STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Burbank Airport Hilton & Convention Center
2500 Hollywood Way
Burbank, California

Tuesday, November 13, 2012
10:00 a.m.

Minutes approved by the Board of Directors at its meeting held:

MAY 9, 2013

Attest: [Signature]

Reported by: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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APPEARANCES

Board of Directors Present

PETER N. CAREY
(Acting Board Chair)
President/CEO
Self-Help Enterprises

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

RUSSIA CHAVIS
for Brian P. Kelly
Acting Secretary
Business, Transportation & Housing
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

JACK SHINE
Chairman
American Beauty Development Co.

LINN WARREN
Director
Department of Housing and Community Development
State of California
APPEARANCES

Participating CalHFA Staff

VICTOR J. JAMES
General Counsel

CARR KUNZE
Loan Officer

JAMES S.L. MORGAN
Loan Officer
Acting Chief of Multifamily Programs

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

--o0o--

PUBLIC TESTIMONY

BRANDON DINON
USA Properties Fund, Inc.

GRAHAM ESPLEY-JONES
BVH Development, LLC

LILLIAN LEW-HAILER
Senior Project Manager
LEED AP
Mid-Peninsula Housing

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BE IT REMEMBERED on Tuesday, November 13, 2012, commencing at the hour of 10:06 a.m., at Burbank Airport Hilton & Convention Center, 2500 Hollywood Way, Burbank, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

ACTING CHAIR CAREY: Welcome to the November meeting of the Board of Directors of the California Housing Finance Agency.

The first order of business is the roll call.

--oOo--

Item 1. Roll Call

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

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

MR. LOCKYER: Here.

MS. OJIMA: Ms. Chavis for Mr. Kelly?

MR. KELLY: Here.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATMAN PATTERSON: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.
MS. OJIMA: Mr. Smith?

MR. SMITH: Here.

MS. OJIMA: Mr. Warren?

MR. WARREN: Here.

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Matosantos?

(No response)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIR CAREY: Thank you.

---oOo---

**Item 2. Approval of Minutes**

ACTING CHAIR CAREY: The second item of business is approval of the minutes of September 20th.

MR. HUNTER: I’ll move approval.

ACTING CHAIR CAREY: It’s been moved.

MR. WARREN: Second.

ACTING CHAIR CAREY: And seconded.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.
Item 3. Chairman/Executive Director Comments

ACTING CHAIR CAREY: I’d like to just take one moment to announce that I’m appointing Russia Chavis to the Board’s Compensation Committee, which is chaired by Mr. Gunning. And Mr. Shine and I are the other two members on that committee.
Thank you, Ms. Chavis, for agreeing to do that.

MS. CHAVIS: You're welcome.

ACTING CHAIR CAREY: And with that, I'll turn the meeting over to our Executive Director.

MS. CAPPIO: Great. Good morning.

I have a few items of note.

First, our TCLP, the Temporary Credit Liquidity Program, through U.S. Treasury, was extended for two years or three years -- 2015. So that is, all the agreements are signed and done. That was good to get completed.

Moody's, one of our rating agencies, has extended their review now for up to 90 days, which means we will be expecting a review early next year, or a final rating early next year.

As for the Governor's Reorganization Plan status report, both HCD and CalHFA worked on a project implementation document. We submitted that to Business, Transportation and Housing. It's under their review now. And from there, they will go -- all those PIDs will go into the Governor's office for their review and consideration. We expect that to happen within the next few weeks.

I'm not sure whether we'll get a chance to review any comments that BT&H had, but that's the
procedure going along, is that it has gone to BT&H, and now will get forwarded to the Governor’s office.

The last item is that CalHFA was included in two recent audits of the Bureau of State Audits. The first one had to do with the adequacy of databases in state government; and the second one was a review of the disbursements and results of both Prop. 46 and Prop. 1-C.

We are included in those audits. They had no findings or material significant comments for us, but we were included in them.

They are -- if you would like to look further, they are on the BSA Web site.

That’s it.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 4. Report of the Audit Committee Chairman

ACTING CHAIR CAREY: With that, we will move on to the report from the Audit Committee chairman, Mr. Smith.

MR. SMITH: We met this morning to go over the audit. And it was a very good audit from the staff standpoint. We had no significant findings.

There were some minor issues that we discussed related to the audit; and those related to just some
misstatements in how we, for example, book our REO sales. And that resulted in a $4 million correction, which is really insignificant, given the numbers we’re dealing with. And it was just the way, the timing of when it was booked. So that was one minor item.

The other minor item is how -- it was a cash flow issue of when we get federal funds in, we’ve got to -- by federal rules -- pay them out within three days, three business days. And I think we’re doing seven to 11 days, which is not bad, when you think about it. But nevertheless, it’s an issue that we need to deal with, and we’re coming up with ideas to do that.

The third issue was the derivative borrowing, which we had last time as well, which is just a correction in terms of a misstatement.

Those are the minor issues that came up in the audit.

