

California Debt Limit Allocation Committee

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

July 16, 2014
Meeting Minutes

OPEN SESSION

1. **Call to Order and Roll Call**

Michael Paparian, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:03a.m.

Members Present: Michael Paparian for Bill Lockyer, State Treasurer
Eraina Ortega for Edmund G. Brown, Jr., Governor
Natalie Sidarous for John Chiang, State Controller

Advisory Members Present: Claudia Cappio for the California Housing Finance Agency (CalHFA)
Laura Whittall-Scherfee for the Department of Housing and Community Development (HCD)

2. **Approval of the Minutes of the May 21, 2014 Meeting** (Action Item)

Natalie Sidarous moved approval of the minutes for the May 21, 2014 meeting. Upon a second by Michael Paparian, the minutes passed 2-0-1 with the following votes: Natalie Sidarous: Aye; Michael Paparian: Aye; Eraina Ortega: Abstain.

3. **Executive Director's Report** (Informational Item)

Sean Spear began his report by notifying Committee Members about revisions to the Agenda packet. Mr. Spear stated that one (1) project in the Qualified Residential Rental Program (QRRP), Stoneman Village Apartments, did not receive its Firm Commitment letter from HUD in time for this meeting. It is anticipated that the letter will be received in time for the Stoneman Village Apartments (14-009) Project to go forward at the September 17, 2014 meeting. Mr. Spear further reported that the original posting sheet in the briefing packets reflected that the potential award amount of \$28,500,000 for the Westminster Manor Apartments (14-079) Project was listed as a carry-forward amount; however, the County of San Diego does not have any carry-forward available. Therefore, this award would come out of the current year cap. This change is also noted on the revised allocation status report which affects the general pool numbers for the amount allocated to date, assuming the projects are approved today.

Mr. Spear reported that there continues to be an increase in the Multi-Family Housing (MFH) Projects. If the volume of applications keep this pace for the remainder of the year, it is anticipated that there may be an overall allocation usage increase of 10-30% compared to 2013.

Mr. Spear then reported that the Office of Administrative Law (OAL) approved the emergency regulations packet that the Committee Members saw at the July CDLAC meeting. As part of the process, the regulations were put out for public comment and testimony. There were no letters or comments received. With the approval by OAL, these regulations are now officially in place. Applications going forward will be subject to these revisions.

The biggest change to the regulations is the initiation of CDLAC's eighth funding program, the Small Issuance Bond Program for Beginning Farmers, also referred to as the Aggie Bond Program. Staff knows of at least one lender who may be interested in going forward with an application, and it will potentially go through the California Infrastructure and Economic Development Bank (I-Bank). Staff anticipates receiving an application for this program later this fall. Staff looks forward to working with the I-Bank and other potential issuers in terms of marketing the availability of the allocation, as well as with opportunities to assist beginning and small farmers throughout the State.

Mr. Spear stated that with the approval of the emergency regulations packet, CDLAC is not considering any additional regulation changes for the remainder of the year. The normal practice for CDLAC has been to submit the permanent regulations packet to OAL at the end of the year. Since there will be no more emergency regulations this year, staff has decided to go forward with the submittal of the permanent regulation package to OAL sooner rather than later. It is anticipated that the permanent regulations will go into effect by October enabling staff to start 2015 with the new permanent regulations in place.

Mr. Spear went on to report that staff is very close to rolling out CDLAC's new on-line application for the QRRP projects. With that in place, the issuer/applicants, working with the project sponsors, would be able to submit their application fully through the internet as opposed to a paper copy. The hope is to begin receiving applications in October for the December round. The universal application will still be available for those who prefer to submit a paper application. With the rollout of the on-line application, staff has scheduled training sessions in Sacramento and in Los Angeles. A memorandum was posted on the CDLAC website listing the dates and locations of the training sessions. Both the issuers and the project sponsors were strongly encouraged to attend these trainings as it would provide them with a full understanding of how to use and submit the new on-line application. It also served as a reminder to both the issuers and the project sponsors that they needed to work closely together to submit any application.

