

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Minutes of the December 13, 2006 Committee Meeting

(Agenda Item B)

Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

The meeting of the California Debt Limit Allocation Committee (Committee) was called to order at 2:05 p.m. by Laurie Weir, Deputy Treasurer.

Call to Order and Roll Call (Agenda Item A)

Philip Angelides, State Treasurer, represented by Laurie Weir, Deputy Treasurer, and Arnold Schwarzenegger, Governor, represented by Anne Sheehan, Department of Finance, were present resulting in a quorum. Ms. Weir stated that the Controller's Office representative would join the meeting shortly.

Advisory members Theresa Parker, Executive Director of the California Housing Finance Agency, represented by Dennis Meidinger, Comptroller, and Lynn Jacobs, Director of the Department of Housing and Community Development, were also present. Local Government Representative Eric Garcetti, President of Los Angeles City Council, was absent.

Approval of the Minutes of the November 15, 2006 Meeting (Agenda Item B) (Action Item)

Anne Sheehan moved approval of the minutes from the November 15, 2006 meeting. Laurie Weir seconded the motion. The motion passed unanimously.

Executive Director's Report (Agenda Item C) (Informational Item)

Ms. Kelly stated that we began this round by being oversubscribed and within the past few weeks several projects have withdrawn and now we are undersubscribed for this final round. As a result of the project withdrawals we can eliminate Agenda Item F, the Qualified Residential Rental Program Pool since it is no longer over-subscribed.

Ms. Kelly reported that the Committee received the following:

- Four projects were submitted in the Exempt Facility Project Pool.
- Single Family Housing Pool: There are three Mortgage Credit Certificate requests, two Mortgage Revenue Bond requests, and one CalHFA request for the Extra Credit Teacher Program.
- Qualified Residential Housing Pool: There are three Rural Project requests, three Mixed Income projects, and thirty-three General Pool projects.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Private Activity Bonds in the Exempt Facility Project Pool and Awards of Allocation (Agenda Item D) (Action Item)

1. Consideration of Appeals

There were no appeals.

2. Consideration of Applications

Ms. Kelly stated that the Committee received four Exempt Facility applications. Three applications were submitted from CPCFA and one Application was submitted from CSCDA.

Staff recommended approval of the four Exempt Facility projects for a total of \$111,725,000 in tax-exempt bond allocation.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (06-082)	Enertech Environmental California LLC	\$80,000,000	\$80,000,000
California Pollution Control Financing Authority (06-197)	Mid Valley Disposal Company, Inc	\$1,320,000	\$1,320,000
California Pollution Control Financing Authority (06-198)	Garden City Sanitation, Inc.	\$22,445,000	\$22,445,000
California Pollution Control Financing Authority (06-199)	California Waste Solutions, Inc.	\$25,905,000	Withdrawn
California Pollution Control Financing Authority (06-200)	Green Waste Recovery, Inc	\$41,935,000	Withdrawn
California Pollution Control Financing Authority (06-201)	Valley Vista Services, Inc.	\$7,960,000	\$7,960,000

Anne Sheehan moved approval of staff's recommendations. Laurie Weir seconded the motion. The motion passed 2-0.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Private Activity Bonds in the Single-Family Housing Program Pool (Agenda Item E) (Action Item)

1. Consideration of Appeals

There were no appeals.

2. Consideration of Applications

Ms. Kelly stated that the Committee received three applications requesting Mortgage Credit Certificate (MCC) authority. The requests were received from Riverside County for \$12,747,771, Santa Clara County for \$11,950,336, and San Francisco for \$5,428,248 for a total allocation request of \$30,126,355.

The Committee received two applications requesting Mortgage Revenue Bond allocation from the California Housing Finance Agency (CalHFA) for \$250,000,000 and CRHMFA Homebuyers Fund for \$11,867,000 for a total of \$261,867,000.

The Committee received one application from CalHFA for the statewide Extra Credit Teacher Program (ECTFP) requesting \$110,000,000 in allocation.

Staff recommended the award of allocation sufficient to fund the total allocation requested for the Mortgage Credit Certificate Program (\$30,126,355), the Mortgage Revenue Bond Program (\$261,867,000), and the Extra Credit Teacher Program (\$110,000,000).

