

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

March 16, 2011

Consideration and Approval of an Issuance Date Extension

For The La Vida at Campus Pointe Apartments (10-044) and the California Department Of

Veteran Affairs Single Family Housing Program (10-084)

(Agenda Item No. 4)

I. ACTION

Approve bond issuance date extensions for the following projects: La Vida at Campus Pointe Apartments (10-044) and the California Department of Veterans Affairs Single Family Housing Program (10-084).

II. BACKGROUND

La Vida at Campus Pointe Apartments Project (10-044)

The La Vida at Campus Pointe Apartments Project (“Project”) received an allocation award through the California Statewide Communities Development Authority on December 15, 2010. The Project’s current issuance deadline is March 16, 2011.

Due to delays in the financing, the Project will not be able to close by the deadline of March 16, 2011. The Project site is located on land leased from the California State University system and there was a requirement to finalize the lease before the appraisal was ordered. Those terms have since been met and it is anticipated that the project will close the week of April 25th.

Allowing an extension to the issuance date to May 18, 2011 will ensure the completion of the lease processing and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the city of Fresno will lose the opportunity to create 137 new units of affordable senior housing.

California Department of Veteran Affairs MRB Program (10-084)

The California Department of Veterans Affairs (the “Department” or “CalVet”) MRB Program (“Program”) received an allocation award on November 17, 2010. The Program’s current issuance deadline is March 16, 2011.

The Department has unexpectedly run into several difficult financial market issues. Long term interest rates have increased dramatically since the initial allocation date and are well above the market rate for mortgages. Long term rates have increased by as much as 90 basis points in the fourth quarter of 2010 alone. In addition, Fitch Rating Agency’s “new” loss scenarios prevented the Department from structuring the transaction with lower short-term market rates without incurring a possible ratings reduction. Lastly, competitive mortgage interest rates have remained low. This raises the concern that CalVet loan demand would be light, and thus the speed by which CalVet would draw down the bond proceeds would be uncharacteristically slow. The rate on CalVet’s short-term cash fund at this time is well below the anticipated rate on the bonds; which would cause immediate negative arbitrage on the unused bond proceeds.

Approval of the extension to June 14, 2011 will enable the Department to continue assisting California Veterans with home loans.

III. DISCUSSION:

The CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend a Project or Program’s expiration date up to the next regularly scheduled meeting at which time the Committee may elect to grant an additional extension up to ninety (90) days. Both the Project and Programs are otherwise in full compliance and eligible for an extension under the CDLAC Regulations.

IV. RECOMMENDATION:

Staff recommends the approval of the following issuance date extensions:

10-044 La Vida at Campus Pointe Apartments

May 18, 2011

10-084 California Veterans Affairs MRB Program

June 14, 2011

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