Mr. Spear reported that at the beginning of July a set of reminder letters were sent out to issuers that still had not sent in their post-issuance compliance forms. A little over two (2) years ago, CDLAC rolled out a requirement that the issuers would have to submit updated information on their previous issuances. There were over 2,200 projects involved in this process. Prior to sending out the reminder letters, staff had achieved a nearly 90% response from the issuers on the projects. The letters were more of a reminder to those who were still working on their forms, or those who were not aware that their project forms were still needed. At this point, there are still about 5% of the projects that still need to be turned in. Issuers were notified that they needed to respond within thirty (30) days of receiving the letter. Staff is hopeful that it will get full response; however, it was identified in the letter to the issuers that the Committee might consider options for some type of enforcement policy for issuers that do not respond. Depending on the response staff gets by the end of the month, staff may come back before the Board in September for some policy guidance on how to deal with the issuers who have not responded.

4. Consideration and Approval of Issuance Date Extensions for Various Projects – Qualified Residential Rental Program: (Action Item)

<u>App.</u>	<u>Project</u>
14-039	Olive Wood Apartments
14-031	Liberty Village Apartments
14-036	Renaissance Village Apartments
14-050	Auburn Heights Apartments
14-051	Jasmine Heights Apartments
14-038	Hunters View Phase IIA Apartments
14-032	Harbour View Apartments
14-018	Village Center Apartments

Richard Fischer reported that issuance date extensions are requested for eight (8) awarded QRRP projects. Five relate to local issuance and permitting issues, two involve purchase and sale agreement revision negotiations, and one involves an unforeseen environmental study issue. Staff believes it is appropriate to grant them additional time to resolve the outstanding issues and close on the bonds as required.

RECOMMENDATIONS:

Staff recommended the approval of the following issuance date extensions:

14-039	Olive Wood Apartments	August 15, 2014
14-032	Harbour View Apartments	September 14, 2014
14-031	Liberty Village Apartments	August 15, 2014
14-036	Renaissance Village Apartments	October 14, 2014
14-038	Hunters View Phase IIA Apartments	October 14, 2014
14-050	Auburn Heights Apartments	October 14, 2014
14-051	Jasmine Heights Apartments	October 14, 2014
14-018	Village Center Apartments	August 29, 2014

Eraina Ortega moved approval of staff's recommendation. Upon a second by Natalie Sidarous, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Natalie Sidarous: Aye; Michael Paparian: Aye.

5. Consideration of Requests for a Waiver of the Forfeiture of the Performance Deposit for Park 20th Apartments Project (13-106) - Qualified Residential Rental Project Program (Action Item)

Leslie Campaz reported that Rabobank notified the Park 20th developer, Golden Empire Affordable Housing, Inc. II, that the bank would not provide their construction financing unless the Terra Group was removed as the Administrative General Partner and replaced by another entity. The project was on track to close by June 30, 2014 until the issue with the general partner replacement was brought forth by the construction lender. The developer now expects to close the bond financing by August 15, 2014. Rabobank has confirmed the situation with CDLAC staff, and that the required revision was not the fault of the Applicant or the Project Sponsor.

With the approval of the carry-forward extension came the requirement for the Project's performance deposit to be forfeited to the Committee.

RECOMMENDATION:

In light of the circumstances described, staff recommended the approval of the Waiver of Forfeiture of the Performance Deposit for the Park 20th Apartments (13-106) Project.

Eraina Ortega moved approval of staff's recommendation. Upon a second by Natalie Sidarous, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Natalie Sidarous: Aye; Michael Paparian: Aye.

6. Consideration and Approval of a Revised Resolution 14-28 for the Liberty Village Apartments Project (14-031) – Qualified Residential Rental Program (Action Item)

Leslie Campaz reported that prior to the March 2014 award, the Project operated since 1998 as a tax-exempt bond and low income housing tax credit project with 98 tenant-occupied affordable units.

At the time of application, it was the intent of the Project Sponsor to income restrict 99 tenant-occupied units and to build a community building/leasing office on site. This would have allowed the Project Sponsor to reassign the unit that currently houses the leasing office to become a tenant-occupied affordable unit. However, the Project Sponsor's development plan was rejected by the City of Richmond (the "City"); with the City arguing that there was a lack of adequate space on the site for a "meaningful" community space. As a result, the Project Sponsor now requests to return to its previously approved unit mix of 98 tenant-occupied affordable units.

RECOMMENDATION

Staff recommended approval of revisions to CDLAC Resolution 14-28 for the purpose of changing the total count of restricted units from 99 to 98 for the Liberty Village Apartments (14-031) Project.

