

**AN INTRODUCTION
TO THE
CALIFORNIA HOUSING FINANCE AGENCY
FOR
NEW BOARD MEMBERS**

I. NATURE OF AGENCY

- A. The primary purpose of the Agency is to create and finance progressive housing solutions, so more Californians have a place to call home. For more than 40 years, the California Housing Finance Agency (CalHFA) has supported the needs of renters and homebuyers by providing financing and programs so more low-to-moderate income Californians have a place to call home. Established in 1975, CalHFA was chartered as the state's affordable housing lender.
- B. CalHFA is an independent agency of the State, not subject to the supervision or control of other government officers or agencies. The Agency is a public enterprise/proprietary fund that functions as a business.
- C. CalHFA is financially independent from the State of California. The State does not back any of the Agency's financial obligations. Unlike other state agencies, CalHFA does not participate in the Legislative Budget process because its funds are continuously appropriated to the California Housing Finance Fund. The Agency does not depend upon state tax revenues (General or special funds) for its support; rather, the Agency earns moneys to pay its operating costs and expenses primarily from fees and interest earned from developers, homeowners, and other borrowers.
- D. All the money the Agency manages is contained in the California Housing Finance Fund which may not be borrowed by another state entity.
- E. The Agency functions through "partnerships" with the private sector. The Agency's single-family loans are originated by the private mortgage banking community and purchased by CalHFA. Multifamily projects are developed by private housing sponsors, with the loans originated and serviced by the Agency. The bonds are structured and underwritten by investment banking firms, and the Agency is advised by private law firms acting as bond counsel.
- F. The Agency has authority to issue taxable and tax-exempt Mortgage Revenue Bonds. Mortgage Revenue Bonds are solely the debt of the Agency and are not the debt of the State, nor does the State pledge its full faith and credit for the repayment of the bonds. Since bondholders may only look to the Agency's assets for repayment, the Legislature has pledged to CalHFA's bondholders that it will not alter or amend any of the laws

governing the Agency in any manner that would diminish their rights under the bond indentures.

- G. CalHFA is unique in state government in that it has its own general obligation credit rating from the national credit rating agencies. CalHFA's general obligation currently has an AA- issuer rating from Standard & Poor's, and an A1 rating from Moody's.
- H. The homebuyers and renters that the Agency serves are legal residents of California that generally have income between 50% and 120% of area median income (AMI).

II. THE BOARD AND ITS POWERS

- A. The Board consists of thirteen voting members, seven of whom are appointed by the Governor, one member appointed by the Senate, and one member appointed by the Assembly, for terms of six years; the Secretary of Business, Consumer Services & Housing, State Treasurer, Director of Housing & Community Development, and Secretary of Veteran's Affairs serve as ex officio voting members. The Executive Director of CalHFA, Director of the Department of Finance and Director of Office of Planning and Research each serves as a nonvoting member of the Board.
- B. The Governor designates one of his appointed Board members to be Chairperson.
- C. The Board has been charged by statute with the overall administration and control over the Agency's operation.
- D. The Board generally has authority to conduct the operation of the Agency by board resolution. There are some circumstances, however, in which the Board must promulgate regulations.
- E. The Board approves all bond indentures, authorizes bond issues, approves final commitments on all multifamily rental housing projects with loans above \$15,000,000, all major programs and vendor contracts of the Agency, and the Agency's business plan and operating budget. Each March, the Board historically has delegated to staff the authority to issue bonds; and has approved both forms of bond indentures, and those programmatic contracts necessary to operate bond funded programs for the forthcoming year.
 - 1. The Board has by regulation defined "major" vendor contracts as all such contracts for expenditures in excess of \$1,000,000 in one fiscal year. Consequently, the Executive Director can authorize vendor contracts up to \$1,000,000 without Board approval.

2. The Board has delegated authority to the Executive Director to approve all initial commitments on multifamily rental projects and final commitments on multifamily rental housing projects up to \$15,000,000.
- F. The Board has the sole authority to supervise the Executive Director, who is appointed by the Governor for a period of 5 years and has been charged by statute with the day-to-day operation of the Agency.
1. The Board approves the operating budget and sets the salaries of key exempt managers in amounts reasonably necessary to attract and hold persons of superior qualifications. Such salaries must be based upon a salary survey conducted by an independent consultant. Such survey must consider other comparable state and local housing finance agencies, as well as other relevant labor pools.
- G. Board members are entitled to receive a per diem allowance of \$100 from the Agency for each day's attendance at a meeting of the Board and reimbursement for expenses incurred in the performance of their duties, including travel and other necessary expenses, subject to state reimbursement limits.

III. **BOARD MEETING**

- A. The Board generally meets once every other month and sometimes every month, depending upon the volume of business, although there is no specific statutory requirement fixing the number of meetings.
- B. A quorum is defined as a majority of the voting members then in office.
- C. The vote necessary for the passage of a resolution is a majority of the members then in office at the duly called Board meeting.
- D. Board meetings are governed by the open meeting laws, specifically by the Bagley-Keene Act. This means generally that:
1. The meetings must be conducted in public after the public has been given 10 days advance notice of the meeting. Closed sessions are authorized by law in limited circumstances. The most common such circumstances for the Agency are closed sessions to receive advice from counsel relating to pending litigation and to evaluate the performance of a public employee.
 2. The deliberations and vote of the Board must be made in public and generally the information presented to the Board upon which their vote is based must be either presented at the public meeting or made available to the public. A majority of the

Board cannot communicate or deliberate for purposes of reaching consensus on matters before the Board except in an open public meeting.