Overall, the audit went well. And, again, there was no major issues. It was an unqualified audit.

If there’s any questions from the rest of the Board members, I’ll be open to hear them, and the staff is here to respond to them as well.

ACTING CHAIR CAREY: Any questions or comments?

(No response)

ACTING CHAIR CAREY: I would just say, I think
it was positive to hear the report and have effectively
gone through a transition of audit firms. I think it
affirms the responsibility of the Board in due diligence.
And I appreciate the work of the Committee.

Thank you for the report.

MR. SMITH: Thank you.

--oOo--

Item 5. Discussion, Recommendation and Possible Action
regarding Final Loan Commitment for:
12-060-R/S Logan's Plaza, Compton/Los Angeles

ACTING CHAIR CAREY: And now we have some
projects, which has been a rarity in recent years. It's
great.

And with that, we're on Item 5. And we'll move
through these projects one at a time.

And the first one is Logan's Plaza.

MR. MORGAN: Thank you, Mr. Carey, yes.

These are the last six projects for the
Agency's 2012 New Issue Bond Preservation Loan Program.

Carr Kunze is the loan officer for Logan's
Plaza and Century Village. He will be presenting those
two loans. And yours truly will be presenting the last
ones.

So we'll start off with Carr Kunze.

MR. KUNZE: Good morning, Mr. Chairman, Members
of the Board.

Just one quick change to the notes. The investor entity has been changed to R4 Capital, a Limited Liability Corporation.

Logan’s Plaza is a 61-unit senior project located in Compton. It is a hundred percent Section 8, save for the two new units that are being added, converted and added to it.

It was originally built in 1963. And a few pictures -- I kind of jumped ahead -- of the existing property.

The community room, a typical kitchen for the property.

This is one of our earliest projects that were financed by CalHFA, originally financed in 1977. And as I said, it was built in 1963.

This development will be achieving a 17 percent energy savings. And it will have also some ADA improvements be made to it, some life-and-safety improvements. Particularly, I note in those regards is being brought up to market with the addition of a heat pump. Therefore, heating and air-conditioning being added to the units. Very important to this senior population, and I think a very worthwhile improvement.

In addition -- well, all together, there are
some $54,000 per unit in rehabilitation being done to the property, a sizable sum, but representative of a property that was originally built in 1963.

It has some good locational advantages, including access to buses, transportation, a medical center nearby, groceries, pharmacy.

There will be no permanent displacement. There will be temporary relocation that is being accomplished in phases. Six units at a time. Five weeks each.

The market analysis for the development shows good, continuing support with a growing senior population in the market area.

Amongst the upgrades that are being performed are: Windows being upgraded to a low "E" window. Additional insulation. Improved security. Attic insulation. A cool roof, as that's characterized. Solar PV power to the common areas. Kitchen and bath improvements, of course. Hot water, solar. And then, as I mentioned, air-conditioning via the heat pumps and heating via the heat pumps, as well as modernization of the elevators.

The permanent loan underwrites that an 81 percent loan-to-value, to the restricted value of the property.

The rents to the development are at -- and
these would be the TCAC rents -- are some 60 percent --
I'm getting myself turned around here. The TCAC rents
are less than 80 percent of the market rents.

This development is having the advantage of
Section 8. Section 8, of course, is just below the
market -- some 95 percent of market.

I think that substantially concludes my
comments on the development.

ACTING CHAIR CAREY: Questions on this project?

Comments?

Yes, Mr. Gunning?

MR. GUNNING: Well, what is the staff looking
for, from the Board, in terms of these projects? Is it
just an awareness or comments or...?

MS. CAPPIO: I'm thinking that if you have any
concerns about how the structure of the loan is set up,
any aspect of the project as we have presented it to you,
now is your chance before we call the question about
having you approve the loan.

I mean, you are the fiduciary parents of these
loans. So I would move thoughtfully.

ACTING CHAIR CAREY: Okay, no questions?

(No response)

ACTING CHAIR CAREY: Okay, I think it's true
with all of these, I think it's remarkable that we are
able to reposition these projects, bringing phenomenal energy savings, improvements, maintain this affordability. I think it fulfills the role of the Agency pretty nicely.

MS. CAPPIO: And in an era where there is not much new money, I think the emphasis on preservation and rehabilitation is critical so that we can preserve the affordable housing stock in California.

MR. SMITH: I assume that this is one of those deals that if we didn’t do this, the life of this project would not be long.

MS. CAPPIO: It would be limited.

MS. BOATMAN PATTERSON: So the affordability is extended how long now? Until twenty- -- from 2019 --

MR. KUNZE: An additional 20 years now on the Section 8 affordability and --

MS. BOATMAN PATTERSON: Okay.

MR. MORGAN: 17 years on our loan.

MR. KUNZE: -- and 17 years on our loan, right.

MS. BOATMAN PATTERSON: Okay. Beyond the 2019, which it was supposed to originally expire?

MR. KUNZE: That’s correct, right.

MS. BOATMAN PATTERSON: And this project hasn’t been rehabbed since 1977?

