California Debt Limit Allocation Committee (CDLAC)

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

January 27, 2010 Meeting Minutes

1. Call to Order and Roll Call
Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 1:33 p.m.

Members present were Cynthia Bryant for Governor Arnold Schwarzenegger, State Controller John Chiang, and Bettina Redway for State Treasurer Bill Lockyer.

Advisory Members present were Steven Spears of Cal-HFA and Elliott Mandell for Lynn Jacobs of the Department of Housing and Community Development.

The chairperson declared a quorum.

2. Approval of the Minutes of the December 16, 2009, Meeting (Action Item)
Cynthia Bryant made a motion to approve the minutes of the December 16, 2009, meeting. John Chiang seconded. There were no objections and the December 16, 2009, minutes were approved by unanimous vote.

3. Executive Director's Report (Informational Item)
CDLAC Executive Director, Sean L. Spear reported that in the December 16th meeting, a number of steps were taken to preserve the remaining 2009 allocation for usage in 2010. There was more than half of the allocation remaining at the end of last year which spoke to the depth of the financial crisis that the nation's economy is still experiencing.

For 2009, Mr. Spear reported that application volume was down significantly in every category except single family. Lack of access to bond credit enhancement continues to be the biggest hurdle for projects. While Federal measures such as the Treasury's Bond Purchase Program may improve things slightly this year, it should be expected that the State's volume cap will continue to be undersubscribed for allocation in 2010.

The CDLAC staff will be making a concerted effort to both market the availability of the allocation for eligible projects, as well as explore opportunities to make allocation available to new sectors of the economy; provided these sectors are eligible uses under the IRS Code and meet the policy goals of the State. There may be some opportunities to have the allocation assist a wider variety of projects and programs that will help improve the State's economy.

CDLAC staff will keep the Committee updated on the progress in these areas throughout the year.

Regarding today's agenda, Mr. Spear reported that they have grouped the items around subject-matter, with some items needing to occur before others.

The first group will deal with procedures changes, with Items 4 and 5 implementing the reallocation programs for two Stimulus Package bond resources. Item 6 will also involve procedure changes to the existing Single Family Housing Program.

The second group will deal with the determination and distribution amongst the pools of the 2010 Private Activity Volume Cap. That's Items 7 & 8.

Then finally, the third group will deal with projects and program applications seeking to use this new allocation. Among them is the Poseidon proposal, Item 10.

4. Consideration and Approval of Proposed Revisions to CDLAC Procedures Regarding the Recovery Zone Bond Reallocation Process (Action Item)

Misti Armstrong reported for Crystal Alvarez that on November 18, 2009, the Committee approved the distribution of the proposed Recovery Zone Bond Procedures for a 30-day public comment period. At that time, staff agreed to return to the Committee for the adoption of the proposed procedures. A summary of the proposed procedures as modified by Staff are as follows:

1. Counties and large municipalities that do not submit a Plan of Issuance by January 31, 2010, will automatically have their allocation deemed waived and captured by CDLAC for re-allocation. If the Plan of Issuance does not call for the usage of the full amount of the designated award, the excess amount of bonds will be deemed waived.

2. Counties and large municipalities that have not issued their entire designated award are required to provide documentation that they will have the ability to issue bonds prior to the sunset date (December 31, 2010). The required documentation must be submitted no later than August 15, 2010. If the required documentation is not received by the indicated deadline, the allocation will be automatically deemed waived.

3. CDLAC will administer the re-allocation of the Recovery Zone Bond allocation. As such, CDLAC has developed proposed procedures and the following priority system:

    A. Counties or large municipalities (population of more than 100,000) that voluntarily waived their award of allocation by the Department of Treasury in the American Recovery and Reinvestment Act of 2009 will have first priority in the reallocation application process. As the Committee's first priority (Tier 1 projects), the counties and large municipalities that waived their designated allocation may request up to their waived amount without competition.

B. Counties or municipalities that were excluded from receiving an award of allocation by the Department of Treasury in the American Recovery and Reinvestment Act of 2009 will have second priority (Tier 2 projects) in the reallocation application process. *The following counties will have second priority*: Alpine, Colusa, Del Norte, Fresno, Imperial Inyo, Kern, Lassen, Madera, Marin, Mariposa, Merced, Modoc, Monterey, Napa, San Benito, San Diego, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Sutter, Tehama, Tulare, Tuolumne, and Yuba. *The following cities will have second priority*: Bakersfield, Chula Vista, Daly City, Escondido, Fresno, Oceanside, Salinas, San Diego, San Francisco, San Jose, Santa Clara, Sunnyvale, and Visalia. Tier 2 projects must meet the established minimum point threshold.

C. All other projects requesting Recovery Zone Bonds re-allocation will have last priority (Tier 3 projects). Those agencies that fall into the Tier 1 category but request an award of re-allocation beyond their voluntarily waived amount will also fall into this category for their supplemental request. A complete application will be required for the supplemental request.

D. Projects that fall into the Tier 1 category will be funded prior to all other projects. Those projects that fall into the Tier 2 category will be funded based on score and prior to the funding of Tier 3 projects. All projects that do not fall into Tier 1 and 2 will be considered Tier 3 and will be funded based on score. If necessary and to fully utilize the Recovery Zone Facility Bonds, CDLAC will establish a waiting list for all projects that have met the minimum requirements. These projects will be funded as unused allocation is captured by CDLAC.

During the public comment period, Staff received five letters commenting on the draft procedures. Verbal comments were also received at the public hearings held on December 4th, 2009 and December 9th, 2009. In response to the comments received, the following areas of the proposed procedures were modified:

- All counties and cities will now be eligible to apply for an award of allocation regardless of population.
- A “legal memo”, rather than a formal legal opinion, will be required at the time of application. Details on the specific requirements of the memo are addressed in the Reallocation Procedures and Applications.
- The maximum allocation award for a Recovery Zone Facility Bond project will be increased from $10 million to $20 million per project, with the Committee possessing the ability to waive the cap if merited.
- Under the Land Use/Energy Efficiency evaluation criteria, points will be awarded to projects that generate their own renewable energy.

Ms. Armstrong advised that the Staff recommends the approval of the proposed Recovery Zone Facility Bond and Recovery Zone Economic Bond Procedures as modified.

- Paula Connors with the California Infrastructure & Economic Development Bank thanked the staff for the changes and that as she read the draft there are no minimum points in the threshold, the thresholds are exactly that, you have to have a resolution or a legal memo, and then in the point section, it did not appear that there was a minimum, it just says projects would be ranked against each other.
- Ms. Armstrong responded that was language that should have been omitted and will be corrected.
- John Chiang motioned for approval of the recommendations.
- Cynthia Bryant seconded the motion for approval.