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Riverside County Economic Development (06-158)	MCC	\$12,747,771	\$12,747,771
County of Santa Clara (06-176)	MCC	\$11,950,350	\$11,950,350
City of San Francisco (06-177)	MCC	\$20,000,000	\$5,428,248
California Housing Finance Agency (06-156)	MRB Program	\$250,000,000	\$250,000,000
CRHMFA (06-189)	MRB Program	\$11,867,000	\$11,867,000
California Housing Finance Agency (06-157)	ECTFP Program	\$110,000,000	\$110,000,000

Mark Lowder, Director of Housing Finance for CRHMFA Homebuyers Fund, spoke on behalf of CRHMFA's Program. He stated that CRHMFA was a local housing finance agency which has issued over \$440,000,000 of tax-exempt financings since 1993 and taxable financings totaling \$7 Billion dollars worth of loans for that period. He stated that CRHMFA was actually entitled to and assigned by CDLAC \$31

million dollars in allocation. We have worked with CDLAC staff to get an allocation of \$11,867,000. I would like to note that we have tremendous demand in our programs now. We have a 40-year loan program that closed in November and one-third of it has already been reserved. We did over \$3,500,000 in loans in the last five weeks so CRHMFA will need new allocation for the 40-year loan programs that we have. This is primarily due to the Federal criteria limitation on the use of some of these monies for thirty-two years. CRHMFA loaned CalHFA allocation in the past and we have offered to loan them allocation again. There is allocation which we are eligible for and we will need to fund our up-coming programs as they are becoming very popular with home loan borrowers. We would like to accept the \$11.8 million today and be given consideration for the \$19 million which we were eligible for but didn't receive in this round.

Ms. Weir stated that the Committee understands what you are saying in terms of the reduction in allocation from what your rural counties and communities have assigned to you. She further stated that she thought it was a fair proposition for the Committee to consider replenishing what you would have gotten this year but that it would be for the new 2007 Committee to vote on.

Cindy Aronberg, Deputy Controller, representing Steve Westly, State Controller, joined the meeting.

Anne Sheehan moved approval of staff's recommendations. Cindy Aronberg seconded the motion. The motion passed unanimously.

Consideration of Staff's Recommendation to Transfer Unused Allocation from the Exempt Facility Project Pool, Industrial Development Project Pool and Single-Family Housing Program Pool to the Qualified Residential Rental Program Pool (Agenda Item F) (Action Item)

This Agenda Item was withdrawn.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Private Activity Bonds in the Qualified Residential Rental Project Pool and Awards of Allocation (Agenda Item G) (Action Item)

Ms. Kelly stated that Agenda Item G.32 (#06-188) would be presented to the Committee at this time and that Ms. Weir would like to make a statement regarding this Agenda Item.

Ms. Weir made the following statement:

The Treasurer has disqualified himself from participation in all decisions relating to this matter. It is our understanding that Peter Geremia is a part of the development/management team that has applied for these allocations. While we have concluded that Mr. Geremia is not a source of income under the Political Reform Act, in an abundance of caution, the Treasurer will continue to disqualify himself from these matters.

Ms. Weir passed the gavel to Anne Sheehan and left the meeting.

Ms. Kelly stated that ABAG is the applicant and the project is located in West Sacramento. They are requesting \$8,585,000 in tax-exempt bond allocation for senior affordable housing. The project scored 77.5 points out of 128.

Staff recommended approval of the allocation as requested.

General Pool

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
ABAG Finance Authority for Nonprofit Corporations (06-188)	The Rivers Senior Apartments	\$8,585,000	\$8,585,000

Cindy Aronberg moved approval of staff's recommendation. Anne Sheehan seconded the motion. The motion passed 2-0.

Ms. Weir rejoined the meeting and Anne Sheehan returned the gavel.

1. Consideration of Appeals
There were no appeals.
2. Consideration of Applications

Rural Pool

Ms. Kelly stated that the Rural Pool received three applications.

Staff recommended approval of \$10,553,350 in bond allocation to fund all three applications as requested.

Mixed Income Pool

Ms. Kelly stated that the Mixed Income Pool received three applications. The Westgate Pasadena and Hollywood and Vine are requesting an exception to the \$30 million project cap per project imposed by Section 17.IV of the CDLAC Procedures.

Staff recommended that the Committee waive the maximum allocation amount for Application (#06-162) Westgate Pasadena Apartments and Application (#06-196) Hollywood and Vine Apartments, based on the fact that the demand for rental projects is such that the maximum allocation amount is not warranted due to the lack of competition there will be excess allocation for the current round.

Staff recommended the award of allocation sufficient to fund all demand for allocation in the Mixed Income Pool with 2006 allocation and carry forward.

General Pool

Ms. Kelly stated that the General Pool received thirty-two applications requesting \$347,022,221 in 2006 allocation and carryforward allocation.