3. The Board can only vote on subjects that have been properly agendaized in the Notice of the Board meeting.
4. The Board can conduct emergency meetings on less than ten days' notice under special circumstances, as defined by law.
5. There are no specific rules of procedure governing the Board but the Board, like many state agencies, has applied procedures similar to Robert's Rules of Order. However, there is nothing to prevent the Board from establishing its own rules of procedure if they are consistent with the Bagley-Keene Act.

IV. CONFLICTS OF INTEREST

- A. You are responsible for familiarizing yourself with the various laws governing your conduct as a member of the Board. These laws are: (1) The Health & Safety Code provisions governing CalHFA Board Members; (2) the Political Reform Act; (3) Government Code section 1090; (4) CalHFA Conflict of Interests Regulations; and (5) the Fair Political Practices Commission Regulations, copies of which have been included in your Board Binder. You should review these statutes for a complete description of the prohibitions and feel free to discuss any questions you might have with the General Counsel of the Agency. The significant provisions have been summarized below:
 1. Under the Political Reform Act and Health and Safety Code section 50904, you must **disclose** any financial interest that you have in matters before the Board and not attempt to influence, participate in deliberations concerning, or vote as to that matter. Violation of this provision subjects the member to disqualification from office and failure to disclose a financial interest in a matter before the Board is a misdemeanor under Section 91000 of the Government Code.
 2. Under Health and Safety Code section 50905 a Board Member **cannot hold legal** title to or have any financial interest in real property purchased by the Agency or sold to a housing sponsor for a housing development to be financed by the Agency. Violation is a conflict of interest which would subject the Board Member to disqualification and removal from office. Any other matter before the Board for a decision must be disclosed on the record and the Board member must not participate in deliberations.
 - (a) Any Board member who is uncertain of whether they have a conflict of interest needs to inform the Agency sufficiently in advance of the Board meeting so that Agency counsel can

determine whether and how the Board can act at the meeting.

3. You must **report** on your annual FPPC Statement of Economic Interests, any interest in real property located within the State of California and any investments in business entities that are housing sponsors financed by CalHFA.
4. Board Members **cannot accept** gifts from any single entity identified in subparagraphs 5(a)-(b) (see more rigid rules governing lobbyist below) having a greater value than \$500 during a calendar year (Gov. Code, § 89503; 2 CCR § 18940.2), and must **report** on your Statement of Economic Interests any gifts received from a single entity (identified in paragraph 5(a)-(b), below, having a value greater than \$50 (in the aggregate), from a single donor, during a calendar year (Gov. Code, § 89503, subd. (a)(1)). Feel free to consult with the General Counsel if you have any questions.
5. You must **report** on your annual FPPC Statement of Economic Interests, any investments in any business entity defined as:
 - (a) A housing sponsor, limited-dividend housing sponsor, or qualified mortgage lender doing business with the Agency.
 - (b) Any insurance company, title company, escrow company, real estate firm, brokerage firm, building or construction contractor or subcontractor, information technology company, law firm financial services company, or contracting entity which provides or plans to provide work or services to the Agency.
6. You must also **report** on your annual Statement of Economic Interests, any investments or business positions in, or income from, any business entity which, within the last two years, has contracted with the Agency or with the State of California to provide services, supplies, materials, machinery or equipment to the Agency.
7. A Board Member **cannot accept** a gift or gifts from a registered **Lobbyist** having a value greater than \$10 during a calendar month (Gov. Code, § 86203).
8. Honoraria, defined as any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, or gathering is **prohibited** if obtained from one of the entities mentioned in subparagraph 5(a)-(b), above.
9. Travel payments constituting a gift may have to be reported and subject to the gift limit.

10. Certain travel payments that are not reportable as a gift, may still be reportable in the FPPC Statement of Economic Interests as income.
11. You are **prohibited** from using your official position to influence a state governmental decision in which you have a financial interest, where the effect of the decision has an effect on your interest that is different from the public in general.
 - (a) Participating in a governmental decision includes voting, appointing, negotiating, advising, recommending and contracting.
 - (b) Influencing a governmental decision includes contacting, appearing before, or attempting to influence any member, officer, employee or consultant of the Agency. Use of official stationery could also be construed as an attempt to influence a governmental decision.
12. You are **prohibited** from receiving or soliciting campaign contributions of more than \$250 during a 12-month period from anyone doing business with the Agency (Gov. Code, § 84308, subd. (c)).
13. You are **prohibited** from representing others before the Agency for compensation for the purpose of influencing awards of contracts or loans.
14. You are **prohibited** from influencing an Agency decision related to:
 1. A business entity in which you have an investment of \$2,000 or more in which you are a director, officer, partner, trustee, employee, or manager (Gov. Code, § 87103, subds. (a), (d)); -OR-
 2. Real property in which you have an interest of \$2,000 or more, including leaseholds (Gov. Code, § 87103, subd. (b)); -OR-
 3. An individual or an entity from whom you have received income or promised income aggregating to \$500 or more in the previous 12 months, including any community property interest in the income of your spouse or registered domestic partner (Gov. Code, § 87103, subd. (e); 2 CCR § 18941).
15. You are **prohibited** from engaging in any activity that would be incompatible with the Agency's business.
16. You may not be **compensated** for communicating with the Agency for **one year** after your membership on the Board terminates in an attempt to influence the Agency to enter into a contract or loan with another person, firm or entity.

17. You are permanently **prohibited** from being **compensated** for representing or advising another person regarding a **specific** loan, project or bond issue that you participated in approving as a Board Member.