There were no other comments or questions and the motion was unanimously approved for the Proposed Revisions to CDLAC Procedures Regarding the Recovery Zone Bond Reallocation Process.

5. Consideration and Approval of Proposed Revisions to CDLAC Procedures Regarding the Qualified Energy Conservation Bond Reallocation Process (Action Item)

Brady Hill reported that on November 18, 2009, the Committee approved the distribution of the proposed Qualified Energy Conservation Bond Procedures for a 30-day public comment period. At that time, staff agreed to return to the Committee for the adoption of the proposed procedures. A summary of the proposed procedures as modified by Staff are as follows:

Reporting Requirements:

- Large Local Governments that do not submit a Plan of Issuance by January 31, 2010, will automatically have their allocation deemed waived and captured by CDLAC for reallocation. If the Plan of Issuance does not support the full amount of the designated award, the excess amount of bond allocation will be deemed waived.
- Large local governments that have submitted a Plan of Issuance and have not issued their designated award are required to submit the following documentation, no later than August 15, 2010: a) a resolution that the issuer has approved the project; c) documentation of the appropriate governing body's or bodies or elected official's approval of the Project (private activity bonds only); d) written memo from bond counsel which states that the project being funded with QECBs qualifies under the federal guidelines; e) a commitment letter from the purchaser or underwriter for the amount of the allocation requested. Projects that have submitted a Plan of Issuance but have not provided the above documentation by August 15, 2010 will have automatically waived allocation.
- CDLAC will require a Report of Action form be submitted to CDLAC upon the issuance of bonds not more than three days following the issuance of QECBs. This report should include the date and amount of the issuance and the designated locality in which proceeds will be used.
- Federal tax law mandates that 100 percent or more of the available project proceeds be spent for one or more qualified purposes within the 3-year period beginning on such date of issuance. Hence, CDLAC will require Applicants to provide ongoing documentation evidencing their initial usage of bond proceeds as detailed in Exhibit A of the QECB Reallocation Application.

Minimum Reallocation Requirements:
The proposed Procedures would create the following threshold requirements for QECB reallocation applications:

- The Project Sponsor and/or Governmental Entity must provide a description of the proposed use of the bond proceeds with a description of the project.
- The Issuer must describe the financing plan, including whether the bonds will be issued as a public offering or a private placement.
- The Applicant must be an Eligible Reallocation QECB Applicant. That is to say, the Applicant must be a city, county, state entity or Indian tribal government located in the State of California.
- The Issuer must be an Eligible Reallocation QECB Issuer. That is to say, the Issuer must be an eligible Issuer according to the relevant federal regulations.
- 100 percent of the proceeds of such issue are to be used for one of the "qualified conservation purposes" as defined in the IRS Notice 2009-29.
- The Applicant must provide documentation that shows that the Applicant is ready to go forward with their project/program.
- The Applicant must provide evidence of all required public entitlements.

Evaluation Criteria:
The proposed Procedures would create the following evaluation criteria for QECB reallocation:

- As CDLAC's first priority, the counties, large municipalities and tribal governments that waived their designated allocation may request up to their waived allocation amount by providing the following documentation: a) a letter requesting the amount of allocation and a description of the proposed project; b) a resolution that the issuer has approved the project; c) documentation of the appropriate governing body's or bodies or elected official's approval of the Project (private activity bonds only); d) written memo from bond counsel which states that the project being funded with QECBs qualifies under the federal guidelines; and e) a commitment letter from the purchaser or underwriter for the amount of the allocation requested.
- Qualified Reallocation QECB Applicants that are seeking an allocation will have their applications evaluated, ranked and awarded Allocations from the Qualified Energy Conservation Bond Reallocation Pool within their particular Project and/or Program pool. As such, CDLAC has established various project and/or program categories based on the various "qualified conservation purposes" established for the QECB allocation in IRS Notice 2009-29.

Staff received verbal comments on the draft procedures at the public hearings held on December 4th, 2009 and December 9th, 2009. In response to the comments received, the following areas of the proposed procedures were modified:

- All counties and cities will now be eligible to apply for an award of allocation regardless of population.
- A "legal memo", rather than a formal legal opinion, will be required at the time of application. The specific requirements of the memo will be addressed in the Reallocation Procedures and Applications.

Mr. Hill advised that the Staff recommends the approval of the proposed Qualified Energy Conservation Bond Procedures as modified.

There were no comments or questions.

- Cynthia Bryant moved for approval.
- John Chiang seconded the motion for approval.

The motion was unanimously approved for the Proposed Revisions to CDLAC Procedures Regarding the Qualified Energy Conservation Bond Reallocation Process.

6. Consideration and Approval of Proposed Single Family Housing Program Revisions to CDLAC Procedures (Action Item)

John Weir reported that the Staff recommends technical changes and clean-up language to the established Evaluation and Distribution criteria in the existing CDLAC Single Family Housing procedures. Under the Single Family Housing Pool, the proposed procedures clarify that any city has the ability to apply independent of its county for a Fair Share portion. In addition, under the Single Family Housing Program Bonus Pool, a final Bonus Pool round is established whereby unallocated Single Family Housing funds may be made available again to counties regardless of their initial Fair Share amount.

For the fair-share distribution requirements, the proposed Procedures would clarify that a city may apply independent of its county by adding the following language:

- "Cities may apply independent of the county level issuer for a proportionate share of the amount reserved for that county based on the city's total population relative to the county's population. Any allocation awarded specifically to cities shall reduce the amount available for the county level issuer accordingly."

For the bonus pool distribution requirements, the proposed Procedures would establish a final Bonus Pool round by adding the following paragraph:

- "If the Committee has established that any portion of the Single Family Housing Program Pool and Single Family Housing Bonus Pool is remaining by the final meeting of the program year, this amount may be made available for additional Bonus Pool Allocation to county level local issuers regardless of their initial Fair Share limit. Awards in this final round will first be based on each Applicant's pro-rata population relative to the total population of the winning Applicants using the same Fair Share method described above in Subsection II.A.1. Awards will be limited to the amount requested in the application. If the total amount requested by all Applicants is less than the amount available, and there are Applicants whose Fair Share portion is less than their request, the Committee will consider distributing the excess up to the full amount requested."

In developing the proposed Single Family Housing Program, staff held two public hearings on December 4th, 2009 and December 9th, 2009. No comments from the public were submitted during these proceedings.