MR. KUNZE: It may have had a few minor
improvements to it, but --

MS. BOATMAN PATTERSON: But not a major --

MR. KUNZE: -- not a project improvement.

MS. BOATMAN PATTERSON: But not a major rehab?

MR. KUNZE: That's right.

MR. WARREN: Just a question, Carr.

I'm assuming the HAP contract is subject to

annual appropriation. Is that fair?

MR. KUNZE: That would be my understanding.

It's an annual appropriation, but it's a 20-year contract

that is being renewed -- being requested to be renewed.

MR. WARREN: Okay.

ACTING CHAIR CAREY: Before we entertain a

motion, I would open this up to public comment.

If there is anyone in the public that would

like to comment specifically on this project, I'd ask you
to indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we do have a

resolution in front of us.

MR. GUNNING: Do you need a motion,

Mr. Chairman?

ACTING CHAIR CAREY: We need a motion.

MR. GUNNING: So moved.

Resolution 12-13.
MR. HUNTER: Second.

MS. CAPPIO: -12.

ACTING CHAIR CAREY: 12-12, sorry.

12-12. Moved and seconded.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Mr. Boatman Patterson?

MS. BOATMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-12 has been approved.
ACTING CHAIR CAREY: Thank you.

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Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:

12-050-R/N Century Village, Fremont/Alameda

ACTING CHAIR CAREY: And the next project is Century Village Apartments in Fremont.

MR. KUNZE: Thank you.

Century Village is a property that is located right in the high-tech corridor or area.

And you’ll see some aerials there of the property in Fremont, and a close-up to the property.

It is a 100-unit family project. Again, existing CalHFA portfolio loan.

This one is achieving a rather phenomenal 44 percent increase in energy efficiency.

Again, this will include substantial modernization for the units, some $62,500 worth per unit of rehabilitation work that is going into the property.

Some of the issues that are being addressed in this rehabilitation will be dry rot, mold repair, and remediation. They will be adding photovoltaic solar for the common areas and solar hot water. They are creating some additional community space within the property.
There will be double-pane windows. Increased wall and attic insulation. Again, installation of heat pumps with system. And water-saving features are also being incorporated throughout the property.

There will, again, be no permanent displacement of the residents. There will be temporary relocation. The developer is going to be accomplishing this in two phases, and taking half of the property at one time, rehabilitating it, bringing in -- the tenants back into the housing, and then doing the second half.

Again, a property with very good access to schools, transportation, and services.

This is a project that is going to extend affordability in an already very tight 98 percent occupancy rental market in the high-tech area.

The rents, again, on this development, the TCAC rents are about 70 percent below market -- of the market rents, 30 percent lower.

And the permanent loan is being underwritten at some 65 percent loan-to-restricted-value.

That concludes my presentation on Century Village.

ACTING CHAIR CAREY: Thank you.

Questions?

MR. WARREN: So the project is receiving the
benefit of a discount in rate for the energy efficiency.

Are the efficiencies translated into reduced operating costs? And if so, what’s your general sense as to how the operating costs have been reduced because of the energy requirements being put on the property?

MR. KUNZE: I think there might be a little bit of reduction, perhaps, in the tenant’s benefit insofar as the solar. Solar hot water. But there will be then really a benefit to the common charges of the solar voltaic. So not a very real substantial reduction, but there is some.

MR. WARREN: Okay, so the --

MR. KUNZE: I have Lillian Lew-Hailer of the borrower.

Did I miss anything, Lillian, in that regard?

MS. LEW-HAILER: No, I would say that most of the fixture-related energy efficiency matters that we’re taking benefit of the tenants. So, for example, we’re taking heat lamps out of the bathrooms and we’re replacing them with energy-efficient fans. That’s just going to be less on the tenant’s utility bill.

The common measure -- so that the photovoltaic will be related to the common light load, we are increasing some of the lighting on the site to provide better security, so there’s a little bit of a balance
there. And then where we anticipate greater savings is with the solar thermal system, to augment the central hot-water system, boilers that are in each building. So we haven't really quantified what we think the savings will be. That's something that we usually do, post. But there will be some operating savings to the property.

MR. WARREN: And just one other question, Carr, I think through all of these presentations, and that is the evaluation of seismic risk.

So is there a percentage now that the Agency is looking at as far as an acceptable level of seismic risk?

And maybe it's a question for you, Jim, but...

MR. MORGAN: Yeah, Linn, we offered the opportunity for the borrowers to seek a seismic waiver. And based on the Agency's conditions, that there is a probable maximum loss of 20 percent or less. And out of all the projects, only three sought waivers, and had met our requirements for seismic or for earthquake insurance waiver, so...

But there is a -- we do have our seismic-study requirements that were provided to third-party seismic reviews, and we're able to meet the threshold on some of the projects, not necessarily this one.

But the option was to seek -- if they wanted to seek the waiver, it was incumbent upon them to obtain the
seismic study and see if it would meet our requirements of a 20 percent probable maximum loss, or less.

