yes, I'm Makani Maeva with Allied
Pacific Development.

And by way of relocation, we have negotiated an agreement with the Extended Stay America Hotel, which is adjacent to the property. There's actually a fence, which opens up to the parking lot of our property.

The tenants have done the tour of the adjacent property and are happy with the accommodations. There are similar accommodations, studios that are fully furnished. We've told them that it will be two to four weeks that they need to be out of their units.

We've arranged movers and have estimates for movers of packing and moving all of their items to a safe and secure place. We have estimates for security and storage facilities during the entire period of renovations. And the tenants themselves have asked whether or not they can go to some of their family members. So I know that was what Jim was referencing, the tenants would like to stay with their children, instead of maybe going to the hotel.

The hotel is secure. It has a secure entry, a 24-hour staff. There's, you know, accessible units. And so we are well-prepared for the rehabilitation. We have worked on a schedule with the management company and the contractor to really identify the length of time and to specifically say Day 1, cabinets will be done; Day 2,
flooring; et cetera.

And so I think we are well prepared.

We have a relocation which we submitted with our TCAC and CDLAC application. And so we have thought it through thoroughly, I think.

And we've actually responded to several questions from HUD on the same matter.

MR. MORRIS: So given that it's a rolling accommodation, you'll be able to accommodate those that want to stay in a hotel, but all will be able to relocate in the hotel that's contiguous to this property?

MS. MAEVA: Yes, correct.

MR. MORRIS: Okay.

MS. MAEVA: We have 15 units reserved at the Extended Stay, for the entire period of time, for the whole twelve months. And the tenants will be notified one month in advance of their need to move. And at that time, they can option out of going to the hotel. And so -- and we have some flexibility with Extended Stay America. They're also going to be able to bring their plants, and plant in the surrounding landscape. It's well thought out.

The services van will come through Extended Stay and pick them up on the same schedule that they're used to.
And so I think we're prepared.

MR. MORRIS: Okay, great.

CHAIRPERSON COURSON: Mr. Friedman?

MR. FRIEDMAN: Will any of the work on the common areas be disrupted to tenancy if you're not working on their apartments?

MS. MAEVA: A portion of the downstairs common area will be used to store their belongings. The commercial kitchen will be out of operation for a period of time, in which we're doing the foundation work on the property. But the central common area in the downstairs will still be available to them.

We've asked them if they would like to reorganize some couches, and their billiards room will remain open. So it will be impacted a bit; but they are very excited for the renovations.

We've had four tenant meetings, and they've given me lists and they have translators who give me lists. The population is Korean and Chinese, predominantly.

They're excited about it and willing to work with us.

MR. FRIEDMAN: And you work on the plan with the HUD folks as well?

MS. MAEVA: Correct.
MR. FRIEDMAN: Okay, thank you.

CHAIRPERSON COURSON: Other questions?

(No audible response was heard.)

CHAIRPERSON COURSON: Thank you.

There is a motion and it's been seconded to approve the project.

Call the roll.

MS. OJIMA: Ms. Weir?

MR. WEIR: Yes.

MS. OJIMA: Mr. Bayuk?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-31 has been approved.

MS. PARKER: Mr. Chairman, could I just ask a
question and point of clarification?

Mr. Morris, do you wish staff to send you the relocation plan?

MR. MORRIS: Yes.

MS. PARKER: Okay. I just want to make sure.

MR. LISKA: Yes, I will do that.

CHAIRPERSON COURSON: Thank you.

And thank you for your explanation. I think that was very helpful.

MS. MAEVA: Thank you.

CHAIRPERSON COURSON: All right, let's move to the Northland Village Project.

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Item 4. Resolution 04-32 (Northland Village)

MR. WARREN: Mr. Chairman, Northland Village is a 144-unit existing project in Sacramento. It has project-based Section 8. The request today is for an acquisition loan in the amount of 12,750,000 dollars, which is comprised of two pieces: The CalHFA component, which is $8,125,000, again, 4 percent, two years, with interest payable monthly; and the Prop. 46 component, which is approximately 30 percent of the acquisition price, of $3,825,000, at 3 percent, two years interest deferred.

