

# MINUTES

July 25, 2007  
(Agenda Item 2)

California Debt Limit Allocation Committee  
Jesse Unruh Building  
915 Capitol Mall, Room 587  
Sacramento, CA 95814

OPEN SESSION

## **Call to Order and Roll Call** (Agenda Item 1)

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:33 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Anne Sheehan for Arnold Schwarzenegger, Governor  
Cindy Aronberg via teleconference for John Chiang, State Controller

Advisory Members Present: Dennis Meidinger, representing Theresa Parker,  
California Housing Finance Agency  
  
Elliott Mandel, representing Lynn Jacobs,  
Department of Housing and Community Development

Quorum: The Chairperson declared a quorum

## **Approval of the Minutes of the May 23, 2007 Meeting** (Agenda Item 2) (Action Item)

Anne Sheehan moved approval of the minutes from the May 23, 2007 meeting. Upon a second, the minutes passed with the following vote: Bettina Redway: Aye; Anne Sheehan; Aye; Cindy Aronberg: Aye.

## **Executive Director's Report** (Agenda Item 3) (Informational Item)

Joanie Jones Kelly reported the following:

### **Update of CDLAC meeting calendar for 2008**

For calendar year 2007 CDLAC is oversubscribed in the following pools; Exempt Facility, Industrial Development Bond (IDB) Pool, Single Family Housing Pool, and the Student Loan Pool. Due to the increased demand for allocation it is important that CDLAC maximize its allocation resource. One proposal that is currently being evaluated by CDLAC staff is limited access to the December carry forward allocation meeting to specific programs and to move up the first allocation meeting to January,

(substitute a December allocation meeting for a January meeting). The rationale is that the carry forward allocation although it is designated for a specific project the allocation is actually allocated to the Issuer per federal tax law. If the project is funded all is well. However, if the project is not completed, the allocation is not returned to CDLAC but remains with the Issuer for up to three years. If the allocation is not used it is lost. This creates a problem with small Issuers who come to CDLAC every two to three years and they do not have other projects in the pipeline. There have been several occasions where allocation has been lost because the Issuer did not have a replacement project.

When CDLAC controls the allocation, as with the regular allocation (other than carry forward) CDLAC can reallocate the allocation to another project with a different Issuer if needed, thus insuring that no allocation is lost or not utilized within the required time frame. This proposal would allow CDLAC to substitute allocation opportunities by changing the allocation meeting from a December carry forward award to a January regular allocation award.

**On today's agenda:**

- There are two Industrial Development Bond (IDBs) projects requesting allocation. (\$18,500,000). Based on the demand the Industrial Development Bond Pool is a **competitive Pool for 2007**.
- There are three Exempt Facility projects requesting allocation of \$121,350,000, \$100 million is a reallocation and \$21,350,000 in new projects. The Exempt Facility Pool is a **competitive pool for 2007**.
- There are two Student Loan Applications submitted for the Student Loan Pool requesting the total allocation of \$210,000,000. The Student Loan Pool is a **competitive pool for 2007**.
- In the Single Family Program Pool there are six projects requesting Mortgage Credit Certificates (MCCs) authority for \$18,951,079] and two projects requesting Mortgage Revenue Bond (MRBs) allocation [\$31,703,366] of that amount \$8,113,958 is being requested from the Single Family Bonus Pool. **This is a competitive pool**. A total allocation of \$50,654,445.
- In the Qualified Residential Rental Pool there are a total of eighteen projects requesting allocation. (3-Rural-\$7.1 million), (mixed-\$0), (15-general-\$250,629,114). **This is a non-competitive pool**.
- For all CDLAC Program Pools on the July agenda there are a total of thirty-three projects which are requesting \$658,308,559 in tax-exempt bond allocation.

