STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Burbank Airport Marriott & Convention Center
2500 Hollywood Way, Burbank Room
Burbank, California

Thursday, September 10, 2015
10:00 a.m. to 12:57 p.m.

Minutes approved by the Board of Directors at its meeting held:
November 10, 2015
Attest: [Signature]

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

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A P P E A R A N C E S

Board of Directors Present:

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

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

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

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

JANET FALK
Formerly Vice President, Real Estate Development
Mercy Housing

THERESA GUNN
Deputy Secretary, Farm and Home Loan Division
CalVet Home Loans
State of California

MICHAEL GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER Managing Director, Region 2
Corporation for Supportive Housing

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

PRESTON PRINCE
CEO & Executive Director
Fresno Housing Authority

(continued)
A P P E A R A N C E S

Board of Directors Present (continued):

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

DALILA SOTELO
Principal
The Sotelo Group

LAURA WHITTALL-SCHERFEE
Deputy Director, Division of Financial Assistance
Housing & Community Development
State of California

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Participating CalHFA Staff:

KENNETH H. GIEBEL
Director of Single Family Lending

TIM HSU Director of Financing

VICTOR J. JAMES
General Counsel

JAMES MORGAN Housing Finance Chief

JOJO OJIMA
Office of the General Counsel
Legal Division

DI RICHARDSON
Director of State Legislation

ANTHONY SERTICH
Director of Multifamily Programs

(continued)
APPEARANCES

Participating CalHFA Staff (continued):

CLAIRE TAURIAINEN
Attorney III

RUTH VAKILI Housing
Finance Officer

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Public Testimony:

PETE SERBANTES
HomeStrong USA

HUGH MARTINEZ
Jamboree Housing

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BE IT REMEMBERED that on Thursday, September 10, 2015, commencing at the hour of 10:00 a.m., at the Burbank Airport Marriott Hotel & Convention Center, 2500 Hollywood Way, Burbank Room, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRMAN JACOBS: All right. It's 10:00 o'clock. Let's get started, calling to order this meeting of the California Housing Finance Agency Board of Directors. JoJo is passing around parking validations and other such things. But -- is it working?

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Item 1. Roll Call

CHAIRMAN JACOBS: All right, let's do a roll call. JoJo, I can help you call roll, if need be.

Tim Schaefer.

MR. SCHAEFER: Present.

CHAIRMAN JACOBS: AnaMarie Avila Farias.

MS. AVILA FARIA: Present.

CHAIRMAN JACOBS: Tiena Johnson-Hall is not here but will be joining us later.

Jonathan Hunter.

MR. HUNTER: Here.

CHAIRMAN JACOBS: Dalila.
MS. SOTELO: Here.

CHAIRMAN JACOBS: Secretary Caballero.

MS. CABALLERO: Here.

CHAIRMAN JACOBS: Matthew Jacobs, here.

Tia Boatman Patterson.

MS. BOATMAN PATTERSON: Here.

CHAIRMAN JACOBS: Michael Gunning.

MR. GUNNING: Here.

CHAIRMAN JACOBS: Janet Falk.

MS. FALK: Here.

CHAIRMAN JACOBS: Preston Prince.

MR. PRINCE: Here.

CHAIRMAN JACOBS: Theresa Gunn.

MS. GUNN: Here.

CHAIRMAN JACOBS: Laura Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Here.

CHAIRMAN JACOBS: Great. We got everybody -- we've got a quorum.

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Item 2. Approval of the minutes of the July 14, 2015 Board of Directors meeting

CHAIRMAN JACOBS: Let's go through to the minutes from July 14th. Did anyone have any edits on the minutes? Any items?

Do we have a motion to approve the minutes?
MR. PRINCE: I'll move.
CHAIRMAN JACOBS: So moved.
MS. CABALLERO: Second.
CHAIRMAN JACOBS: Second, okay.
(Reporter interrupted for clarification.)
CHAIRMAN JACOBS: All right. Let's do a roll call.

MS. OJIMA: Ms. Caballero.
MS. CABALLERO: Aye.
MS. OJIMA: Mr. Schaefer.
MR. SCHAEFER: Aye.
MS. OJIMA: Ms. Gunn.
MS. GUNN: Aye.
MS. OJIMA: Ms. Falk.
MS. FALK: Aye.
MS. OJIMA: Ms. Avila Farias.
MS. AVILA FARIAS: Aye.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Aye.
MS. OJIMA: Ms. Johnson-Hall is not here.
CHAIRMAN JACOBS: Right.
MS. OJIMA: Thank you.
Mr. Hunter.
MR. HUNTER: Aye.
MS. OJIMA: Mr. Prince.
MR. PRINCE: Yes.

MS. OJIMA: Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Abstain.

MS. OJIMA: Thank you.

Ms. Sotelo.

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: The minutes have been approved.

CHAIRMAN JACOBS: Great. Thanks, JoJo.

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Item 9. Discussion of CalHFA financing in support of the Department of Transportation's Affordable Sales Program (postponed)

CHAIRMAN JACOBS: Before I jump into comments and executive director comments, just there was an item on the agenda that is going to be pushed off to the next meeting, just so we can have further chance for discussion, so if there are any members of the public here for the discussion of the 710 freeway and the housing in the -- the Caltrans housing and the right-of-way for the freeway, it's going to be discussed at our next meeting. If anyone wants to speak on that item now, please give us a speaker card. If not, we'll move on to the agenda.
Item 16. Public testimony: Discussion only of other matters to be brought to the Board’s attention

CHAIRMAN JACOBS: We actually do have a speaker card. Pete Serbantes. Are you here, Pete?

MR. SERBANTES: Yes.

CHAIRMAN JACOBS: Do you want to speak now or later on in the meeting?

MR. SERBANTES: At your will.

CHAIRMAN JACOBS: Come on up. Let's hear about how Keep Your Home California has been doing in the trenches.

MR. SERBANTES: You may have to share. I only brought ten of these. I'm going to do this old school because I don't know if you noticed, but I'm old.

My name is Pete Serbantes. I'm the program director for HomeStrong USA. We are a staunch supporter of not only Tia Boatman and -- oh, my God, I just had a senior moment -- Di Richardson and the entire program, but I'm here to share a little bit with you about who we really are.

Over and above being a, again, major supporter of the Keep Your Home California program, I wanted to first -- I have notes. I have notes, being English is my second language and sometimes I'll divert and not know to
Spanish, so to be safe: Good morning, CalHFA Board Members, Executive Director Boatman. I would like to thank you for this opportunity to give you a boots on the ground update on HomeStrong USA's efforts with the Keep Your Home California program, which is and continues to be a great program. I was going to say it was as good as sliced bread, but I didn't look up to see who would have associated with that, but the point is it's a great program, and thank you for that.

I was given an opportunity to attend a Keep Your Home California board meeting in January, and I was informed by Steve Gallagher -- he is the person in charge of marketing and external affairs -- some information that he shared at the board meeting that I'd like to share with you. In 2014, HomeStrong USA did 3,894 counseling sessions resulting in a 97 percent success rate of, in essence, people saying this is my situation and being able to prove it. The 3 percent that didn't weren't true to the program and didn't supply sufficient information based on their situation, which is a good thing.

To the chase, the total funding for Keep Your Home California program agencies was 44 -- I'm not seeing that number -- 44,000 -- no, $44,290,439. In essence, Keep Your Home California through HomeStrong USA has
supplied 51 percent of the business to date and assistance to families -- not to date, but as of 2014. Year to date today, we have supplied 1,374 families with assistance to the program.

So am I tooting my own horn? Maybe. But in reality, I passed out the folders, I passed out the information because I want you to know that HomeStrong USA is here for the next thing. Whatever you guys want to do that involves housing, HUD-approved counseling agencies, you can confirm with Di Richardson and Ms. Boatman that we're serious about what we do, and that's helping people and doing the right things for the right reasons.

How's that for not being ready?

CHAIRMAN JACOBS: Pretty good.

MR. SERBANTES: Any questions?

Did I have enough folders? Because if not, I can send more out. I apologize for that.

CHAIRMAN JACOBS: And we can always ask Di.

MR. SERBANTES: Absolutely. Thank you again.

CHAIRMAN JACOBS: Great to hear and keep up the collaboration and keep up the good work.

MR. SERBANTES: Thank you, sir.

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Item 3. Chairman/Executive Director comments
CHAIRMAN JACOBS: All right. Before jumping into the meeting, I just want to thank everybody. This is my last meeting. My term is ending in a few weeks. And I really -- it's been an honor to serve this Agency and the see this Agency get back to health and back in the business of lending. And you're a great Board. It's been great getting to know all of you, and I hope to keep up the work on my end.

Tia, comments.

MS. BOATMAN PATTERSON: Matt, as the chair of the Board, has been with us over the last three years. And he and I both started together on the Board. And I told him even though he may be leaving the particular -- the Board, that he's still going to be an adviser and that we'll still be keeping in touch with him because I think he's added a lot of value to our Board.

And so we will miss you, but we will still be in touch.

CHAIRMAN JACOBS: Thank you.

MR. PRINCE: I would like to at least acknowledge you and thank you, so thank you very much.

(Applause.)

MR. PRINCE: We're about to move on; I wanted to jump in.

MS. BOATMAN PATTERSON: He's really going to take
care of that beautiful little boy.

CHAIRMAN JACOBS: And I got to say the staff at CalHFA has really come through in a pinch and just done financing and just getting the house in order and just the lending programs. It's really good to see. And just the whole analysis top to bottom I think was essential to establish the future of what this Agency is going to be, and it's really good work. It's important work and keep it going.

On our agenda we've got a closed session item, and we've also got -- I think we've got the Woodglen Vista Apartments loan and then some other various policy matters. Do we have -- I'm just wondering, would people be okay if we jumped into the loans early? Would staff be ready to present now?

MS. BOATMAN PATTERSON: If you don't mind, let me do a quick this, and then we could jump to that, and we can take that at 11:30. That way it will be a time certain.

CHAIRMAN JACOBS: Perfect, okay. So we're going to hold the closed session until 11:30 and just keep going with the public agenda.

Director comments, please.

MS. BOATMAN PATTERSON: I just wanted to provide you with an update and take a few minutes to tell you
about the Mental Health Services Act Housing Program.

The program, as you all know, was created in 2008 and implemented with a memorandum of understanding between the California Housing Finance Agency and the former Department of Mental Health and an original allocation of the Prop 63 funds in the amount of $400 million. I know this has been a program that has been near and dear to Board Member Hunter's heart, and so we wanted to take an opportunity to give you this update.

That particular MOU, which we used to implement that program, expires in May of 2016. And the original allocation of 400 million is almost completely obligated. We've got a lot of positive feedback, and so CalHFA began stakeholder meetings last May to prepare for the expiration of that MOU and to determine if Mental Health Services Act partnership with counties could result in a new program or the continuation of Mental Health Services Act financing for permanent supportive housing for those who were at risk of homelessness or homeless with mental health issues.

We anticipate a new MHSA funding from three counties -- Los Angeles, San Diego and Orange County -- and in the first year, they have come given us a soft commitment or a commitment of $32 million. Additional funding from at least nine other counties will come from
transferring or recycling MHSA funds, and we've
determined that the proposed fees generated from the
proposed counties' MHSA housing loan program, that's what
we would be calling MHSA 2.0, would be the county MHSA
housing loan program because it would be a partnership
with the counties as opposed to a partnership with the
State of California because those Prop 63 dollars are
being allocated directly to the counties now.