Otherwise, earthquake insurance is continued. These are portfolio deals. They all have earthquake insurance currently. And if they wanted to reduce that operating cost and they chose to seek a waiver, they could. Otherwise, earthquake insurance continues.

MR. WARREN: Okay, thank you.

ACTING CHAIR CAREY: Other questions?

(No response)

ACTING CHAIR CAREY: Well, once again, this is an opportunity for the public to have input on this decision. If there is anyone who would like to make a comment, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-13 in front of us.


ACTING CHAIR CAREY: It’s been moved.

MR. GUNNING: Second.

ACTING CHAIR CAREY: And seconded.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?
Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:

12-052-R/S Vintage at Stonehaven

Yorba Linda/Orange

ACTING CHAIR CAREY: We'll move on to Vintage
Stonehaven Apartments in Yorba Linda.

MR. MORGAN: Thank you.

Vintage at Stonehaven in Yorba Linda is a USA Multifamily Development project. It’s a 125-unit senior project in Yorba Linda. Acquisition rehab in the amount of $13,650,000, and permanent loan amount of $13,650,000 as well.

The project is located about 1.1 mile north of the Riverside Freeway, Highway 91.

And the amount of approximate rehab is about $25,000 a unit. This project also is implementing energy efficiencies to the tune of about 33 percent in increased energy efficiencies, which equate to a 35 basis-point discount in the interest rate.

Rents here in the northern part of Orange County/Yorba Linda are 42 to 58 percent below market. This project has an 81 percent loan-to-value.

This project, Linn, qualified for a seismic waiver. The probable maximum loss on this was 9 percent.

And there are two corrections to this write-up. The borrower, after we had gone through the analysis of the acquisition rehab area, and in trying to obtain an audit and a good cost certification, has requested, and we agreed, to amend on page 134, that the acquisition rehab period be for an 18-month period in order to be
able to complete the construction and to complete the
audit and costs in a significant amount of time. And so
that would correlate into a 15 and a half year term.

Also, too, on page 138, under the management
agent, USA Multifamily Management, that paragraph,
"Approximately serves 32" should be "70" projects, and
the units of "3,500" should be "10,000." I just wanted
to make those corrections for the record.

With regard to the scope of rehab, $1.9 million
is to the units in the building. There will be upgraded
HVAC, windows, Energy Star appliances, and upgraded
electrical and plumbing.

USA will also be the contractor for this
project.

And for this project as well, there is limited
affordable housing stock. This project -- in this area,
there's been two affordable housing project permits
issued in the last 25 years, and one of them, which is
Vintage at Stonehaven. So definitely a needed commodity
in the area.

That concludes my presentation.

MS. BOATMAN PATTERSON: I have a couple
questions.

MR. MORGAN: Sure.

MS. BOATMAN PATTERSON: So this is a newer
project than we saw for preservation.

So this is about a 15-year-old project.

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: And it had 15 years of affordability left in it.

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: And so how much more affordability are you going to get in it? Is it --

MR. MORGAN: Well, just with the tax write-off, it will be 55 years.

MS. BOATMAN PATTERSON: So an additional 55 years above that?

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: Okay, and when you all underwrite these, the useful life of the rehab that’s going into it, do you match the useful life with the terms? Or how do you -- what’s the minimum useful life in the rehab that you ask for?

MR. MORGAN: Usually, it’s 25 to 30 years, minimum, economic life.

MS. BOATMAN PATTERSON: Okay.

MR. MORGAN: This loan has a balloon payment of 17 years. But usually, we’re underwriting full amortization, 25, 30 years of economic life.

MS. BOATMAN PATTERSON: Okay.
ACTING CHAIR CAREY: Other questions?

Comments?

(No response)

ACTING CHAIR CAREY: Okay, this is an opportunity for the public to make comment. If there's anyone wishing to comment on this project, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-14 before us.

MR. WARREN: I'll move approval, Mr. Chair.

ACTING CHAIR CAREY: Thank you.

MR. HUNTER: I'll second.

ACTING CHAIR CAREY: It's been moved and seconded.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MR. CHAVIS: Aye.
Item 5. Discussion, Recommendation, and Possible Action regarding Final Loan Commitment for:

12-053-R/S Vintage at Kendall,
San Bernardino/San Bernardino

ACTING CHAIR CAREY: Moving on to Vintage at Kendall apartments in San Bernardino.

MR. MORGAN: Yes, Vintage at Kendall. The same developer, USA Multifamily Properties is the developer. This loan is a $10,580,000 acq. rehab, again, with the same permanent loan amount.

178-unit senior project in San Bernardino.

