

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

January 17, 2018

**CONSIDERATION AND ADOPTION OF THE APPORTIONMENT OF THE 2018 STATE
CEILING AMONG THE STATE CEILING POOLS**

(Agenda Item No. 5)

ACTION:

Establish the amounts for each of the State Ceiling Pools for the 2018 program year in accordance with Section 5010 of the Committee's Regulations Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds.

BACKGROUND:

California's population as recently reported by the U.S. Census Bureau is 39,536,653 resulting in a State Ceiling of \$4,151,348,565 for 2018.

In accordance with the Regulations, 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.

Please see Attachment A for past year results.

DISCUSSION:

In making recommendations for the 2018 pool amounts, staff surveyed the entire development community with more specific outreach to the Issuers to determine estimated demand. However, due to the uncertain level of demand that may result from the recently adopted tax reform, it is difficult to project allocation usage for 2018. Additionally, in an effort to protect the ability of the expiring 2015 and 2016 DDA/QCT applications to secure funding allocation this year, CDLAC has maintained a separate pool for these projects. As a result, staff has reserved an estimated 27.5% of the 2018 allocation as "undesignated". This reservation will provide staff the flexibility to allocate additional volume cap 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. Accounting for the 2017 carryforward allocation of approximately \$1.45 billion, combined with the remaining 2015 and 2016 carryforward allocation totaling approximately \$60 million results in a total of approximately \$1.5 billion in carryforward allocation for the QRRP pools. This amount is not reflected in the proposed 2018 State Ceiling of approximately \$2 billion. Assuming the applicant for a proposed project has existing carryforward available that will be the first source of funding for projects allocated in 2018.

For QRRP, staff recommends allocation of \$1,549,630,000 for the General Pool, \$300,015,625 for the Mixed Income Pool and \$200,000,000 for the Rural Project Pool.

The General Pool will further sub-allocate \$900 million for 2018 general pool projects, \$499,630,000 for 2015 and 2016 Expiring DDA/QCT projects, and the California Housing Finance Agency (CalHFA) will be assigned a direct general pool reservation of \$150 million. The separate pooling for the Expiring DDA/QCT projects seeks to ensure these projects are funded given the potential of losing the federal tax credit basis bump. The direct allocation to CalHFA recognizes its unique role and responsibility as the State's affordable housing bank and continues support of CalHFA's conduit and lending programs.

- Staff recommends setting the **Single Family Program (SFH) Pool** at \$350 million. The pool amount allocated entirely to local program administrators will be \$300 million. Please see Attachment B for the local administrator (County and City) Fair Share amounts. In addition, two Local Issuers have requested more than the amount available under the fair share basis limit; therefore, CDLAC is proposing to allocate \$50,000,000 under the Single Family Housing Bonus Pool to cover these requests.
- Historically, the **Extra Credit Teacher Program (ECTP)**, solely administered by CalHFA, involved a combination of a first mortgage and a subordinate loan. The first mortgage is funded with tax-exempt bond proceeds or, more currently, the first loan is securitized and becomes part of CalHFA's To Be Announced (TBA) delivery program which does not require the issuance of tax-exempt bonds. For this reason, no reservation will be set aside for the ECTP Program at this time.
- In 2013, the **Single Family Home Improvement and Rehabilitation Bond Program (HIRB)** was developed to assist low-to-moderate-income households with securing qualified home improvement or qualified rehabilitation loans. State and local government agencies and Joint Powers Authorities (JPAs) may issue MCCs or MRBs to back below market interest rate loans. Based on anticipated demand, staff is recommending \$40 million in allocation for the HIRB Pool for 2018.
- The California Industrial Development Financing Advisory Commission (CIDFAC) has indicated that for 2018 there is uncertainty regarding whether they will continue to administer the **Industrial Development Bond (IDB)** program. The California Infrastructure and Economic Development Bank (IBank) has expressed an interest in an allocation for this pool of \$11 million, the same amount as they requested last year. As such, staff is recommending \$11 million in allocation for the IDB program Pool in 2018.
- In 2017, the **Exempt Facility Pool (EXF)** allocations totaled \$104,000,000 in bond authority. The California Pollution Control Financing Authority (CPCFA) staff have indicated that they expect demand for bond authority in 2018 of approximately \$459 million. Accordingly, staff is recommending \$459 million of allocation be pooled for CPCFA EXF projects.
- In 2016 and 2017, the **Student Loan Program Pool** received no applications. Currently, no demand is anticipated for 2018. As a result, staff does not recommend a 2018 reservation for the Student Loan Program Pool at this time.
- For 2018, there is no Issuer interest anticipated for the **Beginning Farmer Program**. As a result, staff does not recommend a 2018 reservation for the Program at this time.

RECOMMENDATION:

Reservation amounts for the State Ceiling Pools:

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 2018 (please see Attachment A for more detailed information):

State Ceiling Pool	Reservation	Percent of Ceiling*
General Project Pool	\$1,549,630,000	37.33%
- General	\$900,000,000	21.68%
- DDA	\$499,630,000	12.04%
- CalHFA	\$150,000,000	3.61%
Mixed Income Pool	\$300,015,625	7.23%
- General	\$300,015,625	7.23%
- DDA	\$ 0	0%
Rural Project Pool	\$200,000,000	4.82%
- General	\$200,000,000	4.82%
- DDA	\$0	0.0%
<i>Sub-Total – Multifamily Projects</i>	\$2,049,645,625	49.37%
Single-Family Housing-CalHFA/CalVet	\$0	0%
Single-Family Housing-Locals	\$300,000,000	7.23%
Single-Family Housing Program Bonus Pool	\$50,000,000	1.20%
<i>Sub-Total – Single-Family Programs</i>	\$350,000,000	8.43%
Extra Credit Teacher Home Purchase Program Pool	\$0	0.00%
Single-Family Home Improvement and Rehabilitation Program	\$40,000,000	0.96%
<i>Housing Total</i>	\$2,439,645,625	58.77%
Beginning Farmer Project Pool	\$0	0.00%
Small-Issue Industrial Development Project Pool	\$11,000,000	0.26%
- IBank	\$11,000,000	0.26%
- CIDFAC	\$0	0%
Exempt Facility Project Pool-CPCFA	\$459,000,000	11.06%
Student Loan Program Pool	\$0	0.00%
<i>Non-Housing Total</i>	\$470,000,000	11.32%
Allocation on Hold (undesignated reserve)	\$1,241,702,940	29.91%
GRAND TOTAL	\$4,151,348,565	100.00%

*Percentages are rounded.