In addition to eligible localities, Joint Power Authorities continue to be eligible to apply when valid assignments of fair share allocation have been granted pursuant to Section 12.II of the Procedures.

Mr. Weir advised that the Staff recommends approval of the proposed revisions to the Single Family Housing Program Procedures.

There were no questions or comments

- John Chiang moved for approval.
- Cynthia Bryant seconded the motion for approval.

The motion was unanimously approved for the Proposed Single Family Housing Program Revisions to CDLAC Procedures.

7. Determination and Adoption of the 2010 State Ceiling on Qualified Private Activity Bonds (Action Item)

Sarah Lester reported that Section 146(d) of the Code was amended by H.R. 5662, the "Community Renewal Tax Relief Act of 2000 (the "Act")," to specify that beginning in calendar year 2002 the limit shall be the greater of $75 multiplied by a state's population or $225 million. The Act further specifies that beginning in calendar year 2003 the volume limit may be adjusted annually for inflation.

Section 146 of the Internal Revenue Code (the "Code") limits the amount of qualified (tax-exempt) private activity bond debt that may be issued in a state during a calendar year ("annual State Ceiling"). Section 146(j) of the Code further requires that the calculation of the annual State Ceiling be based on the most recent resident population estimate released by the U. S. Bureau of the Census before the beginning of the calendar year. Pursuant to Revenue Procedure 2009-50 published by the Internal Revenue Service, the volume limit on qualified private activity bonds adjusted for inflation for calendar year 2010 is $90 multiplied by the state's population.

On December 23, 2009, the U.S. Census Bureau issued Press Release #CB09-199, reporting California's estimated population as 36,961,664. This is a 0.6% increase from the population estimate of 36,756,666 used to set the 2009 State Ceiling. Inflation and population results in a new bond volume cap of $3,326,549,760 for 2010. In terms of dollars, this is an $18,449,820 increase over the 2009 State Ceiling.

Section 8869.84 of the California Government Code and Section 3 of the Committee's Procedures Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds each require the Committee to determine and announce the annual State Ceiling as soon as is practicable after the start of each calendar year.

Ms. Lester advised that the Staff recommends adoption of a resolution establishing the 2010 State Ceiling for qualified private activity bonds at **$3,326,549,760.**

There were no comments or questions.

- John Chiang moved for approval.
- Cynthia Bryant seconded the motion for approval.

The motion was unanimously approved to adopt 2010 State Ceiling on Qualified Private Activity Bonds at $3,326,549,760.

8. Consideration and Adoption of the Apportionment of the 2010 State Ceiling among the State Ceiling Pools (Action Item)

Misti Armstrong reported that California's population as recently reported by the U.S. Census Bureau is 36,961,664, resulting in a State Ceiling for 2010 of **$3,326,549,760**. In accordance with the CDLAC Procedures, at the beginning of each calendar year the Committee must establish and announce the amounts the Committee expects to be apportioned to each of the State Ceiling Pools for the program year. In establishing the amounts for the pools, the Committee may consider the past year's results and legislative priorities.

The Committee continues to have legislative priorities intended to:
1. Promote housing for lower income families and individuals; and
2. Preserve and rehabilitate existing governmental assisted housing for lower income families and individuals.

In making recommendations for the 2010 pool amounts, staff surveyed key issuers to determine their estimated demand. However, due to the instability in the financial markets, it is difficult to project allocation usage for 2010. As a result, staff has reserved an estimated 42.3% of the 2010 allocation as "undesignated". This reservation will provide staff the flexibility to provide additional allocation to various program pools on an "as needed" basis. The following list estimates demand and provides a recommendation for each program pool:

Although staff has spoken with the major issuers for **Qualified Residential Rental Projects (QRRP)**, it is difficult to determine the pipeline of demand for multi-family housing projects at this time. As a result, staff has reserved 2010 allocation amounts generally consistent with the actual amount for projects approved in 2009. In addition, QRRP applicants have access to over $1.1 billion in unused carryforward allocation that was granted to high volume QRRP issuers in December of 2009. This allocation may be utilized until exhausted through December 31, 2012. For QRRP, Staff recommends for the General Pool $750 million; $220 million for the Mixed Income Pool, and $150 million for the Rural Project Pool.

Staff recommends setting the **Single Family Program Pool** at $500 million. The pool amount will be split evenly between statewide administrators and local program administrators. Potential statewide applicants include the California Housing Finance Agency (CalHFA) and the California Department of Veteran Affairs (Cal-Vet).

CalHFA has reported that the **Extra Credit Teacher Program** (ECTP) has been suspended due to a freeze in bond funded Proposition programs. The ECTP offered a combination of a first mortgage funded with tax exempt bond proceeds and a subordinate loan funded with Proposition 46 funds. However, Proposition 46 proceeds have been exhausted and it is unknown when additional funds will become available. As a result, staff does not recommend a 2010 reservation for this program. Should Proposition 46 funds or an alternative funding source become available for the ECTP at a later date, allocation may be requested from the Undesignated/Reserve allocation pool.

In 2009, **Industrial Development Bond** (IDB) allocations totaled $19.7 million. CIDFAC has indicated that for 2010, IDB demand shall be a minimum of $50 million. Therefore, staff is recommending $50 million in allocation for the IDB program pool. Should IDB demand exceed this amount, CIDFAC will return to the Committee with a request for additional allocation.

In 2009, the **Exempt Facility Pool** allocations totaled over $165 million in bond authority. CPCFA staff and financial advisors working on Exempt Facility projects have indicated that they expect high usage of bond authority in 2010 as well. However, staff does not recommend a 2010 reservation for the Exempt Facility Program Pool at this time since CPCFA currently has a balance of $622 million in unused 2008 carryforward allocation and was recently awarded $677.4 million in 2009 carryforward allocation for the Exempt Facility Program. The carryforward allocations are available for CPCFA's use through December 31, 2011 and December 31, 2012 respectively.

In 2009, the **Student Loan Program Pool** received no applications. Currently, no demand is anticipated for 2010. As a result, staff does not recommend a 2010 reservation for the Student Loan Program Pool at this time. Should staff receive a request for allocation later in the program year, allocation may be requested from the Undesignated/Reserve allocation pool.