This project will have a restricted 20 units for MHSA,
which is the Mental Health Services Act, which will cover tenants. They'll be reserved for previously homeless or at-risk homeless mentally ill tenants. This subsidy, the MHSA permanent loan in this project is for $2,339,720. In the write-up, we have a loan term of 20 years for the MHSA loan. That permanent loan term will be 55 years, to be coterminous with the TCAC regulatory agreement. So there is a correction there. Also, too, the same corrections that I had in that previous write-up, on page 156. This will be an 18-month construction interest-only, term 15-and-a-half-year permanent loan. And the same corrections on page 160 with regards to the management agent. 70 market-rate developments representing 10,000 units, and not 3,500. I just want to get those corrections out there. This one would qualify for a 25 basis-point discount with its 20 percent energy savings. Again, the majority of the rehabilitation, about $23,000 a unit, is to the building and the units, with a significant part in the HVAC upgrade. This project also, too, has a -- its loan-to-value is 82 percent loan-to-value. We have reserved for a senior project $500 per

Daniel P. Feldhaus, CSR, Inc.  916.682.9482
unit per year as part of the debt service.

This project, too, also qualified for a seismic waiver.

And for rent levels -- for the MHSA rents, these are rents that are 30 percent of SSI. So for this particular project, it would be $184 a month for those 20 units. And because of that deep subsidy, we had a part of the MHSA program is the Capital Operating Subsidy Reserve, which we’ve built in at approximately a million dollars, a million dollars-plus, to subsidize those additional service costs.

So if you incorporate those rents compared to market rate, just those rents below are 75 percent below market.

And that concludes my presentation.

I’ll show you some pictures. I’m trying to be multi-coordinated, and failing.

ACTING CHAIR CAREY: Great.

Questions?

MR. HUNTER: Are there current vacancies? How are the MHSA --

MR. MORGAN: Yes, they’re going to roll. The average vacancy here is 8 to 10 percent. So as they turn over units, they’ll reserve those units for the MHSA tenants. And they will only put MHSA tenants in as the
vacancies come up.

ACTING CHAIR CAREY: Other questions?

MR. WARREN: Yes. And for this project, who is the service provider to handle the MHSA residents?

Or is there a service plan in place to deal with the at-risk tenants?

MR. MORGAN: Yes, there is. Let me see my write-up.

I thought I had the MHSA -- there is a service provider, I just don’t happen to have the name of who is providing that service.

MR. WARREN: Perhaps the borrower can comment.

MR. DINON: Brandon of USA Properties.

The supportive service provider is Agewise Support Services. They work with San Bernardino Department of Behavioral Health to provide specifically senior assistance to the homeless. So they’ve paired us up with that provider, and we also have our social services provider that will provide services to the entire project. So we will get double coverage of services. And there is also a senior volunteer group, that consists of 11 to 17 seniors in the community that will come out and assist and provide service to those residents as well.

MS. BOATMAN PATTERSON: Is the service plan
part of a requirement under the regulatory agreement, that continue in place that they have a service provider?

MR. DINON: Correct. As part of the MHSA, which is program and application funding.

ACTING CHAIR CAREY: Brandon, could we have your last name for the record?

MR. DINON: Brandon Dinon, D-I-N-O-N.

ACTING CHAIR CAREY: Thank you.

Other questions?

MR. WARREN: Just to be clear, on the financing, so, of the two million plus MHSA, half is approximately for operating subsidy and half is the capital contribution. Is that how it’s breaking out, Jim?

MR. MORGAN: It’s a permanent loan for $2,339,000 and a capital operating subsidy --

MR. WARREN: On top of that?

MR. MORGAN: Yes.

MR. WARREN: So what’s the total MHSA contribution for the project?

MR. MORGAN: About 3.3.

ACTING CHAIR CAREY: Other questions?

Comments?

(No response)
ACTING CHAIR CAREY: This is an opportunity for public comment. If anyone in the audience would like to comment on this particular project, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, we have Resolution 12-15 before us.

MR. HUNTER: I’ll move adoption of 12-15.

MR. GUNNING: Second it.

ACTING CHAIR CAREY: It’s been moved and seconded.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MR. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

MS. BOATHMAN PATTERSON: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.
MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-15 has been approved.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:

12-044-R/S Villa Anaheim, Anaheim/Orange

ACTING CHAIR CAREY: And we will move on to Villa Anaheim apartments in Anaheim.

MR. MORGAN: All right, another senior project. 135-unit senior project in Anaheim, California.

Acquisition rehab amount is $11,500,000. The permanent loan is $9 million.

This also has a current loan with Century Housing which will be paid down from $4,755,000 to $909,599.

This project itself was also -- on page 178, is going to be an 18-month, interest-only term for the construction period, and then 15 and a half years for the permanent-loan period.

The project is 100 percent affordable, rents 18 to 40 percent below market.
This project also has a ground lease with the Centralia School District that is built into its operating budget. So the base lease is -- at an annual cost of about $203,000 a year. It has a base lease of $136,000. It's adjusted annually based on the HUD annual adjustment factor and based on a percentage of net cash receipts. So it equates to about $200,000 a year out of operating.

The amount of rehab for this project is $36,000 a unit. The gut rehab of the interior units in the building is about $1.6 million. The building itself is $2.3 million, with about $696,000 for the roof.