We have restructured some of our fee proposals so
that we could actually pay for that program. As some of
you will recall when we initially took on that program,
it was a loss. We lost money. It was not a -- it was
not adequate enough funding to pay for the staff to run
that program. And so we restructured that, and we've
determined that the proposed fees generated under the new
program would be adequate to cover the agency
administrative costs.

We have commenced internal working groups and are
meeting between divisions to continue to work out some of
the implementation of that. The multi-family program and
legal staff are working with the counties to update a
term sheet and have drafted a county participation
agreement.

We have initiated discussions with the state
Department of Healthcare Services to determine the
process for returning the unencumbered county MHSA funds
or rolling them over into a new program once the current
MHSA program ends in May of 2016.

We anticipate circulating the term sheet and
participation agreement to the 12 interested counties in
late October and with a request that the counties respond
with a commitment of new MHSA dollars and agreements to
participate by mid-December.

And so I believe we're on track. It looks like
we will be able to continue that program, although a
smaller size, that we'll still be able to offer that
service and those financing options for those counties
that agree to partner with us.

So I just wanted to provide you with that update.

CHAIRMAN JACOBS: Fantastic. Thank you.

Jonathan.

MR. HUNTER: Thank you for that report. As you
said, I was actually involved in the development of that
program from the start, and I shared a little bit with
some of the staff last night that it was actually a
really interesting exercise in public policy, when you
have a commitment of funding and you try to put together
a program that will work equally well in Los Angeles
County with 11 million people and Alpine County that only
had 2500 people at the time. And it was an exercise in
some frustration.

And I think to its credit -- one of the things I would say is that, to its credit, California Housing Finance Agency lost money on the deal partly because they were willing to be so flexible in changing the design to meet the needs of some of the smaller counties. So we ended up doing a lot higher percentage of shared housing deals than typical affordable housing, supportive housing deals, and that required a lot more time and staff time and energy. And I just really appreciate the fact that California Housing Finance Agency was willing to work actively with the counties going along to try to make it work as best as possible.

I think part of what we learned in that exercise is that to design a program that works equally well in Alpine and Los Angeles is an exercise in futility. It's not going to be that way. And -- but I also know that they're -- the counties that you've mentioned, part of what they've learned is this is such an incredible tool in addressing the needs of some of the most vulnerable Californians who have been on the street for years and years and years. And I've had the privilege of meeting many of the tenants of the MHSA units that are now in safe and secure homes and getting the services that they need. And I'm just really glad that we're able to
continue the program with counties for whom the
instrument works well.

Thank you.

MS. BOATMAN PATTERSON: And just as a quick
summary, I think the goal of the original program was to
create at least 2500 Mental Health Services Act units and
leverage it to create an additional 10,000 affordable
housing units, and I can say that we've pretty much met
that goal.

CHAIRMAN JACOBS: Fantastic. And the most
important work.

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Item 6. Report and discussion on CalHFA's policy using
Agency-controlled subsidy funds for Multifamily
Programs

CHAIRMAN JACOBS: Okay. Let's go to agenda item
number 6 because we're putting 4 and 5 off till 11:30.

Tony?

MR. SERTICH: Good morning, Mr. Chairman. Good
morning, Board. Thank you for having us here today. We
wanted to give a quick update on our multi-family subsidy
funds policy, which we presented at the last meeting for
comment. And we've finalized it, and we're ready to roll
it out. We just wanted to bring it by the Board and show
you what we have done and the small changes we have made.
As we presented last time, we have about $105 million of subsidy funds waiting to be used. We have used them on some projects, but we really want to make this more of a formal policy, and so that is what we have done. We've tried to take -- we have solicited comments not only from the Board, but we have gone to our sister state agencies TCAC and HCD, run it by them. We've also solicited comments from external stakeholders including developers and some financial consultant partners that they work with.

So the policy changes that we've made from the one that you saw in July, we increased the per unit and total loan -- or total subsidy limits in high cost areas. Before, it was $25,000 per unit across the state. We realized that the needs in the high cost coastal areas are much different than they would be in some more rural areas for gap funding.

We revised how we've -- the requirement that we've based on the developers in terms of deferring their fees to utilize this money. Before we were requiring just a 50 percent deferral of developer fees. Now we're requiring a dollar for dollar match up to 50 percent.

And we've also added some language on the required repayment of residual receipt loans into the policy.
Quickly, the -- just a recap of how we're allocating funds. We're expecting these funds to last at least three to five years prior to the use of recycled money coming back into the funds. The -- as I said before, we actually reduced the limit up to $20,000 per unit from $25,000 per unit in non-high-cost areas, but we increased them from $25,000 to $40,000 a unit in high-cost areas.

How we arrived at these numbers, we did a lot of analysis, and this is sort of foreshadowing a report that we'll present to you in November that we had a Ph.D. student do for us this summer, who worked with us on taking TCAC data and really analyzing it and seeing what the gaps needs were across the state on multi-family projects.

So we found that around the state the average gap needs is about 85-, $86,000 a unit, but that varies tremendously by county and region. So in the Bay Area it was well over a hundred thousand dollars in most counties. In some more rural areas, foothills outside of Sacramento and down in the Valley, it's, you know, $30,000 a unit.

Our money, we don't expect to fill that whole gap. We expect the locals to come in with some money. And so we were targeting about -- our money to cover a
third to half of the gap needs across the state with the resources that we have.

We also noted that across the state different counties were providing different levels of support -- I'm sorry, did you have a question?

CHAIRMAN JACOBS: Just walk us through sort of the gaps and how much is based on incomes and how much is based on just cost of executing the project.

MR. SERTICH: So what we looked at, you know -- since we took TCAC data, this is all affordable housing, rental housing, stock. Looking at -- so there's three main places of funding for affordable housing projects. We have the first lien loans. You know, CalHFA provides those. There are plenty of other banks that provide first lien loans. Those are based on the amount the project can sustain in debt service. So that is based on the rent restrictions that TCAC or others place on the projects and the interest rates at the time. So we're able to sort of control for that variable based on the rent levels of different projects.

MS. BOATMAN PATTERSON: Let me interrupt. I think what he's getting at is if you identify the gap at what income level. So if you had market rate and then this gap was coming in, it would get you down to what income level?
MR. SERTICH: I think that's very dependent on the area, and that's what we're seeing here, because the other piece that comes in is tax credits. So the income level -- and that's what we're seeing here, if you go back a slide, Carr. In San Francisco, the median income or the market rents are based on, you know, 150 percent of median income, whereas in some of these other counties, Kings and Tulare County, the market rents may be based off of 60 to 70 percent of income. So the difference, the gap, to get from 70 percent of income to the tax credit limits of 50 or 60 percent of average median -- area median income is much less than it would be in San Francisco where you have to bridge between 50 percent area median income and 150 percent of area median income.

CHAIRMAN JACOBS: Enough variables that we understand why the Ph.D. was useful.

MR. SERTICH: Yeah, that's why we had the Ph.D., because it's not quite that simple. But, no, he was very helpful to us in doing the research, and he did -- there was a lot of statistical analysis, and he's putting together a more formal report that we'll present at least as a report in November that has a lot more detailed information about the methodology and how this was all come up with.
MS. SOTELO: Well, the analysis of the gap is also around costs, right, and the cost --

MR. SERTICH: Correct.

MS. SOTELO: -- of a project in, you know, San Francisco is very different from El Dorado.

MR. SERTICH: Correct. I mean, there's many variables.

So when we present -- so one other thing that we noted was that these gaps that are present in affordable housing financing are picked up by counties in very different ways. There are certain counties, surprisingly Sacramento -- I shouldn't say surprisingly, but surprising to us, I guess, was that Sacramento County actually was funding more of these gaps, a higher percentage of these gaps, out of local funding than any other counties statewide. We know that there's certain counties in the Bay Area that put a lot of money in, but with the higher costs, it's not as high a percentage.

And there's some counties that put no money in, have put no money into the affordable housing over the last -- I think this is based on five years of data, TCAC data. So we were cognizant of that, and we don't necessarily want to -- we don't want to reward the counties who don't put money in by coming in and filling their gaps for that. We want to make sure that this is a
collaborative effort, that the locals are involved as well.

Some of the other restrictions that are going to be placed on the gap, the subsidy money that we put in, is that we're still requiring it to be tied to a CalHFA first loan. We've had some pushback on that, but for cost purposes and for asset management purposes, it's much cleaner for us if it's tied to a first loan. As this program moves forward, we may decide to change that, but for now that's where we're keeping it.

The subsidies aren't just going to be publicly available. They're going to have to come to us, and as part of the underwriting process we'll determine if the subsidies are needed for the project.

And I know this is a question that we had last time, but for now we're sticking to the construction of substantial rehabilitation of projects getting the subsidies because it's the whole tax credit process and how that works, it really streamlines the process for us to make that happen.

There are some financial restrictions that we're placing on the subsidy funds. We're making it so that equity can't be taken out of the projects prior to providing the subsidy. We don't want to just be replacing money that was just taken out of the project.
We're going to, as I said before, limit or make developers defer a portion of their fees equal to the amount of subsidy that's being provided so that they have an equal stake in the project as well.

And we've added, as I said before, some documentation of how we want these loans to be repaid as part of the residual receipts process and cost savings process.

If there's any more questions, I'm more than available.

CHAIRMAN JACOBS: Ms. Sotelo.

MS. SOTELO: I apologize I wasn't here for your presentation in July. I just had a couple of questions.

First, I think it's an excellent plan to tie the subsidy to a first lien from CalHFA. I think that while it's a nice program and a good amount, the reality is that it's not enough, and so we might as well prioritize the use of our product with the subsidy that we make available, so I think that's very good.

I had a few other questions, two other questions, but on the underwriting process, do you tie that to the TCAC underwriting process and the HCD guidelines or --

MR. SERTICH: No, we --

MS. SOTELO: -- are these CalHFA --

MR. SERTICH: It's CalHFA's underwriting
guidelines, which at this point with our risk share program is -- is our risk share underwriting guidelines that we have agreed to with HUD.

MS. SOTELO: Okay. And have you done just a quick analysis of how it compares to HCD or TCAC?

MR. SERTICH: Yeah, I know that we're in -- both HCD and TCAC are in the process of redoing their regs, and we've been in discussions with them and are working closely with them to make sure that our program is not out of line with what they have.

MS. SOTELO: Yeah, I would just recommend that we continue to kind of align some fundamentals because the subsidy that's being provided here is likely not enough, and they'll have to seek other kinds of funding.

And then with regard to the developer fee, I guess I have two questions. Is there an exception for nonprofit-owned properties versus for-profit-owned properties? And then can you tell me a little bit about why the dollar for dollar match of the 2.5 and the 3.5 million dollars?

MR. SERTICH: Sure.

MS. SOTELO: What was the logic of doing that?