CalHFA will not be doing the permanent financing
on this loan. There is a commitment in place from
U.S. Bank, which we reviewed. And it seems to me in all
of our financing requirements, what the Agency plans on
doing, upon your approval, is to go through an
acquisition scenario in January of next year. And
subsequent to that, after the acquisition of bonds and
MHP funds, the Agency's loan and the Prop. 46 loan will
be retired later on in the year.

A couple of components. The MHP money has been
applied for. It has not been received. At or about the
time that we would go forward with the acquisition is the
time we would find out if the MHP money has been awarded.

We've looked at the self-scoring, which has
been done by the borrowers. They score very well. So we
do have a lot of confidence that the MHP money would be
there.

In the event that it is not awarded, then the
Agency has run through a couple of alternative exit
strategies. But the way the Prop. 46 program works is
that during the two-year period, if the permanent
financing does not come forth as planned, then during
that two-year period, the borrowers reapply for MHP or
could seek some alternative ways to finance it.

And a couple of ways to do it, would be
9 percent credits, which is always problematic from a
demand standpoint, but it's possible; and the last backstop proposal would be a bond and credit structure, in which the Agency acts as a lender, a permanent lender, and would leave the Prop. 46 money in the transaction as a soft second, along with 4 percent equity.

In running those numbers, it is doable. It's a little bit on the thin side; but it is possible. But I think in the intent and spirit of Prop. 46, given the commands that are being set forth by the sellers and the time frame, we think it's an appropriate risk for the Agency to take.

So we will not be doing the rehabilitation as is planned right now. We will hold the project within this period of time while the permanent financing is obtained.

But, Jim, why don't you take a couple minutes and run through the project?

MR. LISKA: This is an aerial of the project, the overview.

This project is a combination of -- it's 144 units. 44 units are flats, and they're all two bedrooms, walk-up. And then we have 100 that are townhouses. And as you can see, it's an irregular formation of the site, but it is nicely laid out, given the pattern and the facilities.
Looking around the project, this is an active redevelopment area located six miles northeast of downtown Sacramento. And the surrounding area here is residential, multifamily on these sides. Over here is a light industrial distribution, what have you.

This is Highway 80.

On the other side is -- along here you have commercial; and over here are some more apartments.

As indicated, here is a typical elevation. And the borrower is contemplating spending quite a bit of money for rehabilitation.

Here's a typical kitchen interior. And here's a view of the pool area. And the clubhouse is right off, to the left here.

As far as competitive projects in the area, there are two other low-income housing tax credit projects in the area. One is called Village Park Apartments. It's a family project, 50, 60 percent. It's two-bedroom, three-bedroom, four-bedroom, which is pretty comparable to ours. It has a waiting list and fairly good occupancy.

The other is Taylor Terrace, which is located about a half a mile away. And it's a 40-60 percent. It's another family project, one-bedroom, two-bedroom,
three-bedroom. And that is comparable to our subject, too, as far as the same type of amenities, what have you.

As far as the rehabilitation, the borrower is contemplating 3,631,392 dollars, which includes a contingency, or approximately $25,000-plus a unit.

A large portion of the exterior work, there was found to be termite damage. So we do have that correction. That will be taken care of.

This project also, there's asbestos, lead-based paint, some mold, and water intrusion. So these are all elements that have to be addressed. And I think the borrower has done due diligence, as far as looking at what needs to be done and we have an adequate budget for it. It's an older project, built again, you know, in the 1960s. The most recent, the seller purchased it in 1999, to be specific. And even though some renovation was done at that time, the project still needs some exterior because of the wood siding, and what have you, fix-up.

The interiors are very nice, very well done. The families that are occupying these units right now are very well versed, as far as keeping their units up and maintaining them and really taking care of them.

Some of the work that will be done, in addition to the extensive termite that we talked about, are the siding, painting, roofs, driveway, window replacement,
single-pane to dual-pane, plumbing, hot water. The borrower is contemplating redoing the community room, the office maintenance, and bringing it up to be more competitive with the market. Electrical, cabinetry in the units, appliances and just doing -- dressing up the landscaping, which is a little tired-looking.

As far as relocation, some relocation will take place, again, as there's interior. The borrower is contemplating that it will only take maybe a week or less in order to do the interiors. And we will have a temporary relocation plan that was mentioned in the previous project, the same type of scenario as outlined. And we can provide that also to you also at your convenience.

Again, there's -- it's a strong market. The project is 100 percent occupied right now and there's a demand for it.