**Consideration and Approval of the Transfers of \$9,720,000 from the Exempt Facility Program Pool to the Industrial Development Program Pool (Core Program) and \$20,000,000 from the Multifamily Housing Rural Program Pool to the Industrial Development Program Pool (Core & Small Business Programs)** (Agenda Item 4) (Action Item) Staff—Misti Armstrong

The IDB Pool has a balance of \$10.9 million in allocation. With a total of \$76.8 million in anticipated allocation demand, the IDB Pool will be oversubscribed for both the July and September 2007 allocation meetings. In order to ensure that the two IDB projects requesting allocation on the July agenda receive an award of allocation staff is recommending that an allocation reversion that was returned to the Committee's Exempt Facility Program Pool in the amount of \$9,720,000 earlier this year be made available to the IDB Pool. In addition, staff is recommending that \$20 million from the QRRP Rural Pool be made available for Core and Small Business IDB projects for the September 26 allocation meeting. The current balance in the QRRP Rural Pool is \$248,204,000. Historically the Rural Program has remained undersubscribed.

Staff's proposal will ensure that all July 25<sup>th</sup> applications in the IDB Program Pool totaling \$18.5 million will receive an award of allocation and that the Committee is able to make a minimum of \$20 million in allocation available for Core and Small Business IDB projects at the September 26<sup>th</sup> allocation meeting.

Staff recommends that the Committee approve the transfer of a total of approximately \$29,720,000 in tax-exempt bond allocation from the Exempt Facility and Qualified Residential Rental Program Pools to the Industrial Development Bond Pool for use by Core and Small Business IDB projects.

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Small-Issue Industrial Development Bond Projects and Awards of Allocation**  
 (Agenda Item 5) (Action Item) Staff – Misti Armstrong

**a. Consideration of Appeals**

There were no appeals.

**b. Consideration of Applications**

Program Manager Misti Armstrong stated the following:

The Committee received two Industrial Development Bond (IDB) projects that are requesting allocation. The projects are Semper Virens Bakery Food Cooperative, Inc. in Sonoma County submitted from the California Enterprise Development Authority (CEDA) for \$8,500,000 and Cantare Foods, Inc. in San Diego County submitted from the California Statewide Communities Development Authority (CSCDA) for \$10,000,000.

Staff recommends approval of \$18,500,000 in allocation for the two Industrial Development Bond projects.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (07-120)	Cantare Foods, Inc.	\$10,000,000	\$10,000,000

The Committee voted on this item. Anne Sheehan moved approval of staff’s recommendation. Upon a second, the item passed 2-0 with the following vote: Anne Sheehan: Aye; Bettina Redway: Aye; Cindy Aronberg: Abstained.

California Enterprise Development Authority (07-114)	Semper Virens Bakery Food Cooperative, Inc.	\$8,500,000	\$8,500,000
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The Committee voted on this item. Cindy Aronberg moved approval of staff’s recommendation. Upon a second, the item passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation** (Agenda Item 6) (Action Item)

Staff – Walter Akiyama

**a. Consideration of appeals**

There were no appeals.

**b. Consideration of applications**

The Committee received three Exempt Facility projects. One project is a First Tier Project (small business) under regulatory mandate, Sunset Waste Paper, Inc. in Fresno and Tulare Counties requesting \$11,650,000. The application was submitted from CPCFA.

CalPlant I in Glenn County is a First Tier Project submitted from CPCFA not under regulatory mandate requesting a reallocation of \$100,000,000 in allocation. CalPlant I received a CDLAC allocation on March 21, 2007. When CalPlant I received their initial allocation the project was credit enhanced by Union Bank and was to be issued as a public offering. Subsequently, CalPlant I changed their financing structure from a public offering to a private placement with Deutsche Bank; due to the change in structure the issuance was delayed. CalPlant's original allocation was reverted to CDLAC the Applicant is now requesting a reallocation of the March 21, 2007 allocation the project remains the same.