MR. SERTICH: Sure. The answer to your first question is no, there's not -- we're treating for profits and nonprofits the same currently.
The idea between the dollar for dollar match is we thought if there was a -- let's just say there was a $2 million gap in funding. After the locals came in, everything, we have $2 million left. We would want the developer to put -- we've talked on the single-family side of having skin in the game. It's not -- they always have skin in the game, but we thought if we would require them to put a million dollars in and we would come in with a million dollars, that that was reasonable. On the waterfall that we have put together, we do put the deferred developer fee on top of the residual receipts waterfall above us for the most part, so we fully expect them to get paid back.

As part of the underwriting process if there was a place where they may not get paid back, we would have to look at that much more closely and see how that would work. And we would have the ability to make exceptions if necessary, but that was the thinking behind it.

MS. SOTELO: So this may be a little bit too in the weeds, and I'm happy to talk to staff afterwards, but, you know, there's a very real correlation between the amount of basis you can generate from putting in a developer fee and what's real versus not real.

MR. SERTICH: We understand.

MS. SOTELO: And so, you know, what you don't
want to do is you don't want to encourage people to do
the not-real calculation. You want to --

MR. SERTICH: No, of course.

MS. SOTELO: -- do a real analysis of how much
developer fee can and should be earned on a transaction
like this. And I would just argue that with nonprofits,
it's important to sustain nonprofits. And oftentimes
nonprofits are only -- they're only able to sustain and
grow as an organization if they use their assets to, you
know, recapitalize their assets and kind of move forward.
So I would like to -- it's too late to do this right now
because this program is final, but I would ask that staff
take a look at maybe making an exception for nonprofits
who actually need to pay staff and to survive as an
organization, and these projects are really one of the
only vehicles for them to actually be able to do that.

MR. SERTICH: No, thank you. You're not the only
member who has --

CHAIRMAN JACOBS: MS. Falk.

MS. FALK: Yeah, thank you, Dalila, for bringing
that up. We had a -- I raised that at the last meeting,
and I was very concerned about the 50 percent fee,
particularly for nonprofits. And I think that by -- you
know, you've tried to change it. I don't think you've
really changed it. Because, you know, if we look at, as
an example, the two projects that are before us today, their developer fee was in one case two million, in the other case two and a half million. So that means that if they take more than a million dollars from this program, they're 50 percent of their fee. And we were talking at the last time trying to make it if they have -- if we are going to require that, which I'm not totally comfortable that, it should be something less than 50 percent.

So I'm still really -- so it wouldn't take very much of a subsidy from CalHFA to require the 50 percent of the developer fee. And as Dalila said, the developers, particularly the nonprofits, really depend on that money to sustain themselves. They have no other source of funding. So I'm not comfortable with this.

CHAIRMAN JACOBS: Ms. Johnson-Hall. By the way, let the minutes reflect that Ms. Johnson-Hall has joined the meeting.

MS. OJIMA: Thank you.

MS. JOHNSON-HALL: I have to underline and highlight this particular element, which is the developer fee. Coming from the nonprofit world, I know how critical these developer fees are, and I agree with both of the Board members who have spoken up that this is a critical -- I think we need to revisit this. I just absolutely cannot support this without us really taking a
look at this and understanding the realities of what developers -- nonprofit developers have to deal with versus other types of developers. That is a real reality.

And as I think about it, most of the transactions that I have reviewed since I've been on the Board have come from nonprofit developers, with maybe one or two exceptions. So we just need to understand who our customer is a little better and recognize that this is important to them; therefore, it's important to us.

I also want to -- I know you had mentioned that this program is focused on substantial rehab and new construction. Can you just -- are there other programs available to address more moderate rehab?

MR. SERTICH: Yeah, we've actually just in the last couple months released a new program that will deal with non-substantial rehab that's going to be -- it's our program that we have in conjunction with HUD and the U.S. Treasury that is going to provide low interest rate loans on non-substantial rehab projects.

In general, part of the reason -- I should get in a little deeper -- that we're not providing -- this subsidy is not available to them currently, not only it's a limited pot for sure, but in general most of the gap needs come from the rehab itself or the new construction,
the costs, if the project's already been built and
doesn't need substantial rehab, either has some subsidy
in place or it doesn't have the added costs of the rehab
usually. Now, the exception for that in here would be is
if we have a portfolio project that needs some help on a
workout, something happened, it ran through its
replacement reserves or something, then we could -- we
would be able to subsidize it with these subsidy funds.

But for outside deals that don't need substantial
rehab, we're not going to bring them into the portfolio
with -- the plan is not to bring them into the portfolio
and use subsidy funds to work through that, but we do
have a program that will be -- we think -- we're very
excited about that will provide low cost funding for
non-substantial rehab, non-tax-credit deals.

MS. JOHNSON-HALL: Thank you.

CHAIRMAN JACOBS: Tia?

Oh, go ahead.

MR. HUNTER: Yeah, I have a question about the
developer fees. My understanding is that they're not --
they don't go away. They're deferred. So how is it that
they're captured over time, and do they have priority in
the residual receipts?

MR. SERTICH: Yes.

MR. HUNTER: So I guess a couple of things. One
is that it seems to me that softens somewhat the impact on any organization because if they -- it requires them to carefully underwrite the deal to make sure that they have sufficient cash flow, operating income, to recapture that fee that's deferred.

MS. JOHNSON-HALL: I'm sorry, I'm not sure if they always have priority. This is Tiena Johnson-Hall again. If you bring on a conventional lender, they're going to automatically drop in the waterfall. And a lot of these deals will need conventional debt in order to have sufficient dollars to get through.

MR. SERTICH: Well, it will be our debt and maybe other local debt, is the goal here. In general, most of our deals don't have conventional debt if we're the first lender on them.

MR. PRINCE: We're the first lender.

MS. JOHNSON-HALL: We're the first lender.

MR. PRINCE: Yeah.

MS. JOHNSON-HALL: Okay. So I guess this gives them some level of protection.

MS. FALK: But if there are substantial other sources of money in there like city, county, they're going to want to be --

MS. JOHNSON-HALL: Priority.

MS. FALK: -- paid back, at least pro rata. And
it's a dribble what comes back as the developer fee, or
it's 10, 12 years out before they get it.

MS. JOHNSON-HALL: And you have to demonstrate
that --

MS. FALK: Yeah.

MS. JOHNSON-HALL: -- you can actually get it
paid from cash flow --

MS. FALK: But it's still over a fairly long
period of time when, you know, the nonprofit has put up
all their costs of developing the -- doing the rehab and
everything, you know, right at the time that it occurs.

MS. BOATMAN PATTERSON: We have been sitting on
these funds for a long time. And to come up with a
program that is going to work well with our money in
first position and to roll out and to do the data to show
what are the gaps in California, it's a demonstration.
And I think we as staff will be open to continuing to
look at those, but I think what we wanted to do is we
wanted to get the program up and running. We wanted to
have some demonstration, some measures as to is this
working, is this not working. We want to be able to have
the flexibility to go back and look at that. But I think
what staff has done by moving the deferred fee in front
and so that the developer would get paid, I think it's
kind of a moderate step.
And so I believe what we want to do is we want to see how this is working. And we do commit to coming back to you all, because we understand. We've heard you very loud and clear that the developer fee is important to certain organizations, to make sure that they are able to continue to stay in business and sustain themselves. And we're not in any way -- we view the developers as our partners. We're not in any way trying to limit their ability to sustain themselves, but we do want to make sure that we're keeping as much money as we can into affordable housing and that we're stretching these dollars and being as efficient as we can with these dollars.

So we commit to come back and continue to report on that. And if some modifications need to be made, we're willing to look at that.

MS. SOTELO: I would be happy to support the program with a modification and a motion that would read that for nonprofit partners and developers, the deferred fee not be 50 percent, that it be, rather, 25 percent and then have you look at that and test that and figure out whether that creates an issue.

MR. SERTICH: Yeah, just to be clear, it's not a 50 percent --

CHAIRMAN JACOBS: We don't have an item.
MR. SERTICH: -- dollar solution. It's up to 50 percent.

(Reporter interrupts for clarification.)

CHAIRMAN JACOBS: We don't have a resolution before us today, but --

MR. SERTICH: I just -- it's up to 50 percent, so we expect for the most part a lot of gap loans to be less, less than a million dollars, so it would be under 50 percent deferred, but in some cases it could be up to 50 percent --

MS. SOTELO: So then --

MR. SERTICH: -- if the gap loan's pretty large.

MS. SOTELO: Then the mechanism that you would modify is not the 50 percent; then you say it's a dollar for dollar match. What you would do is -- again, there's no resolution so I can't make a motion, but what I would recommend in the program is that you look at eliminating the dollar for dollar match requirement for nonprofit organizations, and that way you have a little bit more discretion in terms of how much fee is deferred versus how much loan is provided.

CHAIRMAN JACOBS: Let's maybe have an offline discussion with the working group of the nonprofit developers and bring this back.

MR. SERTICH: We can definitely do that. We'll
continue this discussion.

    CHAIRMAN JACOBS: One final comment.

    MR. HUNTER: And I would just -- yeah, the final comment was just going to be it would be really helpful to see a deal, to see the numbers in a deal --

    MS. SOTELO: Get the money out.

    MR. HUNTER: -- and really look at how they work.

    MR. SERTICH: And we've been doing that internally, but we can definitely bring that to the larger group as well.

    CHAIRMAN JACOBS: All right. Gentlemen, thank you.

    MR. SERTICH: Thank you. Thank you for all your comments.

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Item 7. Discussion, recommendation and possible action adopting a resolution to amend and restate Resolution 94-10 modifying multifamily loan processing procedures (Resolution 15-16)

    CHAIRMAN JACOBS: All right. The next item we've got, this is a streamlining item, I think. Item No. 7 is a resolution. Who is -- oh, you're staying up here.

    MR. SERTICH: Yeah.

    CHAIRMAN JACOBS: Okay.

    MR. SERTICH: So as the chairman said, this is
more of a streamlining resolution. A little background, in the past -- we have two resolutions that we work with in terms of providing commitments to borrowers, one -- they were both passed out to you I think separately outside of the Board package. One is Resolution 94-10, which provided constraints on the Agency's initial commitments, which would be well before we come to the Board. It's really when we take the loan to CDLAC, what restraints -- what constraints we had on those loans.

One of the major constraints that we were -- that Resolution 94-10 called for was a maximum loan amount of 25 million for the loan not being -- having to come to the Board prior to initial commitment.

The other resolution that we are constrained by is -- I shouldn't say "constrained," but that we live under is Resolution 01-37, which gives authority for staff to -- or for the executive director to approve loans under $4 million. Any loan over $4 million has to come to the Board for approval, as we will see under the next Board item with two loans coming to you for approval.

The issue before us is really about Resolution 94-10 on the initial commitment, this $25 million limit for initial commitment. We thought -- well, two reasons. One, we think that that is very -- it slows up -- if we
had to come to you for every loan over $25 million, it would really slow down the process. We'd have to come to you before CDLAC and then for final approval as well. And, honestly, we have done -- this resolution got lost in everyone's minds. I'm not sure what happened, but we have not been coming to you for approval for loans over $25 million before initial commitment.

MS. BOATMAN PATTERSON: This is cleanup.

MR. SERTICH: So we wanted to present a new resolution to you replacing 94-10, saying that for initial commitment the executive director has authority to approve loans as long as the loan terms and requirements are those of a prudent lender. Any loan over $4 million will continue to be brought to the Board for final approval before final commitment. This really just streamlines the CDLAC approval, the CDLAC process, the initial commitment process and lets us move forward with loans without bringing them to Board.