With that, I'll turn it back over to Linn.

MR. WARREN: Thank you, Jim.

The sponsor of this particular project is Domus Development. Domus is being lead by two individuals that we've had a fair amount of experience with, Meea Kang, who is with A.F. Evans; and Tawnya Faulkner, who is here today, who is with Thomas Safran and Associates. So both have a fair amount of development experience.
The non-profit general partner will be HCA. And we first were introduced to HCA when they were general partner for a number of projects with Thomas Safran. So in the event that the Agency is in this project for a longer period of time, we're comfortable with that.

The property manager is PAM Development. They're an established property management company in Stockton. And they're very involved in both conventional and affordable housing projects.

So with that, we would like to recommend approval and be happy to answer any questions.

CHAIRPERSON COURSON: Questions? Discussions?

MR. FRIEDMAN: Sort of the same questions. An observation about relocation. If you've got lead-based paint, mold and mildew, it seems like a short temporary relocation may be optimistic. So sort of the same issues as the last one.

MR. Liska: We will provide that relocation plan.

MR. WARREN: What we can do, Mr. Friedman, is we'll revisit the relocation budget. If necessary, we'll augment it appropriately. So we'll note that and take care of it.

CHAIRPERSON COURSON: Yes, Mr. Carey?
MR. CAREY: Is there lead-based paint in the project, or is that part of the management plan?

MR. LISKA: There is lead-based paint in the project. It's been identified. Again, this project was built prior to 1978. And there's also asbestos identified in the project, and precautions have to be taken.

I would assume that they have an operations maintenance plan already in force for ongoing maintenance; but that we will ask to see it and monitor it.

As far as mold, the moisture mitigation, obviously, if we are involved, we'll be looking to an environmental hygienist to look at the appropriate -- what has to be done, as far as cleanup during the rehabilitation process and monitoring thereafter, so we get a completion.

MR. WARREN: And I think -- let me make an important point here, Mr. Carey, is that as an acquisition financer only, we do examine these; but we do not engage in the same level of due diligence as if we were the permanent lender. We don't do that. I want to be perfectly clear with the Board on that. If we're doing a permanent loan, we'd have much greater detail. That's not the intent of 46. So that's not going to be
the same as other projects.

CHAIRPERSON COURSON: And, in fact, correct me -- and we're not doing a rehabilitation loan?

MR. WARREN: We are not.

MR. LISKA: That's right.

MR. WARREN: That is correct.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: Just looking at the pictures, there doesn't appear to be a lot of common area. So I think I imagine a lot of the asbestos and mold, these are actually in the units, I would imagine?

MR. LISKA: That is correct.

MR. MORRIS: Right. And I think you're assuming a week relocation per unit? Is that what the relocation plan assumed? Because I would agree that if you've got asbestos and mold in these units, it's probably going to take --

MR. LISKA: It's whether -- it can be encapsulated or how it's going to be has made or touched or whatever has to be done on the unit.

MR. MORRIS: Correct.

MR. LISKA: Again, we have not paid a lot of attention to that because we're -- in this situation, we're more the accommodator as far as doing the acquisition loan.
And to reiterate what Linn indicated, that if we were going to be involved as a permanent long-time lender on this project, we would have a lot more due diligence and what has to be done with the timing and making sure that our risk is minimized and that our mortgage is secured.

MR. MORRIS: But I still think that -- that's not the issue. The issue is that there's a relocation plan somewhere, which I haven't seen, which has the assumption that people are going to be out of their units for about a week.

MR. LISKA: Okay. I indicated I would --

MR. MORRIS: Okay, and now we know there's asbestos, we know there's mold, we know there's lead-based paint. I haven't seen a plan. I would assume a week is probably optimistic. Granted, we're not doing permanent financing on this; but that's really not the issue. We're going to be involved in this project from a financial sense. And I'd like to see that.

MR. LISKA: Oh, I thought I indicated I would provide that plan to you.

MR. MORRIS: Right, before we vote, I'd like to see it.

MS. PARKER: Is the sponsor here?

MR. WARREN: We will be happy to have the
MR. MORRIS: Okay.

MR. WARREN: We'd be happy to.

MS. FALKNER: Hello. Tawnya Falkner with Domus Development.