Ms. Armstrong advised that the Staff recommends reservation amounts that reflect the statutory emphasis on affordable housing. Staff recommends the following amounts for each of the State Ceiling Pools for 2010:

State Ceiling Pool	Reservation	Percent of Ceiling*
Qualified Residential Rental Project Pool	$ 750,000,000	22.5%
Mixed Income Pool	220,000,000	6.6%
Rural Project Pool	150,000,000	4.5%
Sub-Total – Multifamily Projects	***$1,120,000,000***	***33.7 %***
Single-Family Housing Program Pool	$ 500,000,000	15%
Single-Family Housing Program Bonus Pool	250,000,000	7.5%
Sub-Total – Single-Family Programs	***$750,000,000***	**22.5%**
Teacher Home Purchase Program Pool	$0	0%
Housing Total	***$1,870,000,000***	***56.2%***
Small-Issue Industrial Development Project Pool	$ 50,000,000	1.5%
Exempt Facility Project Pool	$0	0%
Student Loan Program Pool	$0	0%
Non-Housing Total	***$ 50,000,000***	***1.5%***
Allocation on Hold (undesignated reserve)	***$1,406,549,760***	***42.3%***
GRAND TOTAL	**$3,326,549,760**	**100.0%**

*Percentages are rounded.

There were no comments or questions.

- John Chiang moved for approval.
- Cynthia Bryant seconded the motion for approval.

The motion was unanimously approved for Adoption of Apportionment of the 2010 State Ceiling among the State Ceiling Pools as noted.

9. Consideration of an Award of Allocation for the California Industrial Development Financing Advisory Commission for the Small-Issue Industrial Development Bond Program (Action Item)

Richard Fischer reported that the Small-Issue Industrial Development Bonds (IDBs) are tax-exempt private activity bonds that are issued through state and local governmental agencies to assist manufacturing facilities in financing capital expenditures. Today, most IDBs support expansions of existing manufacturing. IDBs offer considerable interest rate savings to small and midsize manufacturers in contrast to conventional loans. When used by manufacturers, IDBs serve to retain and create new jobs within their communities. By providing the allocation to CIDFAC, borrowers will able to receive their financing and allocation approval at the same time. Monthly CIDFAC meetings also ensure that borrowers will not have to wait 60-90 days for a Committee allocation approval; thus, eliminating the need for expensive interim financing.

The Committee approved a similar transfer of $150 million to CIDFAC for 2009. The CIDFAC Program received four (4) applications in 2009, which were awarded allocations totaling $19.7 million. The projects created approximately 413 jobs. The weighted average hourly wage for new jobs created was $18.19. For 2010, CIDFAC anticipates a higher volume of projects, which should make full usage of the proposed $50 million allocation.

Mr. Fischer advised that the Staff recommends the Committee award the California Industrial Development Financing Advisory Commission (CIDFAC) $50,000,000 in Industrial Development Bond Allocation for the purpose of allocating portions of the award to Project Sponsors for the purpose of issuing bonds for IDB projects.

There were no questions or comments.

- John Chiang moved for approval.
- Cynthia Bryant seconded the motion for approval.

The motion was unanimously approved for an Award of Allocation for the California Industrial Development Financing Authority Commission for the Small-Issue Industrial Development Program for $50,000,000.

10. Consideration of Transfer of, and Appeals and Applications for, an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Exempt Facility Bond Project and an Award of Allocation (Action Item)

Applicant: California Infrastructure and Economic Development Bank
Project: Poseidon Water
Allocation Amount: $530 million

a. **Consideration of Transfer of allocation from the Reserve Pool to the Exempt Facility Pool**
b. **Consideration of appeal***
c. **Consideration of application****

John Weir reported that the Exempt Facilities Pool received one (1) application requesting an allocation of $530,000,000.

Mr. Weir continued that The Poseidon Desalination Project (Application 09-098) has been submitted by the California Infrastructure and Economic Development Bank ("I-Bank") as the issuer. As a "facility for the furnishing of water" defined under the IRS

Code, this proposal is eligible for consideration for an allocation of private activity tax exempt bond authority as permitted under Section 21.II.F of the CDLAC Procedures.

The project consists of a 50 million gallon per day reverse osmosis desalination plant that draws raw seawater from the Encina Power Station cooling system to produce potable drinking water for transmission to the San Diego region. Contracts for water delivery are already in place and upon completion the plant will provide San Diego County with nearly 10% of its total water supply. The plant's salinated by-product ("brine") will be discharged and mixed with the cooling water for dilution and eventual return to the ocean.

Staff from the California Pollution Control Financing Authority (CPCFA) also performed a Technology Review to determine the viability of the technology proposed to be employed for the project. During this review process, staff consulted with the applicant and various interested parties (both for and against the project). The Review discussed the desalination process to be employed, the legal status of the project, and the climate change policy back-drop for the project.

The proposed financing structure meets the requirements of the Committee's Procedures for rated or non-rated bonds without credit enhancement (Section 9.III.A). Particular attention was given as to whether BBB- bonds would be marketable in today's investment climate. According to Barclays, the market for low investment grade tax-exempt bonds is strong. This is due in part to the success of taxable bonds which have pulled demand for mid to high rated bonds away from tax-exempt issues. Investors looking to meet higher yield targets have instead been targeting lower rated issues for investing. This market condition is evidenced by the increasing volume of these types of transactions over the last quarter of 2009. In addition, the financial strength of the Project and Project Sponsor was evaluated. In its ratings analysis, Standard & Poors evaluated the strength of the Project and all of the project counterparties, including equity sponsors, contractors, the operator and all nine of the water districts entering into purchase agreements. Through its review of Standard & Poors' analysis (as summarized in its Rating Determination Letter), CDLAC Staff believes that their conclusions were sound. Finally, attention was also given as to whether the proposed financing has reasonable protections in place for bond purchasers and issuers in case of default. All amounts due will be secured by a first priority security interest in all of the borrower's assets including, but not limited to rights to receive payments from all purchase agreements, construction guarantees secured by performance bonds, and all project related accounts and insurance policies of the borrower.

Mr. Weir noted that the Committee has previously approved two Exempt Facilities projects with non-rated bonds without credit enhancement in the past four years. This project would be the largest of its kind.

In addition, staff also recommends that the following be memorialized in the Resolution:

a. That prior to bond closing the Applicant agrees to report back to CDLAC with information on their bond purchase commitments,

b. That bonds, if unenhanced, must be marketed to qualified institutional investors only, and

c. That bonds be issued in minimum $500,000 denominations.

If the structure should change, the Applicant will be required to return to CDLAC for approval of the revised structure prior to issuance.