Natalie Sidarous moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Natalie Sidarous: Aye; Eraina Ortega: Aye; Michael Paparian: Aye.

7. Consideration and Approval of a Revised Resolution 14-60 for the Charlotte Drive Family Apartments Project (14-065) – Qualified Residential Rental Program (Action Item)

Richard Fischer reported that CDLAC Resolution 14-60 needs to be revised to change the total count of restricted units from 189 to 198, and change the affordable units from 65 at 50% AMI to 20 at 50% AMI and 124 at 60% AMI to 178 at 60% AMI for the Charlotte Drive Family Apartments (14-065) Project. The Project Sponsor has increased the total number of units for the Project. Additionally, staff mistakenly captured AMI commitments in the original resolution at the level of the current rents represented in the application, not the proposed. The revised resolution would reflect the increase in the total units and correctly reflect the initial affordability mix as reflected in the application.

RECOMMENDATION:

Staff recommended approval of revisions to CDLAC Resolution 14-60 for the purpose of changing the total count of restricted units from 189 to 198, and changing the unit affordability mix from 65 at 50%

AMI to 20 at 50% AMI and 124 at 60% AMI to 178 at 60% AMI for the Charlotte Drive Family Apartments Project (14-065).

Natalie Sidarous moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Natalie Sidarous: Aye; Eraina Ortega: Aye; Michael Paparian: Aye.

8. Consideration and Approval of a Revised Resolution 14-7 for the Garfield Park Village Apartments Project (14-006) – Qualified Residential Rental Program (Action Item)

Richard Fischer reported that in the original application, the Project consisted of 13 residential structures, totaling 94 units. The existing parcel includes a 2-bedroom manager's house which the Applicant had proposed to parcel off as a separate structure from the multifamily property. According to the Applicant, since the time of their tax credit reservation, HUD has disallowed the minor land division, thus requiring the house to remain part of the defined project. Therefore, the Project now consists of 14 residential structures for a total of 95 units, one of which is still a manager's unit.

A second issue is that at the time of the initial application, the Applicant stated that they did not have complete income verifications for all of the existing residents, per the unit type. The Applicant states that they now have all of the data and have found that their initial affordability mix, by unit type, was not accurate. Additionally, they have qualified two more households than initially expected. Therefore, the Project has a total of 84 restricted units; of which 66 are targeted to 50% of the Area Median Income (AMI) and 18 are targeted at 60% AMI.

While the Project decreased its number of restricted units at 50% AMI by three (3) units, the number of restricted units at 60% AMI has increased by five (5), thus adding two (2) additional affordable units to the Project. It should be noted that this allocation award was made in a non-competitive CDLAC round, and the Applicant's CDLAC application score would not have been impacted by this change.

RECOMMENDATION:

Staff recommended a revision to Resolution 14-7 that reflects a modified total number of units from 93 units with one manager unit to 94 with one manager unit; and a modification of the affordability requirements from 69 units to 66 units (70% of the new total of 94 units) @ 50% or less of AMI, and from 13 units to 18 units (19% of the new total of 94 units) @ 60% or less of AMI, for a total of a modified total number of restricted units from 82 affordable units to 84 affordable units.

Mr. Spear stated that the aforementioned project reflected a desired approach on CDLAC's part for Project Sponsors in terms of dealing with situations where they may be acquiring a property while they may not have full and complete income information on the residents at the time of acquisition. CDLAC recently put out a memo that provided guidance for the development community around these types of situations. CDLAC recommended that Project Sponsors should hold back a certain number of units as Market Rate Units (MRU) at the time of application with the full knowledge that once they receive the income information needed, they would adjust the number of restricted units. This Project Sponsor took CDLAC's advice to heart and took the desired approach. It is much easier to add units once they are income certified to the restricted unit roll as was the case in this situation.

Natalie Sidarous moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Natalie Sidarous: Aye; Eraina Ortega: Aye; Michael Paparian: Aye

9. 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*

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

Leslie Campaz reported that staff is seeking approval of two (2) MCC awards for a total of \$17,895,085.

Staff recommended approval of the award of allocation for the two (2) MCC programs.