There has been some termite infestation, so we have a 15 percent hard-cost contingency to cover whatever testing that's done, and anything that arises.

This project has had approximately about $750 million worth of work the last three years, to upkeep with the termite damage on a going-forward basis.

And with this -- and this project also, too, a 73 percent loan-to-value. $500 per unit per annum on the replacement reserve.

And this one, Linn, also has a seismic waiver.

The relocation is also $282,000 for relocation for tenants.

ACTING CHAIR CAREY: Questions?
MS. BOATMAN PATTERSON: The regulation -- the regulatory term is extended. There was 16 years left. And so is it an additional 16? Or is it going to --

MR. MORGAN: 55.

MS. BOATMAN PATTERSON: 55?

MR. MORGAN: 55, yes.

ACTING CHAIR CAREY: Other questions?

MS. CARROLL: So on the ground lease then, what is the remaining term after the loan payoff?

MR. MORGAN: Yes, it’s being rewritten, at least 55 years. It could go up to 90.

As it exists, it has a 90-year loan term. And as it exists, it’s the "no later of 30 years or the payoff of the CalHFA loan," which will be taking place. So they’re currently meeting with the board, the school board district. And 55 years is being recommended. But currently, it goes up to 90 years on the current lease. But 55 years is being recommended.

MS. BOATMAN PATTERSON: Okay, so that loan is contingent upon the ground lease going concurrent with that loan?

MR. MORGAN: Yes.

MS. BOATMAN PATTERSON: So that we don’t have an issue of the ground lease expiring?

MR. MORGAN: That’s right. And we forward it
to the developer, to forward to the School District our board write-up and documentation.

Everything seems in place, yes.

ACTING CHAIR CAREY: Other questions?

(No response)

ACTING CHAIR CAREY: This one is a legally nonconforming use, I notice.

Are there risk issues to be taken into account with a project that's a legally nonconforming use? I mean, I would stand typically in that case, if a significant percentage of the project were destroyed, it couldn't be rebuilt.

MR. MORGAN: Yeah. If it's 51 percent of the project, it couldn't be rebuilt.

And, obviously, there is a risk to that. But we haven't really -- we look at that, and at the end of the day, what we have in reserves, insurance coverage -- whatever the resources were to build it. But I don't -- other than going for a conditional use to improve the density, it hasn't been an issue. It doesn't mean it is an issue.

ACTING CHAIR CAREY: The other thing I noticed is that the relocation conditions are a little bit different.

And I was puzzled by the -- if a tenant chooses
to move out during the work, that they'll have to sign a new lease in order to return.

Am I reading that correctly?

It's on page 180.

MR. MORGAN: I don't think they have to sign a new lease. That's just a --

MS. CAPPIO: There's a representative here.

MR. MORGAN: Oh, Graham.

MR. ESPLEY-JONES: I'm Graham Espley-Jones. I'm the developer.

I think there is an impression, and probably true for older developments, that in every case that scenario would probably be the case, that if a tenant were to move out, they would need to sign a new lease when they moved in with the other developer.

ACTING CHAIR CAREY: Did you say, if they chose to relocate because of the work being done in the unit, they would have to sign a new lease to move back in?

MR. ESPLEY-JONES: Their lease will be in abeyance during the term of the renovation period. Upon move-in to the project, they will be recertified. And during that process, a new lease will be signed.

ACTING CHAIR CAREY: It seems to me as discouraging someone to exercise a right to relocate during the rehabilitation.
MR. ESPLEY-JONES: They will be offered the option to utilize either on-site relocation or off-site relocation. In the event that the off-site relocation is elected -- it’s tenant-elective, if they choose to utilize that, that election, the process would be that the tenant would be required to sign a new lease when they reoccupy the project.

MR. GUNNING: Instead of staying.

MR. WARREN: Some clarity here. I had thought, under the Uniform Relocation Act, that nothing would impair their ability to come back --

MR. ESPLEY-JONES: Correct.

MR. WARREN: -- and reoccupy that unit.

And so what you’re saying is, there will be a new lease, but let’s say a credit check is done and it comes back poor. Would they have the ability then to reoccupy that unit in spite of the credit check situation?

MR. ESPLEY-JONES: Correct.

MR. WARREN: And there’s no impairment --

MR. ESPLEY-JONES: There is no impairment --

MR. WARREN: -- is what we’re trying to get at.

MR. ESPLEY-JONES: -- to their tenancy, correct.

MR. WARREN: All right. Mr. Chairman, I think
that’s what the crafters used, “no impairment to return”
other than a new lease.

ACTING CHAIR CAREY: Thank you.

Any other questions from the Board?

(No response)

ACTING CHAIR CAREY: This is an opportunity, if
anyone in the public would like to comment on this
action, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have

Resolution 12-16 before us.

MR. WARREN: I’ll move approval. I’m sorry.

MR. HUNTER: It’s somebody else’s turn.

I’ll second.

MR. WARREN: I apologize, Mr. Chairman. I was

a little slow there.