The final project is a large business, Anheuser-Busch Companies, Inc. requesting \$9,700,000 in allocation submitted from the California Enterprise Development Authority (CEDA). Based on the policy approved by the Committee at the March allocation meeting due to the large demand for Exempt Facility projects only \$40 million will be allocated for each 2007 allocation round. For this meeting staff is recommending a total new allocation of \$21,350,000 below the \$40 million allocation ceiling. Staff conducted a review of Exempt Facility First Tier projects currently in the pipeline and has determined there is sufficient Exempt Facility allocation to fund all First Tier Exempt Facility projects for 2007.

Staff recommends approval of all three Exempt Facility projects for a total of \$21,350,000 in new allocation and a reallocation of \$100 million for CalPlant I.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Pollution Control Finance Authority (07-030)	CalPlant I	\$175,000,000	\$100,000,000
California Enterprise Development Authority (07-115)	Anheuser-Busch Companies, Inc.	\$9,700,000	\$9,700,000
California Pollution Control Financing Authority (07-129)	Sunset Waste Paper, Inc.	\$11,650,000	\$11,650,000

The Committee voted on this item. Anne Sheehan moved approval of staff's recommendation. Upon a second, the item passed 2-0 with the following vote: Anne Sheehan: Aye; Bettina Redway: Aye; Cindy Aronberg: Abstained.

California Pollution Control Financing Authority (07-132)	Mottra Corporation	\$11,700,000	Withdrawn
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The Committee voted on these items. Anne Sheehan moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Student Loan Program and Awards of Allocation** (Agenda Item 7) (Action Item)  
Staff – Brady Hill

**a. Consideration of appeals**

EFSI withdrew their appeal.

**b. Consideration of applications**

Program Analyst Brady Hill stated the following:

CDLAC received two applications for the Student Loan Program allocation. All Student Loan Corporation (ALLSLC) and Educational Funding Services, Inc. (EFSI) each has requested the entire allocation of \$210 million. Both Applicants meet the minimum Student Loan Program requirements as specified in the Committee’s Procedures.

**ALLSLC is a California Based not-for-profit** that operates a direct lending program in California. According to CDLAC Procedures there are three components for evaluation of Student Loan programs.

**1. The total dollar amount of loans, which assist financially needy students. Financially needy students are based upon an evaluation of the percentage of borrowers with Subsidized Stafford Loans.**

Based on past performance 82.8% of ALLSLC allocation will benefit needy borrowers, based on the total number of “subsidized Stafford Loans” originated and Plus Loans associated with Subsidized Stafford Loans.

**2. The total cost of borrowing per borrower.**

ALLSLC provides a total interest rate deduction of 2.25%. Included in that deduction are a 1.00% on–time–payment discount, 1.25% automatic–payment discount, and a waiver of the 1.00% guarantee fee.

**3. The extent to which the Program Sponsor timely markets and disburses student loans as evidenced by previous and existing allocations for direct lender programs.**

a) ALLSLC is a preferred lender at 100 institutions in California. b) ALLSLC proposes to use bond proceeds within the current academic year. c) ALLSLC documented six marketing activities. d) ALLSLC is ranked 8<sup>th</sup> on the Student Market Measure Report (Oct. 1, 2005 thru Sept.30, 2006), ALLSLC issued 34,029 loans for a total of \$204,445,359.

**EFSI is a not-for-profit** that operates a direct lending program in California as a subsidiary of the Brazos Group in Texas. According to CDLAC Procedures there are three components for evaluation of Student Loan programs.

**1. The total dollar amount of loans, which assist financially needy students. Financially needy students are based upon an evaluation of the percentage of borrowers with Subsidized Stafford Loans.**

Based on past performance approximately 82.8% of EFSI’s allocation will benefit needy borrowers, based on the number of “subsidized Stafford Loans” originated.

**2. The total cost of borrowing per borrower.**

EFSI provides a total interest rate deduction of 2.00%. Included in that deduction are .25% on–time–payment discount, 1.75% automatic–payment discount, and a waiver of the 1.00% guarantee fee.