We do, in fact, have a relocation plan that was required to be submitted with the MHP application that went in about a month ago.

We did identify approximately a week there. We had a full P and A done to assess the amount of work that needed to be carried out.

There is some lead and asbestos, given the age of the building. The asbestos is popcorn on the ceiling, so that would be changed out. And the lead is in the window sills. So we would be changing out all of the window sills.

Given the nature of the work, it would be pretty much popping out all the windows, containing the asbestos that's in the popcorn on the ceiling, and have it encapsulated. And the rest of the rehab on the interiors would be changing out with the cabinetry, just the face frames and doing more cosmetics.

So based upon our experience, we've done quite a few rehabs in the past. But we actually felt really comfortable that it was plus or minus a week. And given
vacancies, you could swap people out. So we did actually
take that into account. We contacted three of the hotels
in the area and had very similar conversations, like the
prior applicant had discussed and figured out their
monthly -- or excuse me, daily versus weekly rates and
all of that was identified in the plan.

We can certainly provide that to you. But we
did take all of those into consideration, including
per diem food allowances and things like that.

MR. MORRIS: And where's the mold in the
building?

MS. FALKNER: Actually, there wasn't really any
mold, except for a very nominal amount where water damage
had occurred in one place. So we don't have any --

MR. MORRIS: It was just one isolated place --

MS. FALKNER: Yes, correct.

MR. MORRIS: It wasn't a major problem
throughout the building?

MS. FALKNER: Exactly. And most of our work
is occurring on the exterior of the building, adding
additional community space, because the community
facilities are quite small for 144 units, and we're doing
quite a bit to improve the amenities and landscaping and
such.

CHAIRPERSON COURSON: Other questions of the
sponsored?

MR. BAYUK: Has U.S. Bank committed their loan through?

MR. FALKNER: It has gone through full underwriting and commitment, and it isn't just a preliminary commitment. It does have normal caveats for tax credits and MHP because it's predicated upon the financial scenario. But it is a full commitment.

MR. WARREN: But it has cleared their credit committee and that was a condition of us going forward.

MS. FALKNER: Yes, and we also have a full commitment from GMAC as well. Both banks have underwritten it.

CHAIRPERSON COURSON: Other questions for this sponsor?

(No audible response was heard.)

CHAIRPERSON COURSON: Other questions on the project?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there a motion?

MR. AUGUSTINE: I'll move it.

CHAIRPERSON COURSON: Mr. Augustine moves to approve.

Is there a second?

MS. WEIR: Second.
CHAIRPERSON COURSON: Ms. Weir seconds.

Is there any other comment? Any comments from anyone in the public?

(No audible response was heard.)

CHAIRPERSON COURSON: Okay, we'll call the roll.

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-32 has been approved.

MR. WARREN: Thank you, Mr. Chairman.

CHAIRPERSON COURSON: Okay, thank you very much.
I appreciate it from all your staff.

Yes, Mr. Morris?

MR. MORRIS: One thing, too. Just in future packages, it might be helpful if we could include site plans just because when we're reading it, sometimes it's just a lot easier when you see the site plan.

CHAIRPERSON COURSON: That is a good suggestion.

Thank you.

Any other comments on the presentations?

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**Item 6: Reports**

CHAIRPERSON COURSON: If not, Bruce Gilbertson is here for the next tab in our Board book where our reports are on some of our bond activity. I'd just ask Bruce -- obviously not to go through in substantial detail, but at least walk through the reports that are there and maybe give us a briefing on the activity.

Is that a site plan, Bruce?

MR. GILBERTSON: Yes.

Here we go.

Good morning, Mr. Chairman, Members of the Board. I will keep my comments brief today.

But there are four Board reports related to the financing activities of the Agency in your binder this morning. Two of them regarding recent bond transactions
that we entered into. There is a variable-rate bonds and
swaps report that has been a report that we include in
every Board binder. And then there's an annual
investment report as well.

The two bond financings that I wanted to
discuss, the first is the housing -- it's actually
"housing program bonds." I see there's a typo there,
"housing purchase bonds." These are loans we closed on
November 4th. It was 50 million dollars. This is a new
form of indenture that we have created, that will give
us a great deal of flexibility for a wide variety of both
single-family and multifamily types of non-traditional
loans. This indenture is backed by the Agency's general
obligation.