Transfer of Allocation to the Exempt Facility Pool

For 2010, CDLAC Staff has proposed not to reserve any new bond allocation for the Exempt Facility Program Pool. To fund this project, $530,000,000 of the $1,406,549,760 in unused Undesignated/Reserve Pool allocation will need to be transferred into the Exempt Facility Pool. Currently, there are no other anticipated demands on the Undesignated/Reserve Pool, making the amount needed fully available for transfer to the Exempt Facility Pool.

There are no appeals pending for this application.

Mr. Weir advised that the Staff recommends:

1) Approval of the transfer of $530,000,000 of unused Undesignated/Reserve Pool allocation to the Exempt Facility Program for the Poseidon Desalination Project; and

2) Approval of $530,000,000 in tax-exempt bond allocation to fund the Poseidon Desalination Project under the Exempt Facility Program as noted above.

- Andrew Kingman, Chief Financial Officer of Poseidon Resources stated that there are a number of benefits for the project. This is a critical infrastructure project for the San Diego water authorities. It will supply 56,000 acre feet of water, about 9 or 10 percent of the water supply needs for San Diego County. There are 9 municipal customers signed up for 30 years to buy the water. He stated it's a significant job generator for the region and it has much local content in the technology, ocean desalinization and reverse osmosis processes. It's in a redevelopment zone, so actually the City of Carlsbad has targeted this type of project for the redevelopment zone.

  There is support from a number of public agencies; the Metropolitan Water District of Southern California has provided an incentive agreement for $250 an acre foot for water for 25 years. The San Diego County Water Authority is being provided for through a set of distribution integration network incentive agreements. There are no public funds at risk; this is a private project. They only get paid for performance, so if they don't deliver water they don't get paid.

  He stated that the finance plan also includes robust requirements from the contractor. They have a contractor team that has a requirement not only to post a performance bond but their bonding obligations including payment for delay damages and for underperformance that represent over 30 percent of that contract value. That's approaching $75 million that will be available to help pay for construction if there are any delays in their performance. The current finance plan has Poseidon putting in about $120 million of equity; above the $530 million allocation that's being requested.

- Steven Howard of Barclays Capital, the Bond Marketing Agent for the project, stated that in the tax exempt market in 2009, there was a total of about $365 billion in issuance, $281 billion of municipal tax exempt bonds and $280 billion of taxable municipal bonds, and the Build America bond program had a pretty significant impact on the municipal market this year, which is positively affecting this project. About $18 billion of BBB-rated tax exempt bonds were issued in 2009. There was a significant ramp-up in the issuance of BBB bonds in the last half of the year. Starting out in January of 2009, there were two transactions done with BBB ratings for a total of $311 million. In December of 2009, there were 23 BBB transactions done, totaling $4.6 billion. Several projects that Barclays was involved in the latter part of the year, that were BBB rated, were a $500 million state transaction in the New York area; there was a BBB transaction done in Texas, a $400 million transaction; and in the first half of January of 2010 there was a BBB minus private port financing done for the Port of Baltimore, about a $250 million transaction.

All of these three transactions were substantially oversubscribed, with bid to offer ratios exceeding two to three times what the actual size of the issuance was. Based on our experience with these three major nonrecourse project financings, which would be handled very similar to how they would be handling the Poseidon transaction, the marketing plan would be to present the transaction to the marketplace and focus the marketing plan with some of the major traditional institutional investors for these types of bonds. It would involve a very extensive investor road show with site visits and an education process over the course of a two to three week time frame. Ultimately, based upon the market demand, the pricing would be gauged, and they would enter into an award period after this extensive marketing period, with the intent of establishing a final price and underwriting the bonds.

The Chairperson opened the floor to public comment.

- Gary Arant, General Manager of Valley Center Municipal Water District, stated he was there to support the $530 million allocation of the private activity bond for this project. He continued that there have been many challenges to this project, but it has passed all its regulatory hurdles, it has faced many unsuccessful legal challenges, and it has had a number of claims thrown at it that will be mentioned today about negative impacts of the project. He stated they [Poseidon] have been successful in getting the regulatory permits and defeating legal challenges. This represents almost 10 percent of the San Diego region's water demand. The traditional supplies, such as the state water project, which has been operated by the Department of Water Resources for the last four decades, has become unreliable, because the agency has failed to complete the project and make it a reliable system. They, as an important supplier, represent about 80 percent of the water supply in the San Diego region, have become unreliable. This project along with conservation, investments in conservation, and wastewater reclamation in the region are needed to restore a level of reliability that allows our economy to move forward and survive. The project will also stimulate the local economy during the construction, and after that, into the employment phase, through the ongoing need for supplies and equipment to sustain this operation. He concluded by asking the Committee to make this award today and help them get past the next hurdle and move on to complete this project by the end of 2012.

- Conrad Hammann of the City of Carlsbad spoke. He wanted to express how important this project is to the City of Carlsbad and the region as a whole. It provides a number of public benefits. The obvious one is supplying water to the region; it will provide approximately 10 percent of the water needs of the San Diego County region. In Carlsbad it will supply approximately 80 percent of our water supply. So it's very important to the City of Carlsbad, and they have been working with Poseidon for approximately 10 years to move this project along, and are looking for and seek the Committee's support for the full allocation of the private activity bonds that have been proposed for this project.

- Controller Chiang asked why is it 80 percent of the water source for Carlsbad? He understood there is an extraordinary need in Southern California for water; which provides merit for these types of projects. He was concerned, however, about the unfettered development of these types of projects. He felt the first thing we ought to be doing is water conservation and then we ought to be looking at other things. Despite all the positive benefits that these projects provide, there is extraordinary cost. There are financial costs, which this project got lucky because of a significant disruption in the economic markets that provided the available funding. Secondly, he stated there's the extraordinary environmental cost and had a disagreement with this paper as to displacing imported water from the state water project. The MWD did provide, in their statement, that this was not water that would replace what they were going to supply. They are guaranteed their right to sell theirs, so in essence this is additional, and they could come back before the Committee for a different project that has costs that he would want incorporated for a reduction in the carbon emissions; because if they are going to impose these types of projects, he finds Carlsbad and any city that has a disproportional reliance on one certain technology is going to just time and again turn to the State of California for these projects that would have huge environmental and financial impacts to the State.