Eraina Ortega moved approval of staff's recommendation. Upon a second by Natalie Sidarous, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Natalie Sidarous: Aye; Michael Paparian: Aye

9.1	14-075	SL	City and County of San Francisco	MCC	San Francisco	San Francisco	\$6,526,618
9.2	14-076	SL	Sacramento Housing and Redevelopment Agency	MCC	Various	Sacramento	\$11,368,467

10. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects, \$30 million Maximum Allocation Limit Waivers, and Awards of Allocation (Action Item)

a. Consideration of appeals**

Leslie Campaz stated that there are no appeals.

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

One project, South Hayward BART Family & Senior Apartments, will necessitate a \$30 million allocation limit waiver.

Rural Pool

The Rural Pool received two (2) applications for projects requesting a total allocation of \$14,500,000.

General Pool

The General Pool received seventeen (17) applications for projects requesting a total allocation of \$223,046,739.

RECOMMENDATION:

Staff recommended approval of the \$30,000,000 allocation limit waiver for application 14-078, South Hayward BART Family & Senior Apartments project.

Mr. Paparian asked if there was a motion to waive the \$30,000,000 allocation limit waiver.

Eraina Ortega moved approval of the waiver. Upon a second by Natalie Sidarous, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Natalie Sidarous: Aye; Michael Paparian: Aye

Staff recommended approval of:

- a) \$14,500,000 to fund two (2) projects in the Rural Pool; and
- b) \$223,046,739 to fund seventeen (17) projects in the General Pool.

Eraina Ortega moved approval of staff's recommendation. Upon a second by Natalie Sidarous, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Natalie Sidarous: Aye; Michael Paparian: Aye.

10.1	14-069	SL	California Municipal Finance Authority	Camphora Apartments	Soledad	Monterey	\$11,000,000
10.2	14-086	BC	California Municipal Finance Authority	Avila Avenue Apartments	Parlier	Fresno	\$3,500,000
10.4	14-041	SL	California Municipal Finance Authority	William Penn Manor Apartments	Whittier	Los Angeles	\$7,000,000
10.5	14-042	LC	California Municipal Finance Authority	Villa Primavera Apartments	Calexico	Imperial	\$8,000,000
10.6	14-056	SL	Housing Authority of the City of San Diego	Willie James Jones Apartments	San Diego	San Diego	\$8,000,000
10.7	14-077	SL	Housing Authority of the City of San Diego	San Diego Square Apartments	San Diego	San Diego	\$17,825,000
10.8	14-078	RF	City of Hayward	South Hayward BART Family & Senior Apartments	Hayward	Alameda	\$33,000,000

10.9	14-079	RF	Housing Authority of the City of San Diego	Westminster Manor Apartments	San Diego	San Diego	\$28,500,000
10.10	14-080	SL	City of Los Angeles	Martha Bryant Manor Apartments	Los Angeles	Los Angeles	\$9,000,000
10.11	14-081	LC	City and County of San Francisco	Bill Sorro Community Apartments	San Francisco	San Francisco	\$25,000,000
10.12	14-082	BC	City of Los Angeles	The Paseo at Californian Apartments	Los Angeles	Los Angeles	\$10,600,000
10.13	14-083	BC	City of Los Angeles	LDK Senior Apartments	Los Angeles	Los Angeles	\$14,000,000
10.14	14-084	RF	California Statewide Communities Development Authority	Pavilion Park Senior Housing Apartments	Irvine	Orange	\$28,896,739
10.15	14-085	LC	California Statewide Communities Development Authority	Olive Court Apartments	Indio	Riverside	\$5,750,000
10.16	14-087	RF	California Housing Finance Agency	Las Brisas Apartments	Cudahy	Los Angeles	\$13,000,000
10.17	14-088	LC	Housing Authority of the County of Santa Barbara	Sandpiper Apartments	Goleta	Santa Barbara	\$7,000,000
10.18	14-089	BC	Housing Authority of the County of Santa Barbara	LC Grossman Homes (Aparicio) Apartments	Goleta	Santa Barbara	\$3,000,000
10.19	14-090	LC	Housing Authority of the County of Santa Barbara	Leland Park (Evans Park) Apartments	Orcutt	Santa Barbara	\$3,000,000
10.20	14-091	RF	California Municipal Finance Authority	Pacific Pointe at the Shipyards Apartments Supplemental	San Francisco	San Francisco	\$1,475,000

11. Public Comment (Action Item)

There was no public comment.

12. Adjournment

The Chairperson adjourned the meeting at 11:27 a.m.