CHAIRMAN JACOBS: Any thoughts or questions?

MS. SOTELO: So -- this is Dalila -- the Board would still have final approval rights.

MR. SERTICH: Correct.

MS. SOTELO: But just not before it goes in for CDLAC application.

MS. BOATMAN PATTERSON: This is really cleanup.
Pattern and practice is I've been approving initial loans, initial commitments, going to CDLAC and then coming to you for final approval. This is just cleanup of pattern and practice and making sure that we're doing what we're supposed to do. So it would allow me to do initial commitments and then still come to you for final approval. And so this is just literally legitimizing our pattern and practice that we've already been doing.

CHAIRMAN JACOBS: Would it be helpful if you had a two-person or a three-person committee of the Board to review initial loan applications quickly? No?

MS. BOATMAN PATTERSON: No.

CHAIRMAN JACOBS: Okay.

MS. SOTELO: It would slow it down.

CHAIRMAN JACOBS: Slow it down too much?

Mr. Hunter.

MR. HUNTER: I would move adoption of Resolution 15-16.

CHAIRMAN JACOBS: Do we have a second?

MS. SOTELO: I'll second it.

CHAIRMAN JACOBS: JoJo.

MS. OJIMA: Thank you.

Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer.
MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn.

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Aye.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Aye.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Sotelo.

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: Resolution 15-16 has been approved.

CHAIRMAN JACOBS: Great. Thank you.

MR. SERTICH: Thank you.

CHAIRMAN JACOBS: Thanks, Toni.
Item 8. Discussion, recommendation and possible action
regarding final loan commitment for the
following projects: A. Woodglen Vista
Apartments (Resolution 15-17)

CHAIRMAN JACOBS: Jim and Ruth, let's look at
these two projects.

MR. MORGAN: Good morning, Mr. Chairman, Board
Members. I'm Jim Morgan, the housing finance chief of
multi-family loan programs at CalHFA. Along with me is
Ruth Vakili, who is our loan officer for multi-family
programs.

We're thrilled to present to you two projects
seeking loan approval: Woodglen Vista Apartments and
Maplewood Apartments. These two projects represent our
first Board reports with a revised layout and design,
which we've received many comments from Board members, so
we've still seeking input or comments, but I think it's a
new and improved product.

In addition, the Maplewood project -- will be the
second one that we present -- is our first multi-family
project underwritten via our 35-17 balloon loan programs,
so we're excited about that.

There is one correction for the record for the
resolution for Woodglen Vista on page 122 of your Board
report. The dollar amount for the permanent financing is listed as $25,265,000. That should be read $25,940,000. That is what's in your Board report, and that's what should be on the resolution.

    Thank you, Ms. Scherfee.

    And so that said, Ruth will begin her presentation commencing with Woodglen Vista.

    MS. VAKILI: Good morning.

    Woodglen Vista is a project that is a hundred percent affordable family project, and it was built in 1978. It's located in Santee, which is a bedroom community in San Diego County.

    Can everybody hear me well enough? No? Okay.

    The project is 188 units, family housing with mixes of one-, two- and three-bedroom units, so you have a mix of large family, some seniors, just a general mix of population in this project.

    You can see from the slides and the previous one that it's a rather large site and fairly well spread out. It's a lot of grass. It's got a nice pool, community room, a gazebo, play area, a laundry room.

    The project was built in '78, and it was acquired by an affiliate of Jamboree Housing in 2004. So at this point the project requires some upgrades. And as you can see from the typical kitchen, it's a little bit outdated.
The interior upgrades will include new paint, window blinds, replacement of appliances, countertops, cabinets and replacement of the bath elements, new HVAC systems and community room upgrades.

The exteriors will include replacing roofs, stucco repair, duct repairs as necessary and exterior paint.

In addition, there's a great deal of improvement to be done to the landscaping, which will take out all of this beautiful golf course lawn and replace it with the drought tolerant landscaping plan, water efficient irrigation. And with the efforts that they're putting in, it will lead to 65 percent savings in the water usage.

The rehab budget for the project is nearly $8 million, which is just over 42,000 per unit, which is substantial. The budget has contingency for hard cost changes of 18 percent. So going into the project, we have good coverage and a decent budget to cover any potential unknowns.

While the work is being done, most tenants will be temporarily relocated for a period of five to six days. There are currently nine tenants who are over income, and they have been offered permanent relocation benefits. The budget for relocation total is 574,000,
and that's sufficient to cover the temporary relocation needs and permanent relocation benefits.

The rents for this project are low. They're at -- averaging 52 to 65 percent of average for the market area.

Today we're requesting approval of a rehab loan of $31 million. The term is for 18 months. We're currently underwriting the interest rate for the rehab period at 4.9 percent, which gives us about a 25-basis-point cushion in our underwriting. And the permanent loan request is for 25,940,000 for a 35-year fully amortized loan, underwriting at 5.35 percent, which is also about a 25-basis-point cushion.

We acknowledge that the interest rate will adjust potentially until we lock 30 days prior to closing. We're anticipating a closing for this project mid-December.

The project will be restricted to -- CalHFA restrictions, I'm sorry, will be 20 percent of the units at 50 percent AMI, and the balance of the units will be at 60 percent AMI. This project is a hundred percent Section 8, and the rents will be supported by a new mark up to market contract.

Presently we are underwriting and approaching the project with incomes assumed at current HAP rents,
assuming no increases and assuming the current operating budget. So we do anticipate a rehab period rent increase, and then prior to conversion we anticipate the HAP approval, which is already in hand, a HAP contract at conversion for the new rents.

Jamboree is the sponsor for the project, and they have a vast experience in affordable housing, and their housing includes a great deal of service-enriched programs. They have developed an array of high quality affordable housing projects. And in CalHFA's portfolio, there are seven Jamboree projects.

This project -- when I went out to the site, I noticed that there are a lot of families. There are a lot of seniors. The community room was very well-used with senior lunch programs, learning programs for the children. So Jamboree is very active in serving their communities.

With that, I'll take questions.

CHAIRMAN JACOBS: Janet.

MS. FALK: Yeah, I have two questions. The first is you said there would be a rent increase during rehab, and then they'll get the Section 8 so the rent will go up and then go on down. How is that going to be managed for tenants who can't afford the rent increase, if they're all Section 8?
MS. VAKILI: The rent increase is to the HAP contract. The developer is in the process -- they've already received approval for new HAP rents at conversion.

MS. FALK: So the HAP contract would be in place at the start of construction?

MS. VAKILI: Yes. We have an existing HAP contract. They've requested an interim increase in the rents during rehab for Section 8, and then at conversion they'd get the final increase, which is all impacting the HAP contract.

MS. FALK: Okay.

CHAIRMAN JACOBS: So 20-year contract?

MS. VAKILI: Yes.

MS. FALK: My other question just is sort of informational since there were two projects that were very close together and easy to kind of compare them, it seemed like this one, the equity that's being raised from the investor is a substantially lower rate than the other project, and I was just wondering whether you looked at that or are they getting really top market for what --

MS. VAKILI: We went in with a fairly conservative estimate, and I'm anticipating that as we get closer to closing, we will finalize the numbers. But at this point, the approach is to be conservative. There
is a differential between the two projects. The Maplewood project already has all of their negotiations firmed up, so we feel validly expecting a higher rate. For Woodglen, I expect that the LP actually will increase before we close.

MS. FALK: And where will that -- what would be the decrease? What else -- what will decrease if the equity goes up? Will the loan amount go down?

MS. VAKILI: It potentially will go down. I think the developer has a wish list of a few things that they would like to add if they could. And so these are negotiations that we work through as we get closer to closing. The scope of work is comprehensive, but there are some things that they have intentions, if they can, to do.

MS. FALK: Okay, thank you.

CHAIRMAN JACOBS: Any other questions on this item?

Dalila.

MS. SOTELO: So we can speak offline about the format of the report, but vast improvements. I really appreciate it. Love it, like it, you know, it's a vast improvement, so I appreciate it.

It does point out a couple of discrepancies in the project itself, so that's what staff reports are
really supposed to call out. And I just have a question with regard to section 39, about the net cash-out to seller. It's showing net cash-out of $9.9 million to the seller, which I assume is the limited partnership. And it's going to be put into a new limited partnership. Can you just tell me about that cash-out number and what that represents?

MS. VAKILI: Well, the cash-out represents when -- we just finished a conversation about sustaining nonprofits. This is one of the ways that Jamboree is able to utilize cash-out proceeds in order to provide services on an ongoing basis for their additional projects, services that they provide in the community, predevelopment acquisition funds, funds to shore up reserves on other projects that are all a part of Jamboree's mission. And the intention for the cash-out is to utilize it solely for these purposes.

MS. SOTELO: So I just -- from a Board perspective, the $9.9 million is a rich number, and so how that correlates to our loan amount and to, you know, what the project needs are and the level of rehab, to me it's critical. So has staff looked at the scope of work that's being done on the project, and do you feel satisfied that 42,000 per unit will really get you there rather than like the 50,000 number or something higher?
MS. VAKILI: We have gone through the P and A. It's been completed. We've also inspected the property twice, and it has been in our portfolio for some time, so we have ongoing inspections and feel that between what our senior inspector reviewed, what our asset manager inspector reviewed, that the scope is comprehensive.

Again, there are always elements that you could add that would benefit the tenants and benefit the project, so if -- as the bidding process is finalized, if there's cost savings, that would be utilized.

And also we have a 20-percent hard cost contingency, so the budget is still being firmed up as we get closer to closing.

MR. PRINCE: I think the dilemma is that they could sell the property, right, and the financing could happen, and they could realize $10 million of net sale proceeds, right? So -- and then someone else could provide the financing. So if the deal was just done on its own, you know, to a for-profit buyer or to another nonprofit, they would realize that. So -- but it still shocked me, you know.

And I thought back to Santa Barbara Housing Authority did a development under the Rental Assistance Demonstration, and I think that they realized something like 10 million on the sale proceeds. They did come up
with a plan that they shared with the community about how
that money was going to be spent. So I don't know if we
could ask for that. Because, again, if it was a
different environment, they would just be able to sell
the property and realize the proceeds, so I'm kind of
curious how far we can go. So I think at some level
there's a transparency issue here, right, that I think
somehow we need to talk about how someone's getting 10
million plus the developer fee.

MS. SOTELO: Yeah, and I think that for me it all
lays within the project and the strength of the project.
So when I look at section 12 that only has, you know, a
seven-month transition reserve in case the HAP contract
goes away, what I'd like to see is maybe an 18-month
reserve so that there's a real protection on the tenants'
side that if the HAP contract disappears or there's a
freeze on Section 8, that the proceeds from the project
can actually be invested into that operating transitional
reserve and that if you don't need it in 10 years, that
then that gets released back to the developer, you know,
and burns off.

So I just want to be mindful. Again, I do not --
I'm a big proponent of nonprofits taking stock in their
assets and using those assets to leverage, you know,
dollars for their organization and the well-being of
their organization, but that cannot be at the sacrifice of the tenants living in the development or in the project itself. So the three mechanisms that I would say when we look at strong proceeds like this, not necessarily community benefits package, but really are we doing all that we can from a rehab standpoint and in the physical asset itself.

