

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

November 15, 2017

CONSIDERATION AND ADOPTION OF THE QUALIFIED RESIDENTIAL RENTAL PROGRAM (QRRP) MINIMUM POINT THRESHOLDS AND NON-COMPETITIVE APPLICATION PROCESS FOR THE 2018 PROGRAM YEAR (Agenda Item No. 9)

ACTION:

For the 2018 program year, approve minimum point thresholds and an open application process for the Qualified Residential Rental Program (QRRP).

BACKGROUND:

Open Application Process

Staff recommends that the Committee approve and maintain an open application process for the 2018 Qualified Residential Rental Program (QRRP) year. This recommendation is made on the basis that the QRRP pool continues to be non-competitive in 2017 and is expected to be non-competitive for the 2018 program year. However, if at any time during the open application process the QRRP pool appears to become competitive, staff will return to the Committee with a recommendation to close the open application process and return to a competitive allocation round process.

Minimum Point Thresholds

Staff recommends minimum point thresholds as follows: Forty-five (45) points in the General Pool and Rural Pool and twenty (20) points in the Mixed Income Pool.

Throughout most of CDLAC's history of administering the State Ceiling for qualified private activity bonds, the program enjoyed robust utilization. This trend dramatically changed in the late 2000's in conjunction with the downturn and has continued despite the economic recovery. As a result of factors, including but not limited to, the dissolution of redevelopment, the exhaustion of State Bond funds specifically dedicated to affordable housing preservation and production, and the historically low spreads between tax-exempt and taxable financing, the State Ceiling has been underutilized since 2008. To preserve this underutilized resource, CDLAC has been making lump sum awards which are carried forward and preserved. As of 2018, CDLAC will have an estimated \$1 billion in past year unused carryforward available for allocation in addition to the 2018 state ceiling cap.

Since reducing the point threshold to forty-five (45) points in the General pool and twenty (20) points in the Rural pool for the 2016 program year, demand in the multifamily housing pools has increased dramatically for a variety of reasons. As a result, carryforward balances are at significantly low levels and for 2015, 2016, and 2017 (includes pending awards) program years, CDLAC allocated more than the annual state ceiling established for each of the given years. This was possible due to the utilization of unused past year carryforward. Despite this activity, the program has not reached a competitive status where demand exceeds available resources and as such, staff recommends maintaining the current minimum point thresholds to continue to encourage utilization of CDLAC's resources.

CDLAC is hopeful that maintaining this scoring threshold will continue to push more projects into the realm of economically viable and accordingly increase production and preservation of affordable housing throughout the state.

RECOMMENDATION:

Staff recommends the approval of minimum point thresholds for the General and Rural Pools of forty-five (45) points and twenty (20) points for the Mixed Income Pool as noted and an open application process for the Qualified Residential Rental Program for 2018.

Prepared by Misti Armstrong