**3. The extent to which the Program Sponsor timely markets and disburses student loans as evidenced by previous and existing allocations for direct lender programs.**

a) EFSI had no documentation as a preferred lender; however CDLAC received 34 letters of support from California colleges. b) EFSI used the \$20 million in bond proceeds by the close of calendar year 2006. c) EFSI documented five marketing activities. d) EFSI is ranked 16th on the Student Market Measure Report (Oct. 1, 2005 thru Sept. 30, 2006), EFSI issued 17,172 loans for a total of \$70,564,109.

Staff recommends ALLSLC receive \$180, 000,000 in tax-exempt allocation and EFSI receive \$30,000,000 in tax-exempt bond allocation. Based on the three evaluation categories identified in the CDLAC Procedures, the review established that ALLSLC’s application equaled or exceeded EFSI’s application in all three categories.

The following people spoke on behalf of their Direct Lending Student Loan Program:

Chris Chapman, ALL Student Loan  
Ricky Turman, Educational Funding Services, Inc.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Access to Loans for Learning Student Loan Corporation (07-056)	Direct Lending Student Loan Program	\$210,000,000	\$180,000,000
Educational Funding Services, Inc. (07-59)	Direct Lending Student Loan Program	\$210,000,000	\$30,000,000

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**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** (Agenda Item 8)  
(Action Item) Staff – Brady Hill.

**1. Consideration of appeals**

There were no appeals.

## 2. Consideration of applications

Program Analyst Brady Hill stated the following:

The Committee received six applications requesting Mortgage Credit Certificates (MCC) authority. The fair share allocation recommendations are; City of Oceanside for \$661,777 and the counties of; Ventura for \$3,072,229, San Mateo \$2,727,011, Sacramento \$5,220,794, Contra Costa \$3,869,268, and Fresno \$3,400,000 for a total MCC allocation request of \$18,951,079.

The Committee received two applications requesting Mortgage Revenue Bond (MRB) allocation; Los Angeles County requesting \$23,589,408 and from the CRHMFA Homebuyers Fund–Bonus Pool request for \$8,113,958 for a total of \$31,703,366. The Bonus Pool was developed because of the Veterans Allocation that was awarded in 2007 which reduced the fair share allocation for local governments. The Bonus Pool provides allocation for local government agencies that have utilized their initial fair share allocation and need additional allocation to maintain their local housing programs.

Staff recommends award of allocation sufficient to fund the MCC program for \$18,951,079 and the MRB program for \$31,703,366 a combined total allocation of \$50,654,445.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
County of Ventura (07-098)	MCC Program	\$5,000,000	\$3,072,229
City of Oceanside (07-099)	MCC Program	\$1,189,102	\$661,777
County of San Mateo (07-102)	MCC Program	\$5,000,000	\$2,727,011
Sacramento Housing and Redevelopment Agency (07-103)	MCC Program	\$20,000,000	\$5,220,794
County of Contra (07-107)	MCC Program	\$3,869,268	\$3,869,268
Housing Authority of the County of Fresno (07-111)	MCC Program	\$3,400,000	\$3,400,000
Southern California Home Financing Authority (07-108)	MRB Program	\$23,589,408	\$23,589,408
CRHMFA (07-134)	MRB Program	\$50,000,000	\$8,113,958

Anne Sheehan moved approval of staff's recommendation. Upon a second, the motion passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**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** (Agenda Item 9)

(Action Item) Staff – Joanie Jones Kelly

**1. Consideration of Appeals**

There were no appeals.

**2. Consideration of Applications**

**Rural Pool Projects**

Ms. Kelly stated that the Rural Pool received three applications for a total of \$7,175,000.

Staff recommends approval of \$7,175,000 in bond allocation to fund all three applications as requested.

<b><u>ISSUER</u></b>	<b><u>PROJECT</u></b>	<b><u>AMOUNT REQUESTED</u></b>	<b><u>AMOUNT RECOMMENDED</u></b>
California Statewide Communities Development Authority (07-119)	Tulare Apartments	\$1,400,000	\$1,400,000
California Statewide Communities Development Authority (07-123)	Cedarwood Apartments	\$2,690,000	\$2,690,000
California Statewide Communities Development Authority (07-124)	Alturas Meadows Apartments	\$3,085,000	\$3,085,000

The Committee voted on these items. Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

**General Pool Projects:**

Ms. Kelly stated that the General Pool received sixteen applications requesting \$250,629,114 in allocation. Two projects in the General Pool exceed the \$30 million project cap per project imposed by Section 17.IV of the CDLAC Procedures. The projects are: 07-106 Villa Nueva Apartments., located in San Diego for \$37,500,000 and 07-128 Logan Park Apartments, located in Sacramento for \$51,800,000.

Staff recommends that the Committee waive the maximum allocation amount based on the demand for rental projects is such that the maximum allocation amount is not warranted due to the lack of competition there will be excess allocation for the current round.

Staff recommends the award of allocation sufficient to fund all demand for allocation in the General Pool for a total of \$250,629,114.

<b><u>ISSUER</u></b>	<b><u>PROJECT</u></b>	<b><u>AMOUNT REQUESTED</u></b>	<b><u>AMOUNT RECOMMENDED</u></b>
City of Los Angeles (07-003)	Charles Cobb Apartments	Withdrawn	Withdrawn
Housing Authority of the City of Chula Vista (07-006)	Oxford Terrace Apartments	\$4,672,048	\$4,672,048
California Municipal Finance Authority (07-082)	University Village Apartments	Withdrawn	Withdrawn
California Municipal Finance Authority (07-100)	14 <sup>th</sup> Street Apartments at Central Station	\$29,950,000	\$29,950,000
CRA of the City of Los Angeles (07-101)	Westminster Park Plaza Apartments	\$1,000,000	\$1,000,000
City and County of San Francisco (07-104)	275 10 <sup>th</sup> Street Supportive Housing	\$18,942,066	\$18,942,066
Housing Authority of of the City of San Diego (07-106)	Villa Nueva Apartments	\$37,500,000	\$37,500,000
California Affordable Housing Agency (07-110)	College Manor Apartments	\$1,800,000	\$1,800,000
Community Development Commission of Mendocino County (07-112)	Clara Court Apartments	Withdrawn	Withdrawn
California Statewide Communities Development Authority (07-116)	Seasons Apartments	\$23,000,000	\$23,000,000

California Statewide Communities Development Authority (07-117)	Cherry Creek Apartments	\$19,150,000	\$11,150,000 (2006 carry forward \$8,000,000)
California Statewide Communities Development Authority (07-118)	Windsor Park Apartments	\$18,900,000	\$18,900,000
California Statewide Communities Development Authority (07-121)	J.E. Wall Victoria Apartments	\$5,650,000	\$5,650,000
California Statewide Communities Development Authority (07-122)	Vizcaya Apartments	\$22,200,000	\$22,200,000
California Housing Finance Agency (07-125)	Yosemite Manor Apartments	\$4,210,000	\$4,210,000
California Housing Finance Agency (07-126)	Mercy Village Folsom Apartments	\$3,705,000	\$3,705,000
Housing Authority of the County of Sacramento (07-127)	Asbury Place Apartments	\$8,150,000	\$8,150,000
Housing and Redevelopment Agency of the County of Sacramento (07-128)	Logan Park Apartments	\$51,800,000	\$51,800,000

Anne Sheehan moved approval of staff's recommendation to waive the maximum allocation amount for the Villa Nueva Apartments (07-106) and Logan Park Apartments (07-128). Upon a second, the item passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

Anne Sheehan moved approval of staff's recommendation to award allocation sufficient to fund all demand in the General Pool for a total of \$262,389,114. Upon a second, the item passed unanimously with the following vote: Anne Sheehan: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

#### Public Comment (Agenda Item 11)

There was no public comment.

#### Adjournment (Agenda Item 12)

The meeting adjourned at 2:00 p.m.