Second is on the operating side, do we have enough of an operating reserve to make it comfortable so that tenants are not penalized if, you know, HUD doesn't renew their contract.

And for me third is from a social service standpoint. If this is a nonprofit and Jamboree is an excellent nonprofit and commits to social services, can we set up social service programs with their proceeds for this project specifically. And, you know, can we -- as a lender can we help partner and encourage that. We can't mandate it, but we can certainly encourage.

CHAIRMAN JACOBS: Jonathan.

MR. HUNTER: So I had some similar questions or concerns, well, a couple of things. First of all, it's really delightful to see a couple projects in San Diego County.

Secondly, I really admire both of the developers involved in these projects. They do excellent stuff.
But now to some of the details: One of the things that was striking to me, so what are they using the $9 million for. And when I look at the operating costs, it's striking to me that they only budget $31,000 out of their operating costs for social services on-site. I recognize this is not a supportive housing project, but 188 units and you've got -- you don't even have a staff position. So it's really interesting what that is.

The other thing that's really striking to me is that this project throws off a lot of cash flow to the Section 8 subsidies. And I would much rather have seen some of that cash flow invested in additional services for families and children, particularly children, on-site and particularly in that neighborhood, which, you know, has some, you know, infrastructure around it, but for those children to thrive, for Jamboree to be investing some of that money in additional services.

Now, my guess is, knowing Jamboree, that indeed out of that $9 million, they're probably going to be providing a lot more services on-site than are valued in that $31,000, but it would be nice to see that somewhere so that we really know that kind of investment was being made. I don't know that -- again, if they were a for-profit developer, certainly we would be limited in what we could require to be done, but it would just be
nice to see that investment. And I would certainly --
rather than having all this cash flow coming out of the
project in years 15 through 20, would like to see
additional investment in services to the families
on-site.

MS. BOATMAN PATTERSON: When we look at these
projects, we're looking at the property manager, and
we're having an understanding of the experience of the
property manager -- this is me asking staff -- that's
correct?

MS. VAKILI: Yes, that's correct.

MS. BOATMAN PATTERSON: Are we asking for a
resident services plan or any community -- what the
developer or the property manager, what services they
intend to provide the tenants? Are we asking for that at
all?

MS. VAKILI: Yes, we do.

MS. BOATMAN PATTERSON: Okay. And is that -- do
we have any of the information about the resident
services plan or the cost of the services that they're
going to provide? Do we include any of that in our
write-up?

MS. VAKILI: No, not in this write-up format we
didn't. In the concept meeting, that's something that we
talk about. And when we were there at the site, it's
obvious how much of services are provided. In fact, Hugh
Martinez just gave me what he gave me at the concept
meeting, which is the plan for their services.

MS. BOATMAN PATTERSON: I think that's the
missing piece that we might, as staff, need to go back
and take a look at. All the Board members are seeing is
that $9 million is coming out of the project, but there's
a lot of back-end work that's going on that isn't getting
presented in the staff report, and so that's one of the
things that we as staff will commit to making sure.

And you might -- if the developer is here, if you
want to take a few minutes to come up and talk about some
of the services that you intend to provide on-site, might
be helpful.

MR. MARTINEZ: Hi, my name is Hugh Martinez. I'm
the project manager for Woodglen Vista, would like to add
to some -- or would like to clarify some of the concerns
that I believe it was Mr. Hunter had regarding the amount
of social services. Our budget is up to about a hundred
thousand now, and that's sort of what we've committed to.

We're looking to do more than that. And what I
handed to Ruth was preliminary findings. We hired
Dr. Rivas to do a community needs assessment to actually
profile the community, because what we found on the
supportive services side, at least when it comes to
development, is that a lot of programs are pushed through
without really having any connection to the actual needs
of the residents. And typically it's check a box. What
does TCAC want? What's the minimum that you need? How
much does it cost? How do we do a dog and pony show?

So with this survey, we actually looked at the
needs of the residents. And being in Santee, at first
glance you would think, well, being a family development
that there would be a need for ESL and that -- maybe ESL
and expect a high Spanish-speaking population, but what
we found is that the population tends to be primarily
Coptic, Coptic and Chaldean, so a lot of Iraqi refugees.

We found a need for employment training, and we found
that the community's fairly cognizant of their healthcare
and fairly health conscious, so we're tailoring the
programs and our supportive services around that.

We have lunch programs and breakfast programs for
the children that are school aged during the summer, so
we provide -- we have a collaborative, and we provide
meals free of charge on-site.

We have senior meetings. The community doesn't
have a senior center, so we allow the community to
utilize our community center for social events for the
senior community in Santee.
We have a collaborative with United Way, and this is our -- this is one of the projects we will start to benchmark progress, so we're going to have annual surveys to really measure the outcomes and measure the benefit and effect of the supportive services. So we're looking at doing a family, deploying it portfolio-wide to track the progress of well-being, economic, and educational attainment of the residents. So there's a lot more to this that's being rolled out. And we do want this to be a landmark development.

CHAIRMAN JACOBS: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Thank you, Mr. Martinez. I really do like this project, and I'm glad that the staff is bringing this forward.

My question actually centers around sort of going back to the net cash-out. I actually in concept do not have a problem with that at all, but I think that it could be a very gray area that we might want to revisit in the form of maybe putting some policies around that. The reason being is as you bring in -- I mean Janet talked about bringing in a higher equity, for example. There may be some additional cost savings, too, as they do this. And so what you don't want to do is have the Agency look like we're over-enriching the project so that these folks will have more money for a net cash-out.
It's a very slippery slope.

And so that's just my thoughts around it's sort of a bigger question that I'd like the staff to think about going forward.

CHAIRMAN JACOBS: Any other comments?

Mr. Gunning.

MR. GUNNING: Ruth, I noticed you list the congressional and legislative districts as part of the format here. Is there any outreach to the local Congress, Assembly or Senators, about the project to sort of let them know the good work we're doing in their district?

MS. VAKILI: No, we don't as a part of our underwriting and processing reach out, but I believe as a part of the Board and -- I'm kind of reaching on this one.

MR. GUNNING: Okay.

MR. PRINCE: I bet Jamboree has done that.

MR. GUNNING: Are you talking to Senator Anderson about this good project?

MS. RICHARDSON: I'm sorry, this is Di Richardson, and I'm the legislative director, and generally -- we haven't done one of these in a while, so I think Ruth may not be aware, but generally when the Board does approve a loan packet, we do send a letter to
the members letting them know that the Board has approved
a project in their district.

MR. GUNNING: I guess to show that we're a
living, breathing, thriving organization, I think more
than a letter should be done. I think we should let them
know and maybe do something when the final deal is closed
to let them know the work we're doing.

MS. RICHARDSON: We've talked about that in the
past, and, you know, I'm certainly in favor of that.
When there's been -- when there are openings, you know,
when the project's opened or whatever, I think that
normally that's been the responsibility of the sponsors,
and we have not insisted on, you know, inviting people,
but the sponsors generally do a very good job of inviting
the elected officials in the area and letting them know.

Happy to talk to you, Mr. Gunning, about other
ideas. We try to -- our letters aren't exactly form
letters. They are -- I try to make sure that they
understand the project and what it looks like and who
it's serving so they have a little bit more information,
but I do think that that outreach is really important.

MR. GUNNING: I would certainly be glad to help.

MS. RICHARDSON: I will accept your offer.

CHAIRMAN JACOBS: Just one thought for Jim and
Ruth, just on future loans it might be good -- I mean,
it's great having Mr. Martinez here to explain and we know Jamboree, but just to have a quick statement or a letter from the borrower explaining what we're going to do here and why we're doing this. It would probably help just the Board in general.

Janet.

MS. FALK: Yeah, I have just one comment on a consistency question. In the second project that we're going to see, you had a condition of approval that they get TCAC and CDLAC approval, and I was curious as to why that wasn't a condition of approval on this one.

MS. VAKILI: We already have TCAC approval on this one. CDLAC is the 16th, so for consistency purposes, you're right. But it's the case for both projects, CDLAC.

MS. FALK: Thank you.

CHAIRMAN JACOBS: Dalila.

MS. SOTELO: So, Mr. Chairman, I just have a point of clarification. The resolution we would be adopting for this project allows that the executive director can modify the terms and conditions of the loan. I strongly believe that we should require additional transitional reserves on the project to, you know, meet a longer period of transition in case the HAP contract does not get renewed, even though factually it has been
renewed in the past. Just a point of order, is that something that I would introduce as a motion?

    CHAIRMAN JACOBS: Yes.

    MS. SOTELO: Or is that something that could be added at the discretion of the executive director?

    CHAIRMAN JACOBS: We could do it either way. It would probably make sense to include it in the motion.

    MS. SOTELO: I do trust staff, and I trust staff that they are looking at these issues, and the input that I have is, you know, more around the underwriting. I don't want to set policy at the Board level around the underwriting, so if, you know, it's easier to have Ms. Boatman have the discretion to do it, then we don't have to direct her to do it.

    MS. BOATMAN PATTERSON: Right. I think that would be preference, to be able to go back and work with the lender and to go back and see, but understanding and taking into account what the Board has said that they'd like to see a higher transitional reserve to protect those tenants in case the HAP contract -- we're pretty confident about the HAP contract, but we all know with the federal government that there are contingencies, so we make that commitment, that we will go back and take a look at that.

    MR. MORGAN: So Ms. Sotelo, is this a transition
operating reserve over and above the operating expense reserve as a separate transition, or is it just an increase in the existing operating expense reserve?

MS. SOTELO: You have a 683,000 what I assume is a transitional reserve that was stated. I'm just saying instead of looking at only seven months, take a look at it for 12 months or 18 months, something a little bit more robust.

MR. MORGAN: Okay.

MS. SOTELO: And that would come from proceeds or from additional tax credit or another source.

And then I think the social service component is also a critical one that Board Member Hunter pointed out, so.

CHAIRMAN JACOBS: With that -- oh, Ms. Avila Farias.

MS. AVILA FARIAS: I just wanted to piggy-back on Tia's comment as well on item number 12 in regard to the project that you have on there. There was no real detail on there, but what is the financial stability? Because it does -- although it states it's a 20-year term, but then it's based on the annual renewal, which is pretty traditional, but what is the background? I mean there's some stuff that wasn't shared with us. You know, it is dependent on the federal funding, and what's the risk
factor there? Is it pretty protected for the 20 years or not? What's the relationship, and what's the financial stability of the Agency to be able to sustain that 20-year?

MS. VAKILI: The risk factor, as you already mentioned, would be the annual appropriations by the federal government and the purpose of an operating reserve that Dalila is talking about beefing up to offset that kind of a potential.

The project, since its operation, has of course had a HAP contract. That doesn't mean that something couldn't happen in the future. But to bolster the reserves would give the project a year or so in order to respond to any measures that they would have to take to adjust. And typically that would be the offset, and that would be the way to mitigate the risk.

MS. AVILA FARIAS: Right. I understand the risk and the offsetting of it, but I guess the more -- even more in-depth on the kind of things you can kind of project on the housing agency of how they're spending or allocating other project base that's going to get credit. And what makes me nervous is that annual renewal which is obviously the annual compliance of, you know, basic HQS that you're adhering to the regulatory rules of those projects. That's one factor, but also funding
availability, so -- I mean, you may not know that. I mean it's more the housing agency that's providing to project base, but I'm curious if you had any back discussion on that or more detail or -- other than this is just where we're at and we're just mitigating with the reserve there.