- Mr. Hammann responded that through the water purchase agreements they have negotiated with Poseidon, Carlsbad has the ability to use the desalinization plant to provide 100 percent of their water, but for their desalination partners, Carlsbad has agreed to lessen the demand so others can receive desalinated water. They also have the ability to obtain water from the California Water Aqueducts; so they also are not entirely reliant on the desal project. They have a 4 million gallon a day recycle water facility in town and it is only limited by the number of customers that they can find that have a use for recycled water. It's [Carlsbad] in the Encino Wastewater Authority area and it has the potential to expand to up 16 million gallons and they have been very aggressive in all those regards. The importance of the desalination project to Carlsbad is it does provide a reliable source if something happens to the aqueduct; it is a local source. If the water authority continues to transport water to the region, it does provide a source of 56,000 acre feet a year that has to have some effect on reduced demand on the delta and state water project.

- Larry Porter, vice-president of Residents for Responsible Desalination, stated his opposition to CDLAC granting Poseidon Resource's tax exempt status. He would hope the Committee would want to be somewhat certain that Poseidon would be able to pay back the principal and the interest on the obligations. He stated that given the information that has been provided by Poseidon, reason cannot conclude that they can pay the principal and the interest. Because never at any of the hearings throughout the process, 2002 to the present, has the true verified documented sea water desalination production cost numbers been shown and discussed. It is estimated Poseidon can produce potable water for $1100 to $1300 per acre foot. However, Mr. Porter states no one of any credibility has appeared to second those statements; to show proof with transparent numbers. He is a member of three professional water organizations, American Water Work Association, the Water Environment Federation, and the Water Quality Association. He attends many water conventions and trade shows and spent time asking manufacturers of the components of the desalination process how much it takes to produce potable water from sea water. He said the reply is it is the sea water desalination industry's secret. Mr. Porter stated he does not know what the costs would be, however, he noted that the Marin Municipal Water District is considering using sea water desalination as part of its water portfolio. They hired a Mr. James Fryer to investigate sea water desalination. He concluded it would cost Marin approximately $3,000 an acre foot. All plant equipment studies permits included. Attention though, this plant plan is between 10 and 15 MGD; it's not exactly apples with apples.

However, there have been no complete detailed exhaustive comparative studies that show what the cost would be for the Poseidon Carlsbad sea water desalination plant's water. Because of his interest in desalination, he would have been aware of a real exhaustive study that would have concluded that sea water can be desalted to total standards for $1100 or $1300 per acre foot. That is $1100 and $1300 delivered to the edge of the plant, not throughout distribution. He stated Poseidon says they will sell the water for less than what it costs for some uncertain time until the San Diego County water authorities water costs catch up and then pass on the cost of their sea water desalination. He wanted to know the details and for how long.

Mr. Porter stated the Standard and Poor's report is inaccurate. It says nothing affirming what sea water desalination costs actually are. They relied on the reports to them, and they just said we are not going to stand in the way of approving this project. He requested the Committee vote no on the project.

- Conner Everts of Desal Response Group spoke that he was in opposition to this funding, because he felt this is the wrong project at the wrong time. In regards to the report, it says that saltwater desalination is being used in Southern California. He states it's not. He was on the local water board in Ventura County when the Santa Barbara plant went in during the last drought. It sits idle. So this plant would potentially be the first large scale plant on the Pacific coast and largest in the western hemisphere creating concerns; because it's rained a lot recently and flooded across Southern California, which made them aware of the potential for storm water capture and other things that need to be done first. The City of Los Angeles looked at desalination at their power plant and put out a 20 year supply plan that has no desalination and relies on capturing and reusing storm water, a serious conservation program, and wastewater reclamation to an extent where they're only using 2 percent now. While Carlsbad itself is at the end of the pipeline of the wastewater plant and it has done conservation, the other MOU assignees to this water are often ones that are abusing rather than using water. When Mr. Everts did a per capita study for a power group that he chairs, Public Officials for Water Reform, with numbers from the California Water Urban Conservation Council many of these users are using over 300 gallons per day per person. By comparison statewide its 174 gallons, Long Beach is right around 100, Israel, Spain, Australia with relatively the same climate and lifestyle are between 30 and 40 gallons per day per person. He felt investment should be in other opportunities. He requested the Committee wait on making a decision until more information and reviews are completed.

- Eddie Scher of Environment Now spoke to ask the Committee to deny this request. He stated that desalination should be the last choice for getting more water into Southern California. It's energy intensive and environmentally damaging. He noted it's an interesting parallel that the same 9 percent of the region's water that this plant is promised to produce, is about the amount that the distribution system in that region loses through leaky pipes and inadequate infrastructure. He mentioned the infrastructure gap nationwide and also in California, the difference between that water is that instead of leaking into the ground it would be available, immediately, for use. But it would not require the drop of oil that desalination will require. It won't be at risk from the kind of catastrophic failure which would be seismic or rising sea level. It also wouldn't require constant energy input to get that water. This is infrastructure that has to happen. He stated this is the kind of infrastructure that he believes that public tax exempt dollars bond allocations should be for.

  He mentioned there are ongoing legal challenges that cannot be easily dismissed with a wave of the hand; stating they're not for real. He noted they actually are for real and that's documented in the report. The policy changes on once-through cooling and climate change greenhouse gases are significant. The once-through will change the way this plant operates. If those pumps aren't running 24/7 for the power plant, then the once-through cooling plant has to run them themselves. It changes the finances of it. It changes the permit it changes fundamentally how and if this project works and is fundable.

  He concluded that it is mentioned there are no public dollars for this project, however, he mentioned an estimated $159 million subsidy in lost taxes. He feels it should be up to the market to finance on its own merits.

- Adam Scow with the consumer group Food and Water Watch, working both to advocate public control and oversight of the state's resources spoke against the project. He did send a letter with a lot of other groups including SCIU, Sierra Club, about 50 groups representing hundreds of thousands of Californians that are opposed to this project.

  His organization and a lot of these organizations are not outright opposed to desalination; however, they have no choice than to oppose what is the worst possible project in California.

  If there's anything that could be learned from this process, and as this board considers future projects in the near future, it’s that there are superior projects being considered and contemplated done in a public process, up and down the coast, and he thinks this also highlights the need for better state regulation, better public oversight of this sort of technology, as desalination does become more popular in California. He requested a no vote.

<u>At 2:47 p.m., Controller John Chiang departed the meeting and the Chair recognized Cindy Aronberg, Deputy Controller, as the designee for the Controller.</u>

- Jonas Minton, a water policy advisor for the Quality and Conservation League spoke. He was previously the deputy director of the California Water Resources.

  He mentioned that the board represented elected officials involved in making the key policy decisions for the state of California and wanted to bring up three issues for consideration.