We issued 50 million dollars, all tax exempt,
as variable-rate demand obligations and swapped out
70 percent of those bonds.

The proceeds of the bonds were used to purchase
downpayment assistance loans that the Agency had
previously originated under both the CHAP Program and the
HiCAP Program. Those loan programs have deferred
interest, simple interest of 5 percent that have deferred
payment for the life of the loan.

The multifamily bonds, 152 million dollars we
actually closed that financing yesterday. These were for
some refunding projects. We did some economic refundings of loans that we had financed several years ago, and it included 12 new projects that this Board approved during the July and September Board meetings.

I'm not going to spend a lot of time on this report this morning in consideration of some of the other things that I know the Board wants to discuss. But this is the variable-rate bonds report. I think the point here is that we have 7.9 billion dollars of bonds outstanding. Nearly 6.3 billion dollars of the bonds are now in variable rate form, and that represents 80 percent of our outstanding debt.

All of the bonds, variable-rate bonds, are swapped or tied to floating-rate assets, with the exception of 1.2 billion dollars.

We continued to predominantly use variable-rate demand obligations and indexed rate bonds, when we issue our variable-rate debt.

I will continue through some of these.

Certainly I want to entertain any questions. These are slides that we've been over before. If any of you were at the August all-day Board session, we went into a great level of detail regarding the Swap Strategies, the benefits and risks of those strategies. I want to get to the last report, which is the
annual investment report. In 1995, the Board adopted a policy regarding investments of the Agency, and asked that we report to the Board on a periodic basis. And what we have done over the years, is to report at the end of the State's fiscal year, which is June 30th. So as of that date, the Agency had 9.7 billion dollars of assets. 42 percent of those assets were considered to be investments, not mortgages. And that's the 4 billion dollars shown on this slide.

Our investment strategy is predominantly to use investment agreements and the State Treasurer's investment pool. You can see there's nearly an equal split. We do also have a handful of securities, some of those we created ourselves, and some money market and other deposits.

Of the 4 billion dollars shown on this slide, 1.1 billion dollars was used to pay debt service on August 1st, 2004. And of the 4 billion dollars, $3.5 billion of these investments are held under the lien and individual bond indentures for debt service, required reserves and for the origination -- or as original or recycled proceeds available to fund new loans.

The last couple slides I have, just show the investment agreements and the ratings of the underlying providers. Everything by Moody's is rated AA or better,
with nearly half of the balances held under investment agreements being rated AAA; and a very similar story when we look at the S & P ratings.

Are there any questions the Board may have regarding those reports?

CHAIRPERSON COURSON: Obviously, all this is in great detail in our books, and Bruce would be happy if any Board members, at their leisure, call and have additional information or explanation.

MS. PARKER: Maybe it would be a good time, too, Mr. Chairman, to talk about that Bruce and I are continuing our discussions on the Board education seminars for the Board next year. We had a list of the number of ideas. We'll be working those into the Board calendar. And we may even look to add an additional session, if appropriate, given the amount of projects that Mr. Warren brings to us. So we want to let you know that we are continuing to work on and expect to be incorporating different Board education seminars throughout the coming year.

CHAIRPERSON COURSON: Right. As you know, one of the things we've talked about over the last year is the intention to continue to do that. I think those of us who had the opportunity in August and those who had the opportunity of going forward, it's really a way to
sit back without the crush of the projects and so on and
take a look at some of the operations of the Agency,
which we are fiduciaries for. And we'll look forward to
that.

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**Item 7: Discussion of other Board matters/reports**

CHAIRPERSON COURSON: Is there any other
business from the Board?

*(No audible response was heard.)*

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**Item 8: Public Testimony**

CHAIRPERSON COURSON: Is there any public
testimony?

*(No audible response was heard.)*

CHAIRPERSON COURSON: Okay, seeing none, then we
will take a very short two- or three-minute recess, and
we'll move into executive session.

Counsel, I believe at this point, too, that we
do not need a scribe for this part.

THE COURT REPORTER: Okay, great. Thanks.

*(The public session concluded at 10:55 a.m.)*

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**Item 5: Closed session**

*(The Board met in closed session.)*

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REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

In witness whereof, I have hereunto set my hand on 24th day of November 2004.

_______________________________
DANIEL P. FELDHAUS
CSR #6949, RDR, CRR