MS. BOATMAN PATTERSON: Let me -- is this a traditional -- is this a HAP contract like the old HAP contracts, or is this project based Section 8 like the new?

MR. MORGAN: This is project based Section 8.

MS. BOATMAN PATTERSON: And there's been projects --

MR. MORGAN: It has an existing HAP that is being -- and existing HAP exists --

MS. BOATMAN PATTERSON: A HAP --

MR. MORGAN: -- and currently getting renewed, a project based Section 8 HAP contract getting renewed for another 20 years.

MS. BOATMAN PATTERSON: And who's administering the HAP contract? Is that the Agency administered HAP contract, or is that the local housing authority administered?

MR. PRINCE: It's a multi-family program, so it would be the ones that have a COLA through their
nonprofit does the administration, right?

MS. BOATMAN PATTERSON: That's what I'm asking staff.

MR. MORGAN: Yeah, I know that CalHFA administers certain HAP contracts.

MS. BOATMAN PATTERSON: Is that this, or is this the one that's administered by the locals?

MS. VAKILI: This contract is administered by the locals.

MS. BOATMAN PATTERSON: Okay. And it's a 20-year contract now. And so that's what Ms. Avila Farias -- I want to make sure that I'm saying this right. Say it again.

MS. AVILA FARIAS: Avila Farias.

MS. BOATMAN PATTERSON: -- Avila Farias is asking, the history of the housing authority that is administering --

MS. AVILA FARIAS: Right.

MS. BOATMAN PATTERSON: -- this HAP contract. They have for 20 years administered it.

MR. PRINCE: This isn't Section 8 new construction, so this is through the multi-family, not the public and Indian housing --

MS. BOATMAN PATTERSON: Okay.

MR. PRINCE: -- HUD, so it is a direct contract
with the property.

    MS. BOATMAN PATTERSON: And they're pretty
   stable.

    MR. PRINCE: They are.

    MS. FALK: They're pretty stable in the 20 years
   and then --

    MS. AVILA FARIAS: No, it's not in the document.
   I wouldn't know that --

    MS. BOATMAN PATTERSON: Exactly.

    MS. AVILA FARIAS: -- who the entity is if it's
   not in the report.

    MR. PRINCE: I'm making that assumption, so
   you're totally right that that should be clear rather
   than --

    MS. AVILA FARIAS: Right.

    MR. MORGAN: Because of the --

    MS. AVILA FARIAS: It defines the risk factor,
   you know, where it's come from. I couldn't tell from
   the --

    MR. PRINCE: The multi-family program has
   historically received better funding than the public and
   Indian housing program, so, Dalila, I totally agree with
   your questions and concerns about the transition.
   You also threw out that idea of that it gets released
   after a period of time.
So going back into the 1990s, the investors and lenders used to require a separate Section 8 transition fund, right? We, particularly us on the housing authority side, fought to get rid of that. The 2008 crash brought it back. We're starting to see it being relieved, but I would imagine the investor is going to require some kind of transition plan as well.

So I would hate for us to add more burden to it, but at the same time I totally agree with you there has to be something of concern. And with a development like this that appears to be healthy, that if there's clauses that allows the money to be released back to the sponsor within a certain period of time, it seems reasonable to me. Those are the kind of things that we've been agreeing to to release the funds.

MS. BOATMAN PATTERSON: So I think I mentioned this to staff before, but there's a difference of project based Section 8 that administered by a local housing authority and project based Section 8 that is administered by multi-family. And when we don't explain that, folks from the local housing authority are trying to figure out, well, what does this mean and how is this administered. So we need to be a little more clear as to where that additional financing or rental subsidy is coming from.
MR. MORGAN: We'll include that on future reports, who's administering the Section 8 contract, because there are cases where CalHFA is administering that Section 8 contract, so we will delineate.

MS. AVILA FARIAS: Thank you.

CHAIRMAN JACOBS: Do we have a motion to put this up with guidance to staff to tighten it and --

MS. SOTELO: I move to approve this project pursuant to our discussion.

MR. PRINCE: Second.

CHAIRMAN JACOBS: All right, JoJo, do a vote.

MR. JAMES: Point of information, the resolution is to move as amended at page 2, item 15, correcting the dollar amount to 25 million?

CHAIRMAN JACOBS: Correct the dollar amount and --

MS. SOTELO: I'll amend to reflect the 24 -- 25,940,000.

MR. JAMES: Thank you.

MS. SOTELO: I thought you meant the other one.

CHAIRMAN JACOBS: JoJo.

MS. OJIMA: Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Thank you.

Mr. Schaefer.
MR. SCHAEFER: Aye.
MS. OJIMA: Ms. Gunn.
MS. GUNN: Aye.
MS. OJIMA: Ms. Falk.
MS. FALK: Aye.
MS. OJIMA: Ms. Avila Farias.
MS. AVILA FARIAS: Aye.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Aye.
MS. OJIMA: Ms. Johnson-Hall.
MS. JOHNSON-HALL: Aye.
MS. OJIMA: Mr. Hunter.
MR. HUNTER: Aye.
MS. OJIMA: Mr. Prince.
MR. PRINCE: Yes.
MS. OJIMA: Ms. Whittall-Scherfee.
MS. WHITTALL-SCHERFEE: Yes.
MS. OJIMA: Ms. Sotelo.
MS. SOTEO: Yes.
MS. OJIMA: Mr. Jacobs.
CHAIRMAN JACOBS: Yes.
MS. OJIMA: Resolution 15-17 has been approved with the changes.

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Item 8. Discussion, recommendation and possible action
regarding final loan commitment for the
following projects: B. Maplewood Apartments
(Resolution 15-18)

CHAIRMAN JACOBS: We're going to just go down the road a little bit and --

MS. SOTELO: May I suggest that -- do we need a staff presentation of this item, or do folks feel comfortable that they understand the second project because we have kind of --

CHAIRMAN JACOBS: Pretty similar, yeah. Does anyone have any specific question on the Maplewood project?

MR. PRINCE: If you make a motion, I'll second it.

MS. SOTELO: I'd like to make a motion to adopt Resolution 15-18 approving the Maplewood Apartments.

MR. PRINCE: Second.

CHAIRMAN JACOBS: There we go. JoJo.

MS. OJIMA: Thank you, Mr. Prince.

Ms. Caballero.

MS. CABALLERO: Aye.

CHAIRMAN JACOBS: Saved you guys a presentation.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn.
MS. GUNN: Yes.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Aye.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Aye.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Yes.

MS. OJIMA: Thank you.

Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Yes.

MS. OJIMA: Ms. Sotelo.

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: And an aye.

MS. OJIMA: Thank you.

MR. PRINCE: And I want to be clear, it wasn't just to save time. I mean, I think that the staff report was fantastic. I think it is getting better, so I think we were prepared -- and the questions and conversation
before.

CHAIRMAN JACOBS: The format is a lot easier to follow.

MS. OJIMA: Resolution 15-18 has been approved.

MS. VAKILI: Thank you.

CHAIRMAN JACOBS: Thank you.

Item 9 is continued to our next Board meeting.

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Item 10. Discussion, recommendation and possible action adopting a resolution to revise CalHFA's downpayment assistance programs

CHAIRMAN JACOBS: Item 10, about the downpayment, who is presenting?

MS. BOATMAN PATTERSON: Ken.

CHAIRMAN JACOBS: Ken is presenting. Here we go.

To save time, I think we're not going to do a break, if some people need to excuse themselves and run out -- raise your hand if -- do we need a five-minute break?

MS. BOATMAN PATTERSON: Let's get through this last one, and then we'll take five.

CHAIRMAN JACOBS: Let's get through this, and then we'll take one.

MS. TAURIAINEN: Good morning. I'm Claire Tauriainen, staff attorney at CalHFA.
MR. GIEBEL: And I'm Ken Giebel, the director of
single-family lending.

So in the Board package staff put a proposal
together. It includes a recommendation that now that our
CHDAP and HPA money, bond moneys, have been exhausted and
we are operating off of recycled funds, we are suggesting
that we take those recycled funds and that we combine
them together and put a new DPA product together called
My Home Assistance Program. It will be a 5-percent DPA
subordinate loan, 30 year. Most of all of the CHDAP
underwriting requirements stay in place with the
exception of this loan will now only be able to go with a
CalHFA first mortgage. Now, I know we outlined the
rationale for that. I'll run it through it very quickly
for you because I think there's some things that we need
to explain.

The first is and this is probably the most
important is that on what we call standalones, when the
CHDAPs were not with our first mortgage, we had
absolutely no ability to look at those first mortgage
loans. And since we've reinstated the CHDAP program in
2009, 90 percent of our loans are CHDAP standalones.
That percent had probably dropped a little in the last
four months.

So let's just say we had a market turn or some of
these loans went delinquent and started moving towards foreclosure. We didn't find out about that until the loan was gone and we lost the DPA money. In the 80s -- I mean in 2008, a lot of it went away. Okay. That's -- and we will have the ability to step in with a modification, offer a modification, either with Keep Your Home or our own modification product, because we will have access to that first and see how it's performing.

The second issue is the CFPB, which is the new consumer protection operation out of D.C., has got -- instituted Dodd-Frank laws, and the last one they're instituting that takes effect October 3rd is called TRID. We do not have the staff right now to do what TRID requires at the closing table. So what we're going to do effective the 5th -- because this goes in -- the 3rd is a Saturday, we are going to insist with -- now that they have to use our DPA with the first, that they close those loans in their name. So when they do the first, they will put the DPA loan in their name, and we will reimburse them. That's streamlining everyone's -- all the HFAs are going in that direction.

Needless to say, it will extend the use of these downpayment funds for about 12 to 14 months. Additionally, it will give us a little bit more control to make sure that the borrower's needs are being met and
this somehow isn't being used to really benefit the lender more than the borrower. Because in our loans, we look at that, how those moneys are being used either for downpayment assistance, closing costs, or even to pay for the MI up-front or to get them to 95 on the conventional, gives them a lower MI payment.

Also, it will permit us to streamline. Some documents will go away. One of the issues lenders all have is the documentation CalHFA requires, so that will permit us to streamline.

So that's basically the rationale, and we would be happy to answer any questions.

CHAIRMAN JACOBS: Thanks, Ken.

Any questions?

All right. We have a resolution, I believe. Anyone want to put the resolution up?

MS. FALK: I'll move.

CHAIRMAN JACOBS: So moved. Do we have a second?

MR. HUNTER: Second.

CHAIRMAN JACOBS: Great. JoJo.

MS. OJIMA: Thank you.

Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: Aye.
MS. OJIMA: Ms. Gunn.
MS. GUNN: Yes.
MS. OJIMA: Ms. Falk.
MS. FALK: Yes.
MS. OJIMA: Ms. Avila Farias.
MS. AVILA FARIAS: Aye.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Aye.
MS. OJIMA: Ms. Johnson-Hall.
MS. JOHNSON-HALL: Aye.
MS. OJIMA: Mr. Hunter.
MR. HUNTER: Aye.
MS. OJIMA: Mr. Prince.
MR. PRINCE: Yes.
MS. OJIMA: Ms. Whittall-Scherfee.
MS. WHITTALL-SCHERFEE: Yes.
MS. OJIMA: Ms. Sotelo.
MS. SOTEO: Abstain.
MS. OJIMA: Thank you.
MR. GIEBEL: I have one last thing that has nothing to do with the resolution when you're finished there.
MS. OJIMA: Mr. Jacobs.
CHAIRMAN JACOBS: Aye.
MR. GIEBEL: Sorry.
MS. OJIMA: Resolution 15-19 has been approved.

CHAIRMAN JACOBS: Ken.

MR. GIEBEL: Last thing, this month U.S. Bank has finally relented, and we will start accepting mortgage broker business.

MS. BOATMAN PATTERSON: That's a big deal.

MR. GIEBEL: So we'll be serving that -- we'll be serving that HUD FHA market with this new downpayment assistance program.

Thank you.

CHAIRMAN JACOBS: The next item, I think there was a memo from Tim Hsu about letter of credit or line of credit. Is there anything you need to tell us?

MS. BOATMAN PATTERSON: I think she wants to take a break.

CHAIRMAN JACOBS: Let's take a break. Okay. So let's take a break before jumping into this next item. Five-minute break and then, Tim, you're up.

(Recess taken from 11:27 to 11:36 a.m.)

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Item 4. Closed session under Government Code Section 11126(a)(1) to evaluate the performance of a public employee

CHAIRMAN JACOBS: Actually we're going to go into closed session because the lunches are here, so I think
just the Board and I guess because of the subject matter, let's -- the Board secretary. The lunches are here so we're just going to go into closed session now.

Tim, we'll get back to you as soon as we're done with this discussion, sorry.

(Board met in closed session from 11:37 a.m. to 12:20 p.m.)

CHAIRMAN JACOBS: We're back on in open session. Some people have got to catch a plane.

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Item 5. Discussion and possible action to adjust the salary of the Executive Director

CHAIRMAN JACOBS: We've had a closed session discussion of the executive director. The Executive Evaluation Committee will be compiling a report just based on the discussion that we've had. Individual members will write up their own thoughts.

And the salary discussion, if you don't mind, based on our talk, does anyone have a motion?

MR. GUNNING: Yeah, Mr. Chairman, I move that we increase the executive director salary 10 percent.

MS. FALK: I'll second that.

CHAIRMAN JACOBS: All right. Let's do a roll call. While JoJo gets back, I'll call the roll.

MS. BOATMAN PATTERSON: Did you announce the item
number that we're on?

CHAIRMAN JACOBS: It was item number 5, Resolution --

UNIDENTIFIED SPEAKER: Sorry, can we wait for our cameraman to come back?

CHAIRMAN JACOBS: People will miss the flight. The Secretary will miss the flight.

JoJo, let's call the roll.

MR. PRINCE: Secretary.

MS. CABALLERO: Aye.

CHAIRMAN JACOBS: So run for the plane.

MS. CABALLERO: Thank you.

MS. OJIMA: Where are we?

CHAIRMAN JACOBS: 15-15.

MS. OJIMA: Was there a motion?

CHAIRMAN JACOBS: Motion and a second.

MR. GUNNING: Motion and a second by Falk.

MS. OJIMA: You made the motion.

MR. GUNNING: Yes.

MS. OJIMA: And second by Falk.

Secretary Caballero.

CHAIRMAN JACOBS: She voted aye on the way out.

MS. OJIMA: Mr. Schaefer.

MR. SCHAEFER: I will abstain.

(Reporter interrupts for clarification.)
MR. SCHAEFER: I will abstain, but that shouldn't signal any lack of support for the executive director's competencies.

MS. OJIMA: Thank you.

Ms. Gunn.

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: I will be abstaining and also not because of a lack of support for the executive director.

MS. OJIMA: Thank you.

Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Aye.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Aye.

MS. OJIMA: Mr. Prince.

MR. PRINCE: Aye.

MS. OJIMA: Thank you.

MR. PRINCE: I made you turn your head.

MS. OJIMA: Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Aye.
MS. OJIMA: Ms. Sotelo.

CHAIRMAN JACOBS: She had to run for the plane.

MS. OJIMA: Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

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

MR. JAMES: Point of information, Mr. Chair. The resolution reads the Board of Directors hereby adjusts the salary of the executive director to increase her present salary by 10 percent?

CHAIRMAN JACOBS: Yes.

And the Executive Evaluation Committee will be meeting with the executive director to discuss some of our discussion and goals for the coming year, specific points.

MR. GUNNING: Can I just ask who is on the Executive Evaluation Committee? Do you have that handy?

MS. OJIMA: I looked for that.

MR. GUNNING: We couldn't figure out the third one.

MS. OJIMA: Mr. Gunning.

CHAIRMAN JACOBS: Mr. Gunning, Secretary Caballero --

MS. OJIMA: Ms. Caballero.

MR. GUNNING: Make it Falk.

MR. JAMES: It was Ms. Falk.
CHAIRMAN JACOBS: Yeah.

MR. JAMES: It is Ms. Falk.

MR. PRINCE: Do you -- are you comfortable with the 10 percent, or do you want the number that we think it is? I'm --

MR. JAMES: Well, staff can compute the 10 percent.

MR. PRINCE: Okay.

MR. JAMES: And that's consistent with -- we can do that.

MR. PRINCE: Okay. I just want to make sure.

CHAIRMAN JACOBS: Great, thank you.

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**Item 11. Report and discussion on CalHFA's efforts to secure a Letter of Credit**

CHAIRMAN JACOBS: Let's go on to Tim Hsu, item number 11. There was a brief report --

MR. PRINCE: I pass for the adoption -- I'm sorry.

CHAIRMAN JACOBS: We'd like some understanding of the line of credit. Just walk us through the importance of this.

MR. HSU: I think this is a great Board meeting that suggests that the Agency really has turned the corner, from talking about many of the things that we
talked about five or six years ago to talking about mostly lending at this Board meeting.

We have a couple of multi-family projects, and this particular item is -- it has to do with supporting single-family lending. As we -- as you saw from the earlier discussion regarding the use of the subsidy funds, those subsidy funds could actually be used to warehouse multi-family loans. So there's not a particular pressing need to get a warehouse line for multi-family, but for single-family there is.

So why do we need a warehouse line? First of all, part of what we do in lending is that we need to borrow to lend. It's something that is not for everyone to do for their personal finance, but something that we have to do.

What would this allow us to do if we had a warehouse line? It could allow us to hedge internally, and this is something we talked about last year. About -- I think about the first quarter of last year, we actually got the Board to approve our ability to hedge internally. And this -- this -- if we were to transition to hedging internally, this would definitely lower our costs of our transactions, which it could also potentially increase our profit margin up-front.

And lastly, we had emphasized in those previous
discussions that in hedging internally we could also
create an annuity going forward, which is an important
component of a governmental entity like ourselves to
ensure a future feasibility of income to support the
Agency, because, as you know, the Agency is a self-funded
agency. And that piece is really important, and that's a
piece that we're not doing right now when we're
delivering our production into this TBA market.

And the second thing, which is also very
important, is that having a warehouse line could also
help us transition into issuing tax-exempt bonds again
for the single-family production, which, again, we're not
using -- we're not using single-family volume cap right
now to fund our single-family lending, and that's sort of
an important piece, that that could potentially lower our
cost of funds as well.

And, again, by issuing bonds, it could also allow
us to create a residual future that the Agency has
traditionally relied on.

CHAIRMAN JACOBS: So, Tim, this is an outcropping
of the reorg plan and just trying to assess the business
model? I mean, this is a tool that you need?

MR. HSU: Yes. Although I did go back to look at
the business plan. It was specifically in there.

Because this is almost like a stepping stone to some of
the things that are in the business plan.

    CHAIRMAN JACOBS: Right.

    MR. HSU: So moving along, historically we have had warehouse lines from a couple institutions. We've had one from the State, from their Pooled Money Investment Account. And at some point it had actually reached quite a large number. I put down 300 here, but I think at some point it went up as high as $350 million -- oh. I appreciate the correction -- and we paid this off in March of 2012 in the midst of many of the things that was happening.

    And then we had also had a line of credit from Bank of America for a hundred million dollars. And for those of you who have been with us, that was sort of a line that we used to warehouse some of our Bay Area housing loans. Anyway, we paid that off in February of 2011.

    So that's sort of just the brief history of what we've done.

    And lastly is that there are three ongoing discussions right now for a warehouse line for single-family. The first one is that we have requested for a warehouse line with the Pooled Money Investment Account again, otherwise known as PMIA, and we have submitted that request to the Treasurer's Office. And I
think that -- I sequence this in one, two and three, and this is our most sort of prized and -- this is the line of credit or the warehouse line that we like the most. It's the most cost-effective, and it's operationally the easiest one to use.

And we also currently have an offer from a private bank that helped us replace HMRB's TCLP for a warehouse line of credit. And this one, the way it was offered to us actually is backed by our general obligation, so it's not a strict warehouse line as such because a strict warehouse line sometimes could be sort of -- sort of involve the line -- involve the loans and the collaterals and whatnot. So this one is backed by our GO, and we have a term sheet from them, but that's sort of our plan B.

And then lastly we have been working with Federal Home Loan Bank for quite some time for getting a warehouse line from them. And this discussion has been going for quite some time. And they have some credit exposure to us. They do have some bonds they have purchased from us in our single-family indenture that has dwindled quite a bit and recently have reached out to us on ways that it can partner with us on affordable housing. And -- but for a number of years now, I would say for two years now, they have been a little bit bogged
down by a couple issues. They are still going through some credit approval. And also they have expressed some concerns -- they did this last year, and they also did this recently -- about, you know, this noise, if you will, regarding the consolidation with HCD.

I want to emphasize, too, though, the Federal Home loan Bank line of credit, it's not as preferred by us because while they have this line of business with many of their members, the way they go about this line of business, they need to perfect a security in the line, and that process could be a little bit more operationally than we desire.

So anyway, I kind of sequenced this in the order we prefer, but the Federal Home Loan Bank is definitely one that has been sort of pressing us a little bit on some of these issues that we have talked to the Board about, and I think that Tia is going to talk to the Board about that in a little bit as well.

So I'll take any questions if you have them.

MR. GUNNING: So that is the order of preference. So the Federal Home Loan Bank, because of the security requirement, is not as attractive?

MR. HSU: Yeah, so they -- they want to perfect their security -- we are trying to -- we have a couple hurdles with them. One is that we have to clear their
credit to give us some allowance of how much credit
exposure they can have to ask. And then after that,
we'll work with them on whether or not they need to
perfect their security like they would with any other
lines that they offer. And that process, I heard through
someone that they actually want you to send all the notes
to them while their warehouse line is being drawn upon,
and that -- that's the kind of stuff that we want to try
to avoid in order to facilitate the number of days that
these loans are out there for before funding, so.

MR. GUNNING: Okay.

MS. JOHNSON-HALL: I can confirm that that is
true.

MR. GUNNING: They were looking for a statutory
change to make it easier for insurance companies to
access this. I know what you're talking about.