MS. OJIMA: Mr. Warren, and Mr. Hunter is

second.

ACTING CHAIR CAREY: Okay, we have a motion and

a second.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?
MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Ms. Boatman Patterson?

(No response)

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-16 has been approved.

ACTING CHAIR CAREY: It is nice to serve on a board where the height of tension is waiting for a motion to be made.

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Item 5. Discussion, Recommendation and Possible Action regarding Final Loan Commitment for:

12-061-R/S Coronado Place, Los Angeles/

Los Angeles

ACTING CHAIR CAREY: And with that, we'll move
on to Coronado Place in Los Angeles.

MR. MORGAN: All right, Coronado Place is a 41-unit family project in Los Angeles in the Westlake District of Los Angeles, just right off of Wilshire Boulevard. Just one mile from the 110, the 101, and the 10 freeway.

This project is a 1917, almost over a hundred-year-old building that serves residents at 35 percent area median income and below.

The acq. rehab loan is for $6 million. The permanent loan is for $1.91 million. Part of the proceeds of this loan will pay off a LAHD CDBG loan grant that’s matured for $495,000.

Also, too, it’s subject to loan assumptions of $180,000 from LAHD, a million dollars -- $1,001,975 of loan assumptions from CRA-LA, and also a seller take-back of $2,209,670.

This also has a 100 percent HCD California Housing Rehabilitation Program - Rental component, CHRP-R. And currently, HCD approval is required to modify the CHRP-R increases and rent levels for Coronado Place.

This process has begun. And, CalHFA, HCD, and the borrower, Deep Green Affordable, are still in discussions and talking about the rent increases and
levels. But it is subject to that approval.

This loan had matured with CalHFA on June 1st, 2009. It was a balloon payment that has been allowed to pay for the last three, almost four years, and in desperate need of rehab. So we’re able to step in with a preservation loan program and provide over $68,000 a unit. A total of about 2.7 in rehab. Half a million dollars -- almost half a million dollars is for the elevator. Over $320,000 for windows and brick facade to keep up with the historic preservation value and meet City of Los Angeles requirements.

This one also has a hefty hard-cost contingency of about 15 percent of $347,000. It also has received an energy savings due to its -- a discounted interest rate due to its implementation of energy efficiencies, a 25 basis-point discount.

This one has a very good loan-to-value at 37 percent.

The TCAC dollars, the tax credit dollars on this is $1.07. And for this project, as far as the developers, leaving in 77 percent of its deferred fee in the project.

So at the end of the day, this is the deal that sets precedent for what we’re here for, for our Preservation Loan Program.
So with that, I’ll take questions.

MS. CHAVIS: In terms of the loan that’s going to be transferred from CRA-LA to LAHD, where is that in the process? And does the Department of Finance need to approve that loan transfer?

MR. MORGAN: A very good question.

So this loan was set for the Governance Committee on October 29th and set for oversight on November 3rd. The Governance Committee was canceled; thus, not an oversight.

So the new Governance Committee is set for November 29th, with an oversight on December 3rd, five days’ notice period with the Department of Finance, then we have clearance.

From our experience with the Department of Finance, and also in talking with LAHD, as long as there’s no cash-out, it’s just a loan assumption, it tends to go through those five days smoothly, with no objection.

So that does put us up to a barrier -- not a barrier, but very close -- a day or two before funding of our New Issue Bond, and we’re aware of that.

So we’re asking for if a -- if the Governance meeting is going to be prior to November 29th -- which they’re attempting to do -- to please let us see that.
item.

ACTING CHAIR CAREY: Other questions?

MR. WARREN: Just a comment on the HCD loan, Mr. Chairman.

The timing issue here, is AB 1699 was passed, and it's effective January 1st. The guidelines are not finalized yet. But that said, in anticipation of those being finalized early next year, and take advantage of the legislation, I believe the pro formas have been modified to reflect that, and we're supportive of that.

I believe there is an amended resolution to that effect, which would basically say that HCD needs to look at this, or something along those lines.

So just where we're at, you know, we're getting a little ahead of ourselves. But staff will be working on this with CalHFA and resolving this very shortly. So we should be in good shape.

ACTING CHAIR CAREY: And it's all in the family.

MR. WARREN: Yes.

MR. HUNTER: I noted that there's a 30 percent increase in the tenant rents.

Do we have any sense of how that's going to impact the current tenants?

MR. MORGAN: Yes, with a 10 percent increase
per year for the next three years, based on unit -- or
based on tenant certifications, maybe one tenant would be
displaced. Maybe one for income purposes.

ACTING CHAIR CAREY: Other questions or
comments?

(No response)

ACTING CHAIR CAREY: There is a revised
resolution, which is available in the back of the room.
I think all the Board members have it up here.

But before we move to that, if there is anyone
in the audience who would like to address this item,
please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, we have a
revised Resolution 12-17.

(No response)

ACTING CHAIR CAREY: Reports?

MR. HUNTER: I’ll move adoption of 12-17.

ACTING CHAIR CAREY: Thank you.