Ms. Kelly brought the following project to the Committee's attention:

06-195 Fireside Apartments submitted by CalHFA are requesting \$12,165,000 in bond allocation

Ms. Kelly stated that in December 2005 CDLAC awarded CalHFA an allocation in the amount of \$12,165,000 on behalf of Fireside Affordable Housing Associates. Short-term tax exempt bonds were

issued by CalHFA in March 2006 in the amount of \$12,165,000 to finance the project. According to CalHFA, in August 2006, after issuance of the long-term bonds but just prior to the construction loan closing, an issue arose regarding the temporary bonds issued by CalHFA, which called into question whether CalHFA's permanent bonds had the proper volume cap authority to qualify the project for tax credits. The Internal Revenue Service informally but publicly stated that any refunding of private activity bonds was no longer "volume cap". In taking this position the IRS made projects funded into any G.I.C. or escrow structure ineligible for 4% tax credits.

As a result, the tax credit investor could not go forward with the project unless the issue was resolved with the IRS, or the project received new CDLAC authority. To date, CalHFA, its trade organization, bond counsel, and other interested parties have been attempting to resolve this issue with the IRS. CalHFA states that due to this uncertainty and the timing restraints, the developer and CalHFA have elected to apply to CDLAC for a new bond allocation in this round.

By reapplying to CDLAC in 2006, the project will lose the 130% basis boost it received in 2005, creating a gap of approximately \$1,500,000 in the project financing. According to the applicant, the project sponsor is also applying to TCAC for new state and federal tax credits which will make up the shortfall. Staff has received verbal confirmations from CalHFA that there are no other CalHFA projects facing this issue.

Four projects in the General Pool are requesting an exception to the \$30 million project cap per project imposed by Section 17.IV of the CDLAC Procedures.

Staff recommended that the Committee waive the maximum allocation amount for Foxdale Manor, Oakley Apartments, 10th & Mission, and Jesse Senior Apartments projects. Based on the allocation demand for rental projects, the maximum allocation amount is not warranted due to the lack of competition and there will be excess allocation for this round.

Staff recommended the award of allocation sufficient to fund all demand for allocation in the General Pool with 2006 allocation and carry forward.

Joe Litten, Public Financial Management, stated that his firm is the financial advisor to the Fresno Housing Authority. He stated that the Committee should have been advised that the application for Parc Grove Commons Phase I Apartments had been withdrawn. Ms. Kelly stated that the Committee had not received a withdrawal letter for the project. Mr. Litten stated that he would call the Fresno Housing Authority and verify that this project had been withdrawn and would notify the Committee immediately.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (06-145)	Citrus Manor Apartments	\$2,553,350	\$2,553,350
California Municipal Finance Authority (06-160)	Wasco Senior Housing	\$5,250,000	\$5,250,000
California Statewide Communities Development Financing Authority (06-164)	Gray's Crossing Affordable Housing Apartments	\$2,750,000	\$2,750,000

California Statewide Communities Development Authority (06-162)	Westgate Pasadena Apartments	\$135,000,000	\$135,000,000
California Statewide Communities Development Authority (06-166)	Metropolitan Lofts Apartments	\$6,000,000	\$6,000,000
Community Redevelopment Agency of the City of Los Angeles (06-196)	Hollywood and Vine Apartments	\$180,000,000	\$180,000,000
Housing Authority of the City of San Diego (06-065)	Alabama Manor Apartments	\$5,916,211	\$5,916,211
RDA of the City of Suisun City (06-119)	Cottonwood Creek Apartments	\$20,000,000	\$20,000,000
City and County of San Francisco (06-121)	Hotel Essex Apartments	\$13,000,000	\$13,000,000
San Rafael Redevelopment Agency (06-125)	Martinelli House Apartments	\$6,000,000	\$6,000,000
City of Los Angeles (06-126)	Morgan Place Apartments	\$10,000,000	\$10,000,000
Community Redevelopment Agency of the City of Los Angeles (06-159)	Central Avenue Villas	\$2,400,000	Withdrawn
California Statewide Communities Development Authority (06-163)	Dorado Court Apartments	\$8,000,000	\$8,000,000
California Statewide Communities Development Authority (06-167)	Foxdale Manor Apartments	\$50,000,000	\$50,000,000
California Statewide Communities Development Authority (06-168)	Arbor Court I Apartments	\$7,000,000	\$7,000,000

California Statewide Communities Development Authority (06-170)	Oakley Apartments	\$35,000,000	\$35,000,000
City of Los Angeles (06-171)	HDR Portfolio I Apartments	\$4,400,000	\$4,400,000
City of Los Angeles (06-172)	HDR Portfolio II	\$2,387,000	\$2,387,000
City of Los Angeles (06-173)	Fickett Towers Apartments	\$16,000,000	Withdrawn
City of Los Angeles (06-174)	Central Village Apartments	\$12,829,010	\$12,829,010
City of Los Angeles (06-175)	Barbizon Hotel Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (06-178)	All Hallows Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (06-179)	Bayview Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (06-180)	Shoreview Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (06-181)	La Salle Apartments	\$3,000,000	\$3,000,000
California Statewide Communities Development Authority (06-182)	Sycamore Senior Village Apartments	\$1,200,000	\$1,200,000
Redevelopment Agency of the City and County of San Francisco (06-183)	9 th and Jessie Senior Housing Apartments	\$27,330,000	\$27,330,000

Housing Authority of the City of Fresno (06-184)	Parc Grove Commons Phase I Apartments	\$17,145,000	\$17,145,000 (Withdrawn during 12/13 meeting)
City of Los Angeles (06-185)	Queen Portfolio Apartments	\$11,500,000	\$11,500,000
Housing Authority of the City of San Diego (06-186)	16 th and Market Apartments	\$40,000,000	(Withdrawn)
ABAG Finance Authority for For Nonprofit Corporations (06-187)	Heritage Park Apartments	\$6,200,000	(Withdrawn)
Redevelopment Agency of the City and County of San Francisco (06-190)	10 th and Mission Family Housing Apartments	\$37,650,000	\$37,650,000
California Statewide Communities Development Authority (06-191)	Harbor Park Apartments	\$18,400,000	\$18,400,000
City and County of San Francisco (06-192)	Arnett Watson Apartments	\$19,300,000	\$19,300,000
California Statewide Communities Development Authority (06-193)	Waterman Square Apartments	\$12,800,000	\$12,800,000
California Housing Finance Agency (06-195)	Fireside Apartments	\$12,165,000	\$12,165,000

Ms. Weir stated that the Committee would vote on the remaining projects at this time and would return to vote on the Fresno project.

Anne Sheehan moved approval of staff's recommendations with the exception of Parc Grove Commons Phase I Apartments (#06-184). Cindy Aronberg seconded the motion. The motion passed unanimously.

Ms. Weir stated that the Committee reserves the right to return to the Parc Grove Commons Phase I Apartments.

Agenda Item H. was presented to the Committee at this time.

Consideration of Staff's Recommendation to Transfer Unused Allocation Remaining on December 31, 2006 to a Program Pool or Pools as Determined by the Committee and Award Such Allocation to a Statewide Issuer or Issuers on a Carryforward Basis (Agenda Item H) (Action Item)

Ms. Armstrong stated that after the December 13, 2006 allocations have been made, there will be a volume cap balance remaining of approximately \$217,291,690. This amount is likely to increase as projects that have received allocation may issue only a portion of their allocation or fail to issue bonds entirely. In order to ensure that no amount of allocation is lost, staff is recommending that the remaining allocation as of December 31, 2006 be transferred to the Single Family Housing Pool and allocated to the California Housing Finance Agency on a carry forward basis.

Staff recommended that the Committee transfer the full balance of remaining 2006 allocation to the Single Family Pool and allocate it to the California Housing Finance Agency on a carryforward basis.

Anne Sheehan moved approval of staff's recommendation. Cindy Aronberg seconded the motion. The motion passed unanimously.

Consideration and Adoption of the Open Application Process and Rental Program Minimum Point Thresholds for Program Year 2007 (Agenda Item I) (Action Item)

Ms. Armstrong stated that staff is recommending that the Committee approve an Open Application Process for 2007 for all program pools except the Student Loan Program Pool. This recommendation is made on the basis that each of these pools is expected to be non-competitive or evenly subscribed for the 2007 program year.

If at any time during the open application process the program pool appears to become competitive, staff will return to the Committee with a recommendation to close the open application process and return to the allocation round process for that particular program pool.

Ms. Armstrong further stated that staff is recommending point thresholds consistent with those established in 2006. The Rental Project Pool has a minimum threshold such that any allocation to a project scoring below 60 points in the Rural Pool and General Pools and 50 points in the Mixed Income Pool will be held until the final scheduled allocation round for the program year. Staff has reviewed scores for 2005 and 2006 and determined that the scores remained substantially higher than the minimum point threshold. Therefore, the existing point threshold appears to ensure CDLAC public policy guidelines are met.

Anne Sheehan moved approval of staff's recommendations. Cindy Aronberg seconded the motion. The motion passed unanimously.

Mr. Litten rejoined the meeting.

The Committee returned to Agenda Item G.28, Housing Authority of the City of Fresno, Parc Grove Commons Phase I Apartments (#06-184).

Ms. Weir asked Mr. Litten to give a status report on Agenda Item G.28. Mr. Litten stated that this Item had been withdrawn from today's Agenda. Ms. Weir asked that the Housing Authority of the City of Fresno provide the Committee with a withdrawal letter for this project by the end of the day on December 13, 2006. Mr. Litten agreed to the request.

Public Comment (Agenda Item J)

There was no public comment.

Adjournment (Agenda Item K)

The meeting adjourned at 2:30 pm.