  First was the issue of greenhouse gas. He stated that there are statements that this project will offset greenhouse gas emissions from the state water project. However, he said that's not the case. He noted information from the Metropolitan Water District of Southern California that they are not going to offset it. The DWR issued its updated delivery reliability report. This is the report that shows how much water DWR is going to deliver. DWR believes by mid-century as a result of climate change they will be able to deliver 10 percent less water. His question was how do we balance this off, are we going to pump more greenhouse gas into the environment to create some water, and then reduce our overall supply?

  Second were the ocean fishery impacts and the declines in the near shore fisheries. He felt that the Committee's decision affects those resources.

  Lastly, he mentioned the Committee's fiduciary duties. He pointed to one line from page six of the CDLAC staff report. At the California Coastal Commission hearing on November 15th, 2007, Poseidon stated that it intends to absorb any losses for an unknown number of years until the cost of imported water increases to match or exceed Poseidon's cost. He thought that was quite a bet. From a policy perspective, he encouraged the Committee to deny this request.

- Cindy Aronberg stated that she remembered Poseidon when she worked at the State Lands Commission, and at that time it was about a $300 million project. She asked how much equity they were going to put in then, when it was a $300 million project.

- Andrew Kingman responded that the statute was about $370 million project at that time. The desalination plant was without the pipeline and at that time the customers hadn't decided what to do about a pipeline. That was also before a number of reserves that were going to have to be put in the project for the mitigation measures for the wetlands mitigation plant, ramped up reserves, and there's a financing plan that had the pipeline that added approximately $110 million of hard costs when the financing costs were added. The project at that time probably was thought to be in the 10 percent equity range. So it was going to be approximately $30 to $40 million. He mentioned that that was also before two significant water rate increases had happened. So the water pricing has been dramatically changed over the last couple of years. Which makes it about 20% to 25% now.

- Cindy Aronberg continued that structuring the bond issue to achieve just the minimum investment grade ratings places bondholders at risk in project financing and results in higher interest rate borrowing costs. So, since the tax exempt interest allocation represents a subsidy provided by the federal and state governments, and the major project cost, most issuers try to obtain the best rating possible to achieve the lowest interest cost. Low credit ratings result in high bondholder risk and higher interest costs, which costs the state tax revenue. Ms. Aronberg stated it appears that the borrower could have built additional bondholder protections into the bond security provisions that would likely have improved the rating and reduced the tax impacts on the state general fund. She asked for an explanation as to why the borrower and Barclay's didn't take steps to achieve a higher rating.

- Steve Howard of Barclays responded that he has been involved in the financing of a variety of different types of infrastructure projects now on behalf of public and private clients for about 25 years. The basic approach to any project financing, whether it is a desalination project, a solid waste project, a wastewater treatment project, is to minimize the total cost of financing; both with equity and debt. And debt is a cheaper form of financing than equity. And the objective is to structure a project financing with as much debt as you can, yet meet the requirements of the rating agencies in the capital markets with a minimum equity requirement. He stated that in this case, they have structured the transaction to meet the lowest cost of capital, which reduces the capital, which reduces the costs for the project for the users of the project, and the water users. And this is a very basic approach in a situation where you're structuring a project financing.

- Ms. Aronberg stated she is more concerned about the bonds, because the equity isn't rated. That the bonds are what's being focused on for the rating, the equity isn't rated.

- Mr. Howard responded that no, the equity isn't rated, the bonds are rated. The equity is a very important part of the capital structure to achieve the ratings. In other words, without the 20% equity, that's put into the project they could not achieve the BBB ratings for the transaction. He also mentioned that he was not exactly sure the differential impact to the tax payers on a stronger bond protection for the debt, regardless of the rating on the debt. If it was the same amount of debt; it wouldn't have any difference on how much tax payment differential would be.

- Bettina Redway stated that she thought the question was -- what Poseidon was getting, if they are able to get a tax exempt bond. The federal and state government subsidized their cost by providing their bondholders with an interest tax return benefit. So, why didn't they try to seek a better bond rating, which would have cost the tax payers less in the long run?

- Mr. Howard replied that he thought that would only be in the case where they had less allocation. If someone buys a bond and earns interest tax-free, whether it's earning at 1 percent or 10 percent, they would not be paying tax on that amount. It's a null set on taxes whether it is a 1 percent rate or 10 percent rate.

- Ms. Redway stated that she felt the answer is, if that's not a consideration, in their financing structure they're looking at the overall -- and she believes that was understood by the federal government when they passed the IRS rules. They knew it would be used by projects that were not considering the impact on the general fund, but instead were trying to get their projects financed, and reducing tax payer cost. It is just not something they consider.

- Cindy Aronberg stated that this seems like a situation where, in part, the borrower has been shopping for a rating, similar to the CMO market before the crash where issuers were seeking or shopping for AAA ratings, it appears the borrower has been shopping and negotiating for any investment grade rating. She asked if it would be too much of a burden on the borrower, or I-Bank, to require that the borrower obtain at least one additional rating.

- Stan Hazelroth of I-Bank responded that in fact the market will require an additional rating and that it is their intention to obtain at least one additional rating for the project.

- Ms. Aronberg asked Mr. Hazelroth, what restrictions they are expecting to impose on resale after the primary offering of the bonds.

- Mr. Hazelroth responded that if the option that is chosen is a private placement, they will carry what is called a traveling big boy letter so any buyer from an original buyer will have to prove the same status as a knowledgeable and balance sheet meets the same requirements.

- Paula Connors from the California Infrastructure Bank added for clarification, that they are taking this to their board next month, so they haven't tied down a lot of this, but their bond policies indicate that on a private placement it can be purchased by a qualified institutional buyer or a credited investor and they haven't really delved into conditions that they would place on that, but it would be similar to the traveling big boy letter that Mr. Hazelroth was referring to. In addition, their board has a policy that the minimum denominations are $500,000, even on subsequent payoff.

- Bettina Redway stated that those conditions are in the staff report and if they change significantly they would have to come back to CDLAC for allocation.

- Cindy Aronberg asked if they were considering in the staff recommendation to their board or if the board was considering requiring that this be a private placement for the bond sale? And if not, why not?

- Stan Hazelroth responded that there are two options that are being considered, and this time receptive to discussing both a private placement with the types of guarantees that come with that, or restrictions that come with that, or an insured arrangement. They don't know until this meeting is over, and what's coming to them. So they would consider those both, but it may be that if what comes to them is a private placement, that they will restrict it to that. They will carry on that restriction.

- Ms. Aronberg continued, if the Committee approves the allocation today, what is the timing that they expect for the sale and when would Poseidon expect to have an engineer's report that isn't the redacted November 2009 draft?