MR. SCHAEFER: One of the things that I would
just caution the Board to think about without signaling a
decision here, because there's still a lot of ground that
we have to cover to get there with a rational decision
about the use of the pooled money account, but there are
more actors in play in the pooled money account today
then there were the last time the HFA went to there.
Principal among them is the statewide implementation of
FI$Cal, the financial management system for the State,
which is generally expected will likely result in a
speeding up of certain payables in order to take
advantage of dynamic discounting from vendors.

The second part of that is that following the
dreadful financial challenges that the State faced in
2009, there was a very exhaustive scrubbing of the 1100
or so special funds, the majority of which are invested
in the pooled money account, to determine which were
vulnerable and which were not. The result now is that as
the State's budgetary situation has gotten better, A, its
liquidity has returned -- that's a good thing -- but, B,
some of the mechanics between the special funds and the
pooled money account have become more complicated as a
result of the actions that were taken between 2009 and
2011. That's why this is not an easy discussion to have.

And then the last thing I would say -- and this
is not to throw a wet blanket on anything, but the State
Treasurer's responsibility as custodian of those funds is
in order safety, liquidity and yield a very distant
third. Liquidity is a challenge with any warehouse line.
We'll work through that, and we'll come to some kind of a
rational understanding, but just to make sure that the
Board understands that that's a process, not an event,
that we'll have to go through.
MR. GUNNING: Well said.

CHAIRMAN JACOBS: I think we know who to ask if we have questions.

MS. HSU: More than we ever wanted to know, probably. I appreciate your comments very much, Tim.

When I put in the request -- maybe this is a bit too much. When I put in a request, I thought it was a kamikaze. I really thought it was, because I know that back in 2012 when we paid it off, the signal to us was that this is not something that will come up again in the future. So I thought I was going for the kill, but I didn't, so I really appreciate the Treasurer's Office's willingness to look at this again.

Thank you.

CHAIRMAN JACOBS: Thanks, Tim.

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Item 12. Update on Governor's Reorganization Plan II related to Housing

CHAIRMAN JACOBS: All right, Tia. So tell us, now that Tim has introduced us again to this notion of why we -- where is the reorg headed; what's the future looking like for us?

MS. BOATMAN PATTERSON: So in March I met with Mel Watt, who is the federal -- director of the federal home finance administration. And he was discussing how
he would really like to see the HFAs nationwide and their federal home loan banks play more of an active role and that those partnerships be increased. And as a result of that, we started engaging in the Federal Home Loan Bank on some of those issues. And the issue of the reorganization came up, and then it occurred to me that you all -- I know that's kind of disturbing.

CHAIRMAN JACOBS: It's a light show. (referring to blinking lights from equipment)

MS. BOATMAN PATTERSON: -- that it had been a while since you all had been updated on the Governor's reorganization, so I did want to take an opportunity this afternoon to provide you with an update on the Governor's Reorganization Plan.

First, by way of background, the Governor's Reorganization Plan, or GRP, was to give you -- take you through the steps that we have taken to try to implement that. It was first announced in May of 2012. The Governor's Reorganization Plan No. 2's primary purpose and focus was on an increased efficiency and effectiveness in state government. The GRP transferred CalHFA and HCD, the Housing and Community Development department, up from the former Business, Transportation and Housing Agency and put them together within the newly established Business, Consumer Services and Housing Agency.
Within the Business, Consumer Services, Housing organizational structure, HCD reports directly to Business, Consumer Services, Housing Agency while CalHFA is reported and displayed as a program within HCD. This restructuring was intended to improve the housing program policy development and enable a higher level of programmatic coordination and collaboration between CalHFA and HCD.

During the 2012/2013 fiscal years, both agencies conducted a joint assessment of their organization. The assessment included an analysis of workload and functions, business processes and risks, and included numerous meetings with our stakeholders and business partners. Once the assessment was complete, the agencies outlined the level of effort, time, funding and risk of various collaboration scenarios.

Over the next several months, CalHFA and HCD worked with the Administration to implement the reorganization, which took effect on July 1st, 2013.

The Board was last updated on the reorganization on April 23rd, 2013. There were a number of challenges with the reorganization, but the primary challenge was ensuring the ability of CalHFA to meet its obligations to its financial partners, including both bondholders, and understanding that our creditors are sensitive to any
structural changes to CalHFA that would impact CalHFA's independence as a banking institution. Tim just articulated some of these sensitivities during his previous discussion on obtaining the line of credit.

Creditors need a complete understanding of the relationship between Business, Consumer Services, Housing Agency; HCD; and California Housing Finance Agency to alleviate concerns related to the organizational structure that could present a credit risk.

The current status is that as of June of 2014 it was determined that the two departments would remain separate, and CalHFA would establish a more formal collaborative relationship with HCD. CalHFA updated its MOU with HCD. It meets regularly with HCD and TCAC and CDLAC, our two other housing entities on joint housing policy sessions. Although CalHFA is displayed in the state budget as a program within HCD, this is for budgetary reporting purposes only.

To ensure CalHFA's continued financial independence, Department of Finance created a suborganization code in the state budget. The collaborative model allows CalHFA independence while ensuring a more deliberate and focused collaboration will be pursued to increase the effectiveness and efficiencies of affordable housing services.
To date HCD and CalHFA collaborative activities include completion of a new interagency operating agreement between CalHFA and HCD, emphasizing an expanded approach to collaboration; consolidation of the legislative analysis units under one manager and joint approaches to legislative analysis and research; a formal collaboration between CalHFA marketing division and HCD communication division, resulting in a robust marketing and communication effort; and formation of an interagency working group between CalHFA, HCD and CalVet to implement the California Veterans and Homeless Act, Prop 41. While CalHFA is grouped together with HCD, it remains administratively and operationally independent.

Looking ahead, we know that there are ongoing challenges and the process of working to implement -- but the process to implement reorganization has assisted the two organizations to grow a healthy, collaborative relationship as long -- as well as with other state partners and the two housing entities, TCAC and CDLAC. All four housing organizations -- HCD, CalHFA, TCAC and CDLAC, tax credit allocation committee and the -- help me here, Tim -- California Debt Limit Allocation Committee -- meet regularly for joint policy meetings. Both HCD and CalHFA both sit on both of those boards as ex officio members as well.
We look forward to working with HCD as a strong partner to ensure our respective missions are carried out and to provide effective housing solutions for all Californians.

So that is the presentation I wanted to provide you with and give you guys a complete understanding of the reorganization efforts. So if you have any questions, I'm available.

CHAIRMAN JACOBS: Thank you.

Any questions?

Great. All right, thanks.

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Item 13. Discussion and possible action to select a member of the governing board to preside at meetings of the Board in the absence of a chairperson (Resolution 15-19)

CHAIRMAN JACOBS: Let's move on to item 13, which is a pretty simple resolution. This board has had trouble sometimes having a chairperson. It's a process, so in the absence of having a chairperson appointed --

MR. PRINCE: I move for the adoption of that resolution.

MR. HUNTER: I'll second.

CHAIRMAN JACOBS: Perfect. Done.

(Reporter interrupts for clarification.)
MS. FALK: I just want to correct the record in terms of what was handed out and when people's board terms are. The one for me is incorrect in terms of the date. I didn't start until 2013, so -- I think the amount of time I've served is correct, but the date is completely incorrect.


MR. PRINCE: The amount of time served is one day shorter -- one day longer than Dalila and me, so I think the time served isn't right either. Because I think it's seven or eight months longer. But my motion is still the same.

MS. FALK: It's still the correct order.

MR. JAMES: Mr. Chair, I'll review this and correct the dates and circulate it to the members.

CHAIRMAN JACOBS: Fantastic.

Okay, let's do a roll call.

MS. OJIMA: Ms. Caballero.

CHAIRMAN JACOBS: In the air.

MS. OJIMA: In the air.

Mr. Schaefer.

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn.

MS. GUNN: Yes.
MS. OJIMA: Ms. Falk.

MS. FALK: Yes.

MS. OJIMA: Ms. Avila Farias.

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Aye.

I'm happy to be here. It's my first year anniversary today on the Board.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Aye.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Yes.

MS. OJIMA: Ms. Sotelo is not here.

Mr. Jacobs.

CHAIRMAN JACOBS: Aye.

MS. OJIMA: Resolution 15-20 has been approved.

CHAIRMAN JACOBS: Great.

MS. BOATMAN PATTERSON: Just -- this resolution is really a backup in case we don't have a new chair appointed by the next Board meeting. And we didn't have a process in place to have a chair, and so this really is
kind of a backup.

CHAIRMAN JACOBS: There were several years --

MS. BOATMAN PATTERSON: Yes.

CHAIRMAN JACOBS: -- in which we did not have a chair.

MS. BOATMAN PATTERSON: Yes.

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Item 14. Reports

CHAIRMAN JACOBS: We have various reports. Did anyone have any questions on any of these items for staff?

No? Okay, great.

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Item 15. Discussion of other Board matters

CHAIRMAN JACOBS: Any other matters people wish to bring up for the whole Board?

Mr. Hunter.

MR. HUNTER: I just think we ought to say in open session, our conversation with our executive director was very positive. And we're going to present you with major challenges going forward because we think you're up to this. And thank you very much for your service.

MS. BOATMAN PATTERSON: Thank you.

CHAIRMAN JACOBS: Absolutely.

MR. PRINCE: Yeah, I want to second that. One of
the things I heard was a really strong desire for that challenge to happen, and so whether that's through a retreat process or something, and then really making the Board meetings an opportunity for that to happen as well, so we could talk about policy at this level, and so trying to look at either consent agenda items or something that allows us then to have the deeper conversations that we want to have with you and your staff.

MS. BOATMAN PATTERSON: Okay. And one of the things that Dalila and I had talked about kind of briefly was perhaps calling a special meeting on policy considerations where we just -- I know there are a couple of things going on in the state of California that are of critical importance to housing policy and the way we are going forward. One of those are Laura's taking the lead with HCD on the UMRs. Mark Stivers, the executive director of the Tax Credit Allocation Committee, is taking lead on modifying the regulations for TCAC. And then with our policies, we want to make sure that those -- that really is what we're talking about, aligning programs and policies going forward. So I think it would be appropriate that we perhaps have a policy discussion and so perhaps a special meeting in October.

MR. PRINCE: Or a retreat, whatever you want to
call it.

MS. BOATMAN PATTERSON: Okay. So that is something that we -- I want to look at with engaging with the Board on.

CHAIRMAN JACOBS: And in fact, one of the items discussed was take advantage of this Board. You've got some very successful people sitting --

MS. BOATMAN PATTERSON: Very good.

CHAIRMAN JACOBS: -- to my left and to my right --

MS. BOATMAN PATTERSON: Yes.

CHAIRMAN JACOBS: -- who know what they're doing, and they'd love to serve.

MS. BOATMAN PATTERSON: Okay.

CHAIRMAN JACOBS: Great.

MS. FALK: I want to thank Matt again for his term as chair and doing a great job.

(Applause.)

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Item 16. Public testimony: Discussion only of other matters to be brought to the Board's attention

CHAIRMAN JACOBS: Any members of the public wish to speak?

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Item 17. Adjournment
CHAIRMAN JACOBS: Seeing none, we're going to adjourn. Thank you.

(The meeting concluded at 12:57 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 28th day of September 2015.

________________________________________
Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR