

# MINUTES

July 16, 2008  
(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 1:38 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
David O'Toole for John Chiang, State Controller

Members Absent: Molly Arnold, representing Arnold Schwarzenegger, Governor

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

Quorum: The Chairperson declared a quorum

### **Approval of the Minutes of the May 28, 2008 Meeting** (Agenda Item 2) (Action Item)

David O'Toole moved approval of the minutes from the May 28, 2008 meeting. Upon a second, the minutes passed 2-0 with the following vote: David O'Toole Aye; Aye; Bettina Redway: Aye.

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

Joanie Jones Kelly stated that the Committee has just had the first competitive round for the Qualified Residential Rental Pool (QRRP). This means that there was more demand for allocation than CDLAC had available, however, at this meeting we will be recommending approval for all of the QRRP projects. Since this was our first time with the competitive process and many of our applicants were unaware that they wouldn't be able to provide additional documentation after the application deadline. We had many

applications that were incomplete and when we have a competitive round, the projects that have the highest public benefit points are funded first so it would be unfair to allow applicants to submit data after the fact so they could boost their public benefit points. I think everyone is clear on how the competitive round works and most of these projects will be coming back again in September. We have enough allocation to fund all the projects that were complete and met the threshold requirements.

Molly Arnold, representing Governor Arnold Schwarzenegger, joined the meeting.

Due to the high demand for allocation, we are formalizing our demand survey process. For our September meeting, we will have a CDLAC demand survey posted on our website. We will also email the survey to all of our issuers and to anyone who would like to complete the survey. We are requesting that the completed survey be returned by November which is the application deadline for the January 2009 CDLAC meeting. Hopefully, we will be able to use the demand survey information to establish the program pools in January based on the demand that we anticipate for calendar year 2009.

Joanie Jones Kelly reported the following:

The Committee received one Exempt Facility project from CSCDA requesting \$26,130,000. All Student Loan is requesting \$225,000,000 in allocation for their Direct Student Loan program. The Single Family Housing Mortgage Credit Certificate (MCC) Program is requesting a total fair share allocation of \$10,430,808. In the Qualified Residential Rental Pool, the Rural Pool is requesting a total allocation of \$11,425,492 and the General Pool is requesting an allocation of \$223,524,901.

The total allocation amount recommended for approval on the July agenda for all CDLAC programs is \$496,511,201.

**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 4) (Action Item)

Staff—Brady Hill

**a. Consideration of Appeals**

There were no appeals.

**b. Consideration of Applications**

The Committee received one (1) First Tier (small business) Exempt Facility project under regulatory mandate from CSCDA for Microgy, Inc. requesting an allocation of \$26,130,000. At the May 28, 2008 CDLAC Meeting, the Committee awarded \$65,350,000 to Microgy, Inc. for the 12863 West Kamm Avenue, Riverdale and the 7905 Kansas Avenue, Hanford project sites. The current allocation request of \$26,130,000 for the July 16th, 2008 Meeting is a separate Allocation request for 24387 Whitesbridge Road, Kerman.

Staff recommends approval of \$26,130,000 in tax exempt bond allocation for Microgy, Inc.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (08-178)	Microgy, Inc.	\$26,130,000	\$26,130,000

David O’Toole moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: David O’Toole: Aye; Molly Arnold: Aye; Bettina Redway: Aye.

**Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Student Loan Programs and Awards of Allocation** (Agenda Item 5) (Action Item)

Staff—Brady Hill

**a. Consideration of appeals**

There are no appeals for this item.

**b. Consideration of applications**

Brady Hill stated the following:

CDLAC received one application for the Student Loan program allocation. All Student Loan Corporation (ALLSLC) have requested the entire student loan allocation of \$225 million. ALLSLC meets the minimum Student Loan program requirements as specified in the CDLAC Procedures. ALLSLC is a California based not-for-profit that operates a direct lending program in California. According to CDLAC procedures there are five components for evaluation of Student Loan programs.

The term “financially needy borrowers” is based on an evaluation of the percentage of borrowers with subsidized Stafford loans, combination (subsidized/unsubsidized) loans and PLUS loans associated with subsidized Stafford loans.

In the previous academic year approximately 74% of the loans originated by ALLSLC were Stafford subsidized loans, combination (Subsidized/unsubsidized) loans and Plus loans associated with Stafford subsidized loans. Applying this percentage to the \$270,000,000 in loan originations estimated for the coming academic year of 2008-09, it is estimated that ALLSLC will originate \$199,800,000 in loans to the most financially needy students.

**The total dollar amount of student loans originated by the Applicant in California (*evaluation criteria*):**

The data relied upon is derived from the STUDENT MARKET MEASURE Standard Report 10D or other sources deemed by the Executive Director to be accurate. However, for the 2007-08 academic year, the STUDENT MARKET MEASURE was not available. Staff referenced the 2005-06 MARKET MEASURE reports to evaluate an estimate of the total dollar amount of student loans that the Applicant originated in California. This estimate partially determines the Applicant’s pro rata share of the Student Loan program

Pool. However, ALLSLC was the only applicant to the Student Loan program Pool their pro-rata share is 100%.

**The total cost of borrowing per borrower, including origination fees, interest costs, and all other fees or expenses incurred by a borrower:**

According to the Applicant, borrowers will not receive interest rate reductions due to challenging market conditions and changes in federal legislation. However, ALLSLC will relieve Stafford loan borrowers and PLUS Graduate borrowers of the origination fee and the 1% guarantee fee. ALLSLC will only relieve PLUS Parent borrowers of the 1% guarantee fee.

**Comparison of Proposed and Actual interest rate (evaluation criteria):**

The applicant proposed and provided a weighted average interest rate of 4.99% for the 2007-08 academic year. The Applicant will not be penalized as they met their interest rate target.

**The extent to which the Program sponsor timely markets and disburses student loans as evidenced by its previous and existing allocations for direct lender programs (evaluation criteria):**

According to the Applicant, there are no outstanding unused bond proceeds. The Applicant has successfully marketed and disbursed all bond proceeds.

Staff recommends that the Committee approve \$225,000,000 in tax-exempt bond allocation to ALL Student Loan Corporation contingent on the following: 1) CEFA approval of the purchase of Subordinate Bonds as Credit Enhancement for Tax-Exempt Senior Bonds Issued by ALL Student Loan Corporation and 2) Enactment of the 08/09 California State Budget.

Joanie Jones Kelly clarified that staff is recommending a conditional approval at this time but if the financing structure should change, the applicant must return to the Committee for approval, so if there is any change in what we are proposing today, the Committee will have an opportunity to review the new financing structure.

Ms. Kelly also stated that staff is recommending a conditional approval because the 2008-2009 college school year has already begun and because of the limited amount of student loans in the market. If at all possible, we would like to assist ALLSLC in serving our California students. We are recommending a conditional approval today in hopes of expediting the process.

The Committee resolution will be released upon fulfillment of the conditions noted above.

Joe Booth, ALLSLC, spoke on behalf of the program.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Access to Loans for Learning Student Loan Corporation (08-140)	Direct Lending Student Loan Program	\$225,000,000	\$225,000,000

David O’Toole moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: David O’Toole: Aye; Molly Arnold: 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 6)  
(Action Item) Staff—Sarah Lester

**a. Consideration of appeals**

There are no appeals for this item.

**b. Consideration of applications**

Sarah Lester stated the following:

The Committee received three applications requesting Mortgage Credit Certificate (MCC) authority from the following local agencies: the County of Sonoma requested their Fair Share allocation of \$3,197,908, and the Housing Authority of the County of Santa Cruz requested their Fair Share allocation of \$1,753,235, and the County of Ventura requested their Fair Share allocation of \$5,479,665, for a total MCC allocation of \$10,430,808 for all three counties.

Staff recommends an award of allocation sufficient to fund the Single Family Fair Share Allocation for all MCC projects for a total of \$10,430,808.

<u>ISSUER</u>	<u>PROGRAM</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Housing Authority of the County of Santa Cruz (08-146)	MCC	\$1,753,235	\$1,753,235
County of Sonoma (08-151)	MCC	\$3,197,908	\$3,197,908
County of Ventura (08-179)	MCC	\$5,479,665	\$5,479,665

David O’Toole moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: David O’Toole: Aye; Molly Arnold: 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 7)

(Action Item) Staff—Joanie Jones Kelly

**a. Consideration of appeals**

There are no appeals.

**b. Consideration of applications**

Joanie Jones Kelly stated the following:

The Rural Pool received six applications. The California Statewide Communities Development Authority (08-159) requesting \$2,010,000 for El Paseo Apartments project withdrew their application. The remaining five projects are requesting a total allocation of \$11,425,492.

The General Pool received twenty-four applications requesting \$233,524,901.

Staff recommends approval of a total of \$244,950,393 in bond allocation to fund all projects in the Rural and in the General Pool.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
<b><u>Rural Pool Projects</u></b>			
California Statewide Communities Development Authority (08-159)	El Paseo Apartments	\$2,010,000	Withdrawn
California Statewide Communities Development Authority (08-160)	San Jacinto Senior Apartments	\$1,967,000	\$1,967,000
California Statewide Communities Development Authority (08-163)	Valley Commons Apartments	\$2,450,000	\$2,450,000
California Statewide Communities Development Authority (08-165)	Park Apple Valley Apartments	\$741,000	\$741,000

California Statewide Communities Development Authority (08-166)	Desert View Apartments	\$1,177,000	\$1,177,000
California Statewide Communities Development Authority (08-167)	Cloverdale Gardens Apartments/Vineyard Manor Apartments	\$5,090,492	\$5,090,492
<b><u>General Pool Projects</u></b>			
Community Redevelopment Agency of the City of Los Angeles (08-060)	Alexandria House Apartments	\$3,500,000	\$3,500,000
California Housing Finance Agency (08-089)	Salinas Gateway Apartments	\$12,190,000	\$12,190,000
San Francisco Redevelopment Agency (08-116)	Armstrong Place Senior Housing Apartments	\$24,000,000	\$21,670,000 (\$2,330,000 carryforward)
California Municipal Finance Authority (08-144)	Trestle Glen Apartments	\$28,750,000	\$28,750,000
Redevelopment Agency of the City of Suisun City (08-145)	Continental Apartments	\$5,982,000	\$4,027,000 (\$1,955,000 carryforward)
Housing Authority Of the City of Oakland (08-147)	Tassafaronga Village Phase I Apartments	\$30,000,000	\$30,000,000
California Municipal Finance Authority (08-148)	The Altenheim Senior Housing Phase II Apartments	\$15,500,000	\$15,500,000
County of Contra Costa (08-149)	Casa Adobe Senior Apartments	\$3,000,000	\$3,000,000
City of Los Angeles (08-150)	Three Courtyards Apartments	\$13,987,189	\$13,987,189

County of Contra Costa (08-152)	Los Medanos Village Apartments	\$15,975,000	\$15,975,000
ABAG Finance Authority for Nonprofit Corporations (08-153)	Terracina at Elk Grove Apartments	\$7,600,000	(\$7,600,000 carryforward)
Sacramento Housing and Redevelopment Agency (08-154)	Greystone Apartments	\$10,000,000	\$10,000,000
Community Redevelopment Agency of the City of Los Angeles (08-155)	Hollywood Bungalow Courts Apartments	\$13,500,000	\$13,500,000
Community Redevelopment Agency of the City of Palmdale (08-156)	Courson Connection Senior Project Apartments	\$1,400,000	\$1,400,000
California Statewide Communities Development Authority (08-157)	Northport Apartments	\$4,800,000	\$4,800,000
California Statewide Communities Development Authority (08-158)	Creekside Apartments	\$1,805,000	\$1,805,000
California Statewide Communities Development Authority (08-169)	Palomar Apartments	\$1,250,000	\$1,250,000
California Housing Finance Agency (08-170)	Golden Age Apartments	\$7,655,000	\$7,655,000
California Statewide Communities Development Authority (08-171)	Poppyfield Estates Apartments	\$1,500,000	\$1,500,000
Housing Authority of the County of Sacramento (08-172)	Summerset Apartments	\$9,430,712	\$9,430,712

California Housing Finance Agency (08-173)	Fireside Apartments	\$1,475,000	\$1,475,000
California Housing Finance Agency (08-174)	Villa Mirage I & 2 Apartments	\$7,425,000	\$7,425,000
California Municipal Finance Authority (08-175)	Oak Knoll Villas Apartments	\$6,500,000	\$6,500,000
California Municipal Finance Authority (08-176)	Amistad House Apartments	\$6,300,000	\$6,300,000

David O'Toole moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: David O'Toole: Aye; Molly Arnold: Aye; Bettina Redway: Aye.

**Public Comment** (Agenda Item 9) (Action Item)

There was no public comment.

**Adjournment** (Agenda Item 10)

The meeting adjourned at 2:00 pm.