- Mr. Hazelroth answered that on the bond sale, he thought that from the conditions that were in the draft S&P term sheet which suggests a number of conditions to closing, a month from now, to the middle of March, so it would be in that time frame and that would be for the OS it would have to be an independent engineer report. He felt that the I-Bank has a pretty strict set of requirements about what they want to see as a posted final OS so that would also have to include an engineer report, to make that deadline.

- State Treasurer Bill Lockyer stated that he had an opportunity to review the file and had conversations with proponents and opponents of the project, and added that he thought those that express opposition raise what seem to be some quite substantial and legitimate anxieties and concerns about environmental impacts. However, he did not think that's the Committee's job. He felt their job is a different one, the duties are much narrower, and that it's a different venue that has to address those questions, whether that's Coastal Commission or others. Mr. Lockyer said he understands their concerns, but in a different role, he would have an obligation to do something about it. He doesn't think that's their task. Mr. Lockyer felt they have this pool of authorizations that are allowed under federal law, that are not going to get used. The potential job creation impacts at a time they need to create jobs is going to be underutilized and it seems that's really their principal responsibility, not the others that have been raised. This was explaining a yes vote with respect to this application.

- Bettina Redway stated she wanted to add that having been through the hearing, there were some comments with some significant issues raised. Ms. Redway felt that the outstanding hearings at the Water Board and Coastal Commission will occur prior to the I-Bank hearing, so hopefully, there will be some additional decisions made in that area which could impact the I-Bank's decision. In terms of the greenhouse gas emotion offsets, Ms. Redway stated she knows the Coastal Commission will be looking at that, and if they change what they require for mitigation from Poseidon that will hopefully be determined prior to the I-Bank meeting. Ms. Redway stated she felt that the I-Bank will do due diligence in making sure the underwriting is sound and that meeting will be a month from now. She wanted to add those responses to issues that were raised as those are not issues that necessarily are considered by CDLAC in its determination about whether the bonds could be marketed.

- Cindy Aronberg made a statement that the Carlsbad, San Diego area has serious water needs, and if all goes as planned this project will help alleviate a potential crisis. The Controller and his office feel that there may be other projects like this in the future for California. The Controller and his office are very uncomfortable with the financing structure and the financing risks that are involved with the financing structure for this project. The Controller and she are not comfortable with the low single rating, when there are other elements of the financing structure and bond security provisions could have been adjusted and may have resulted in a higher credit rating for the financing. The lower credit rating and bond security provisions may make the project less attractive to buyers, resulting in higher interest rate financing, increased federal and state subsidy, and possibly an unsuccessful financing. The equity in this financing is not public or investor owned utility equity, it is private equity. And private equity is different from other sources of equity. Private equity is first and foremost interested in return of equity, as rapidly as possible and not just return on equity. Other sources of equity would normally recover their equity investment over a longer period of time, and continue to realize return on equity during the life of the project. This principal objective of private equity achieving a return of equity as rapidly as possible appears to be the driving force that influenced financing provisions that insured the low credit rating. A higher rating and less financing risk for bondholders could have been realized with equity from other sources. This risk to bondholders also creates risk to the State and the conduit issuer if the financing is not successful either because it's not completed or because the project financing results in default.

Ms. Aronberg continued that for this reason, the Controller and his office recommend and urge the Committee to place restrictions on this financing, or encourage the I-Bank to restrict certain aspects of the bond sale. First, if approved, the sale should require the $500,000 minimum denomination for bonds and restrictions on any resale to qualified institutional investors. She felt that is what is being recommended. Second, the Controller recommends that the financing be required to obtain the second rating, as Mr. Kingman indicated would occur. To obtain a second investment grade rating and the sale should be a private placement. To request that the I-Bank seriously consider adopting these restrictions.

There were no other comments or questions.

- Cynthia Bryant motioned for approval of the project.
- Cindy Aronberg seconded the motion for approval.

The motion was unanimously approved for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Exempt Facility Bond Project and an Award of Allocation for Poseidon Water for the transfer of $530,000,000 of unused Undesignated/Reserve Pool allocation to the Exempt Facility Program for the Poseidon Desalination Project; and Approval of $530,000,000 in tax-exempt bond allocation to fund the Poseidon Desalination Project under the Exempt Facility Program.

11. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation (Action Item)

a. Consideration of appeals*

John Weir reported that there are no appeals

b. Consideration of applications – See Exhibit A for a list of Applications**

Mr. Weir then reported that the Committee received two (2) applications requesting their 2010 Fair Share Single Family Housing allocations for a total of $22,127,779 for the issuance of bonds in support of their respective Mortgage Credit Certificate Programs.

Mr. Weir advised that the Staff recommends approval of $22,127,779 in eligible Fair Share Allocation to fund two (2) programs in the Single Family Housing Program as noted above.

There were no comments or questions.

- Cynthia Bryant moved for approval.
- Cindy Aronberg seconded the motion for approval.

The motion was unanimously approved for the Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation for two (2) programs for $22,127,779.

County of Los Angeles	MCC	$10,000,000
County of Santa Clara	MCC	$12,127,779

12. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation (Action Item)

a. Consideration of appeals*

Sarah Lester reported that there are no appeals

b. Consideration of applications – See Exhibit A for a list of Applications**

Ms. Lester reported that the General Pool received seven (7) applications requesting a total allocation of $129,872,986.

Ms. Lester advised that the Staff recommends:

1) Approval of $129,872,986 to fund all seven (7) projects in the General Pool.

There were no comments or questions.

- Cindy Aronberg moved for approval.
- Cynthia Bryant seconded the motion for approval.

The motion was unanimously approved for the Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation of $129,872,986 to fund all seven (7) projects in the General Pool.

Community Redevelopment Agency of the City of Los Angeles	Buckingham Senior Apartments	$14,000,000

California Municipal Finance Authority	Garvey Court Apartments	$11,000,000
California Statewide Communities Development Authority	Orange Villas Apartments	$2,808,171
City of San Jose	Belovida at Newbury Park Senior Apartments	$23,590,000
California Municipal Finance Authority	Azahar Place Apartments	$15,156,000
City and County of San Francisco	220 Golden Gate Avenue Apartments	$59,000,000
California Statewide Communities Development Authority	Rolling Hills Apartments	$4,318,815

13. Public Comment (Action Item)
There were no other comments or questions.

14. Adjournment
The Chairperson adjourned the meeting at 3:15 p.m.