MR. GUNNING: Second.

ACTING CHAIR CAREY: And the tension builds.
Thank you.

Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?
Mr. Gunning: Aye.

Ms. Ojima: Mr. Hunter?

Mr. Hunter: Aye.

Ms. Ojima: Ms. Carroll?

Ms. Carroll: Aye.

Ms. Ojima: Ms. Chavis?

Ms. Chavis: Aye.

Ms. Ojima: Ms. Boatman Patterson?

Ms. Boatman Patterson: Aye.

Ms. Ojima: Mr. Shine?

Mr. Shine: Aye.

Ms. Ojima: Mr. Smith?

Mr. Smith: Aye.

Ms. Ojima: Mr. Warren?

Mr. Warren: Aye.

Ms. Ojima: Mr. Carey?

Acting Chair Carey: Aye.

Ms. Ojima: Resolution 12-17 has been approved.

Acting Chair Carey: Thank you.

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Item 6. Reports

Acting Chair Carey: Any particular information to share on the reports?

Ms. Cappio: Just at the dais, we do have reports on the latest numbers from the KYHC program. We
are getting some traction from the revisions to the principal-reduction portion of that program. And I would be glad, or Di would be glad to address any questions or comments.

ACTING CHAIR CAREY: Questions or comments on the reports?

Yes?

MR. GUNNING: No, I wouldn’t mind just an update on Keeping Your Home.

MS. CAPPIO: Sure.

ACTING CHAIR CAREY: Sure.

MR. GUNNING: It seems like we’re being successful. And I would like to give Di a chance to gloat.

ACTING CHAIR CAREY: Di, would you be willing to give us a brief update on Keep Your Home?

MS. RICHARDSON: Good morning, Mr. Chairman, Members.

Things are going very well. You know, I don’t have new program changes to announce to you. We made the changes that we talked about at the last meeting.

And, you know, servicer participation is really picking up. I think I’ve got more than 40 servicers currently participating in the Principal Reduction Program now.
Still really working on the big five. I do have verbal commitments from each of them. The situation with them is, it’s a resource issue. They have to request the resources to make the changes to their technology platforms. I have been told that those are in progress and that those are moving along.

I actually was hoping to have Bank of America fully on board before we met today. But I think we’re pretty close with them. We’re discussing a few little fine points, but I’m confident that that will happen soon.

Chase, Wells, Citi, they’re all making very positive noises in talking to us almost every day.

Fannie and Freddie, as you know, came out with their new guidance, and they’re being very helpful in working with new servicers and helping them explain how they expect that process to work with their loans, which has been really good. And it’s actually been really helpful with us, to help us get some of the second-tier servicers to sign on for the program.

NACA just finished their Save the Dream tour here in California. And we’ve several loans that are currently in our pipeline now from that.

There’s a big Hope Now event on December 4\textsuperscript{th}. And we’ll expect to see another big swell from that.
We've got several marketing -- you know, we've always got several marketing things going on.

I'm going to sort of pat myself on the back, and let you know that we did win an award at the NCHSA conference for our tireless and innovative marketing efforts, you know, leaving no stone unturned.

I'm happy to answer any specific questions that you have.

ACTING CHAIR CAREY: Any questions?

MR. GUNNING: Congratulations.

MS. RICHARDSON: Thank you.

ACTING CHAIR CAREY: Great. Very positive.

One thing I noted in the reports, it looks like a dramatic reduction in REO properties.

MS. CAPPIO: (Nodding head.)

ACTING CHAIR CAREY: To what do you attribute that?

MS. CAPPIO: Well, you could give it a couple of spins. But it is one data point that says people are back in the market, investing again. So our inventory is down.

Without those data points being connected in any way, I can't go beyond that. But, yes, it is dramatic. And we're taking it as a sign that people are -- and I'm going to say people, because who knows who
is investing? There's various theories about who is investing. But that is a very big change in the last eight months.

And in addition to that, they're all above the appraised value -- or nearly all above the appraised value.

ACTING CHAIR CAREY: Great.

MS. CAPPIO: So people are looking to reinvest in the housing market. A good sign.

ACTING CHAIR CAREY: Yes, having other people own is a good thing.

MS. CAPPIO: Yes, exactly right.

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**Item 7. Discussion of other Board matters**

ACTING CHAIR CAREY: Okay, Other Board Matters?

(No response)

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**Item 8. Public testimony**

ACTING CHAIR CAREY: With that, this is an opportunity for anyone in the public to address the Board on a matter that's not on the agenda.

If there is anyone who wishes to do so, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, I will
mention that we have $10 parking stickers for anybody
parked in the parking lot.

MS. CAPPIO: Just take one.

ACTING CHAIR CAREY: Just take one. They're
very tempting.

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Item 9. Adjournment

ACTING CHAIR CAREY: And with that, we are
adjourned.

(The gavel sounded.)

(The Board of Directors meeting concluded
at 11:01 a.m.)

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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 the 28th day of November 2012.

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter