

MINUTES

September 24, 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 1:36 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Thomas Sheehy for Arnold Schwarzenegger, Governor

Members Absent: None

Advisory Members Present: 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 September 3, 2008 Meeting (Agenda Item 2) (Action Item)

Thomas Sheehy moved approval of the minutes from the September 3, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: Thomas Sheehy Aye; Cindy Aronberg Aye; Bettina Redway Aye.

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

Joanie Jones Kelly reported the following:

Demand Survey 2009 - is currently posted on the CDLAC website and has been distributed to Issuers.

Revised Single Family application – is posted on the CDLAC website and Issuers were notified of the revisions for the HR 3221 allocation.

Federal Clarification HR 3221 – The federal government on 9/17/08 distributed clarifying policy regarding the HR 3221 allocation. The policy issues that were clarified are outlined below:

- a) The California HR 3221 allocation was reduced to 1,144,564,324.
- b) The refinancing of sub prime loans was explained in greater detail;
 - MCC's can be used for the refinancing sub prime loans.
 - The clarification provided a definition of "Financial Hardship" an eligibility factor for sub prime refinancing. Issuers may base the determination of likely financial hardship to borrowers, "on reasonable estimates made in good faith."

Consideration and Approval of the 2009 CDLAC Meeting Schedule (Agenda Item 4) (Action Item) – Joanie Jones Kelly

Thomas Sheehy moved approval of the minutes from the September 3, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: Thomas Sheehy Aye; Cindy Aronberg Aye; Bettina Redway Aye.

California Housing Finance Agency REO Program Status Report (Agenda Item 5) (Informational Item)

Executive Director Theresa Parker updated the Committee on the REO program as follows:

All of this information is publicly available on our website. We announced this special program for the \$200,000,000 in allocation we received to take advantage of REO properties held by banks, particularly in areas of high foreclosure. There are four participants we are working with: Fannie Mae, Home Ec, Citibank, and Wells Fargo. The program was launched two months ago in Stockton. We have sent information on the program to every realtor in the zip codes that these properties are available. There are about 850 properties on our list, but about half of them have sale pendings that are not the success of this program. We've made loans on 7 projects to date, mostly over the past 10 days. These homes are located in San Joaquin, Oakland, and Los Angeles. There was a slow start in working out the kinks of the program. Some issues have come up about these bids because the agent, the broker, that holds the property didn't know the details of this program. So we are now having weekly phone calls with our partners and weekly education for the brokers. We've gotten an agreement from our partners that they will mandate all of their brokers to participate in our training. We've also handled another problem that has come up. Some of our potential customers have been in a bidding war on properties. Currently there is a 12% discount for anybody who uses one of our loans, relative to the appraised value of this property in the marketplace today. We will now allow these people to participate in bidding wars up to 110% of the special sales price. So it will still be a discount to the market from what there was before. This is a new feature that we've added in the last couple of days and it has resulted in us seeing these loans go out. We are also working on adding more banks that want to use this as a vehicle for their properties. A number of my colleagues across the country are interested in implementing a similar program.

Bettina Redway: If there are questions from the public please come up and introduce yourself for the record.

Public Comment: My name is Paul Smith. I own First Sierra Mortgage and Metro Realty in Sacramento. When you say when you say brokers are mandated to go through training, would you define who you

consider to be a broker in your language?

Theresa Parker: I actually am talking about the brokers who are managing the property for our partners. So we are requiring the Citi brokers, the Wells Fargo brokers, the Home Ec brokers, and the Fannie Mae brokers to go through the training. The customer's broker is not required to go through our training.

Paul Smith: Ok. So in our language, that's the wholesale lenders that are holding these properties.

Theresa Parker: We hope that we are reaching out to anyone who may bring in a possible customer. Our problem has been that when these people come in, the person who is the wholesale broker they've basically said, "We don't know what you're talking about." We've told our business partners that that is not acceptable. The brokers must be knowledgeable, per your agreement with us. We have made the wholesale lenders sign up for our training. Every broker's name is attached to who has the property. Anyone who is not knowledgeable about the program is being referred back to their managers.

Thomas Sheehy: If Paul Smith's organization were to bring in a property that was not on your list but did meet the criteria and the price were at a 12% discount, would you consider financing that loan?

Theresa Parker: Yes, as long as you meet the criteria. We've tried to deal with people who hold these properties in some substantial number. But if the property owner is willing to give the discount and they have a buyer who can meet our criteria, they are eligible.

Consideration and Adoption of the Qualified Residential Rental Program Competitive Application Process and Minimum Point Thresholds for the 2009 Allocation Year (Agenda Item 6) (Action Item)
Staff – Crystal Alvarez

On April 16, 2008, the Committee approved a competitive application process for the remainder of the 2008 program year. Each allocation period subsequent to this approval was at least, initially oversubscribed. In an effort to award allocation as efficiently as possible, staff restricted awards of allocation to under \$30 million. Larger projects were deferred or received "phased" awards of allocation. A CDLAC demand survey for the December 3, 2008 allocation meeting indicates that QRRP demand will far exceed available allocation. As a result, staff anticipates deferring consideration of awards of allocation for several projects to the January 2009 allocation meeting.

The 2009 CDLAC demand survey is currently posted to the CDLAC website and responses are due on November 21, 2008. The QRRP pools are expected to be over-subscribed for 2009. Staff recommends that a competitive application process for the Qualified Residential Rental Program (QRRP) remain in effect for the 2009 allocation year.

Staff recommends point thresholds remain consistent with previously established competitive thresholds. The Qualified Residential Rental Project Pool has had a competitive minimum threshold of 70 points in the Rural and General Pools and 60 points in the Mixed Income Pool.

Joanie Jones Kelly: And before, I just want to make one statement. That basically we're making this recommendation based on the information we have to date. Applications to be submitted for the January application period, we have to have those applications in by November. If we should see that the demand is down, we can certainly the board has the ability to adjust that. But at this point, we have no indication that our demand is not going to be high. But if there is a change, I just want to clarify that we do have the

ability to change it.

Cindy Aronberg moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: 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 7) (Action Item)
Staff—Brady Hill

a. Consideration of Appeals

There were no appeals.

b. Consideration of Applications

Brady Hill stated the following:

The Committee received three Exempt Facility projects; two of those projects are non-first tier (large business) under regulatory mandate and one non-first tier not under regulatory mandate.

The two projects classified as non-first-tier under regulatory mandate were submitted by the California Municipal Finance Authority (CMFA) for Waste Management, Inc. requesting an allocation of \$30,000,000 and Allied Waste of North America requesting an allocation of \$71,750,000. The third project was submitted by CPCFA for B.P. West Coast Products, LLC which is a non first-tier not under regulatory mandate project requesting an allocation of \$100,000,000 for the purchase of equipment at their Carson facility.

Staff recommends approval of \$201,750,000 in tax exempt bond allocation for the three Exempt Facility projects.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Municipal Finance Authority (08-219)	Waste Management, Inc.	\$30,000,000	\$30,000,000
California Municipal Finance Authority (08-220)	Allied Waste North America	\$71,750,000	\$71,750,000
California Pollution Control Financing Authority (08-225)	BP West Coast Products, LLC	\$100,000,000	\$100,000,000

Bettina Redway: I'm going to recommend that we take the two that are under mandate as one item and the one that is not under mandate as a second item. Is there motion on the two items that are under mandate?

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

Bettina Redway: And then we have the one project that is not under mandate.

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the item passed 2-1 with the following vote: Thomas Sheehy: Aye; Cindy Aronberg: No; Bettina Redway: Aye.

Consideration of Staff's Recommendation to Transfer and Award Unused Exempt Facility and Industrial Development Bond Allocation to the California Industrial Development Financing Advisory Commission (Agenda Item 8) (Action Item) Staff – Misti Armstrong

Misti Armstrong stated the following:

In 2008, the Committee approved a total award of \$73 million in Industrial Development Bond Program allocation to CIDFAC. To date, CIDFAC has awarded \$39.5 million to IDB project applicants. CIDFAC anticipates awarding an additional \$45.5 million prior to December 2008. This leaves an allocation deficit of approximately \$12 million for the 2008 CIDFAC IDB program.

After the September 24, 2008 Exempt Facility Program allocations have been made, there will be a 2008 volume cap balance remaining in the program pool of approximately \$41 million. Staff is recommending that a portion of the remaining allocation be made available to CIDFAC for Industrial Development Program projects.

Staff's recommendation specifically requests the following:

1. The transfer of a portion of unused Exempt Facility allocation in the amount of \$11,020,000 to the Industrial Development Program Pool.
2. The transfer of all unused Small Business IDB allocation to the Core IDB Program.
3. The award of all unused IDB Program pool allocation to CIDFAC.

RECOMMENDATION: Staff recommends the transfer and award of all unused Core and Small Business - Industrial Development Bond Program allocation and a portion of unused Exempt Facility Program allocation in the amount of \$11,020,000 to the California Industrial Development Financing Advisory Commission (CIDFAC) for Industrial Development Program projects.

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: 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 9) (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 (3) applications requesting Mortgage Credit Certificates (MCC) authority from the following local agencies: City of Oceanside requested their Fair Share allocation of \$1,180,094,

and the Housing Authority of the County of Santa Barbara requested their Fair Share allocation of \$2,817,290, and the County of Riverside requested their Fair Share allocation of \$13,485,722 for a total MCC allocation of \$17,483,106.

RECOMMENDATION: Staff recommends approval of a Mortgage Credit Certificate Fair Share allocation of \$17,483,106.

<u>ISSUER</u>	<u>PROGRAM</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Oceanside (08-181)	MCC	\$1,180,094	\$1,180,094
Housing Authority of The County of Santa Barbara (08-182)	MCC	\$20,000,000	\$2,817,290
County of Riverside (08-208)	MCC	\$13,485,722	\$13,485,722

Thomas Sheehy moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: 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 Program Bonus Pool and Awards of Allocation (Agenda Item 10) (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:

When there is excess allocation available in the Single Family Housing Pool at the end of the year CDLAC has the authority to establish a Bonus Pool. A Single Family Bonus Pool was established for the September allocation meeting. To be eligible to participate in the Bonus Pool the Applicant must have issued their Fair Share Allocation for the current year (2008). All Applicants that had issued their Fair Share allocation for 2008 were notified that they were eligible for participation in the Bonus Pool. To be eligible to receive an allocation from the Bonus Pool the Applicant is required to have a minimum application score of fifteen (15) points which is based upon their existing Single Family Housing Program performance. Applicants are awarded an Allocation of the Single Family Housing Bonus Pool in the same proportion as their current Fair Share allocation.

The Following local agencies applied for the Single Family Housing Bonus Pool allocation: the City and County of San Francisco requested their Fair Share allocation of \$798,484, and the County of Santa Clara requested their Fair Share allocation of \$1,784,899, and CRHMFA Homebuyers Fund applied for Bonus Pool allocation but did not meet the minimum point threshold for eligibility therefore they were denied an

allocation.

RECOMMENDATION: Staff recommends a total Bonus Pool allocation of \$2,583,383 for San Francisco County and Santa Clara County.

<u>ISSUER</u>	<u>PROGRAM</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City and County of San Francisco (08-185)	MCC Bonus Pool	\$20,000,000	\$798,484
County of Santa Clara (08-226)	MCC Bonus Pool	\$2,998,306	\$1,784,899

Cindy Aronberg moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: 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 11)
(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

The Rural Pool received two (2) applications for a total of \$7,442,935

RECOMMENDATION: Staff recommends approval of \$7,442,935 in bond allocation to fund all projects in the Rural Pool.

The Mixed-Income Pool

The Mixed-Income Pool received one (1) application for Crossing West Apartments in San Bernardino County for \$20,500,000.

RECOMMENDATION: Staff recommends approval of \$20,500,000 in bond allocation to fund the Crossing West Apartments located in San Bernardino County.

The General Pool

The General Pool received twenty six (26) applications for a total of \$266,543,847.

RECOMMENDATION: Staff recommends approval of \$266,543,847 in bond allocation to fund all projects in the General Pool.

- Total tax exempt bond allocation requested in all three QRRP (rural, mixed, general) Pools, \$294,486,782.

ISSUER	PROJECT	AMOUNT REQUESTED	AMOUNT RECOMMENDED
Rural Pool Projects			
California Statewide Communities Development Authority (08-143)	Waterford Gardens Apartments	\$4,442,935	\$4,442,935
California Statewide Communities Development Authority (08-177)	Jose's Place Apartments	\$3,000,000	\$3,000,000
Mixed Income Projects			
California Statewide Communities Development Authority (08-212)	Crossings West Apartments	\$20,500,000	\$20,500,000
General Pool Projects			
City of Los Angeles (08-006)	Academy Hall Apartments	\$5,000,000	\$5,000,000
City of Los Angeles (08-044)	Tres Lomas Garden Apartments	\$3,750,000	\$3,750,000
California Housing Finance Agency (08-141)	Montecito Village Apartments	\$5,950,000	\$5,950,000
California Statewide Communities Development Authority (08-180)	The Crossings at Morgan Hill Apartments	\$4,800,000	\$4,800,000
City of Lancaster (08-184)	The Arbor on Date Apartments	\$6,000,000	\$6,000,000
California Municipal Finance Authority (08-187)	Rose Gardens Apartments	\$13,000,000	\$13,000,000

County of Contra Costa (08-188)	Montclair Place Apartments	\$30,000,000	\$30,000,000
Housing Authority Of the City of Sacramento (08-189)	Southcrest Apartments	\$2,200,000	\$2,200,000
City of Los Angeles (08-190)	Bonnie Brae Apartments	\$12,500,000	\$12,500,000
California Municipal Finance Authority (08-191)	Gleason Park Apartments	\$18,000,000	\$18,000,000
County of Alameda (08-192)	Estabrook Senior Housing Apartments	\$13,055,000	\$13,055,000
City of Los Angeles (08-193)	McArthur Park Metro Apartments	\$20,000,000	\$20,000,000
City of Los Angeles (08-194)	Columbus Square Apartments	\$6,250,000	\$6,250,000
City of Los Angeles (08-195)	36 th & Broadway Apartments	\$5,700,000	\$5,700,000
California Housing Finance Agency (08-196)	Desert Palms Apartments	\$13,175,000	\$13,175,000
California Housing Finance Agency (08-197)	Mountain View Apartments	\$10,065,000	\$10,065,000
California Housing Finance Agency (08-199)	Westview Terrace Apartments	\$10,445,000	\$10,445,000
California Housing Finance Agency (08-201)	Fairmount Apartments	\$7,175,000	\$7,175,000
California Housing Finance Agency (08-202)	Santa Clara Terrace Apartments	\$8,300,000	\$8,300,000
California Housing Finance Agency	Rochdale Grange Community Apartments	\$8,850,000	\$8,850,000

(08-203)

California Municipal Finance Authority (08-204)	Fabian Way Senior Apartments	\$12,265,000	\$12,265,000
Housing Authority Of the City of Sacramento (08-205)	Arena Seniors Apartments	\$21,049,847	\$21,049,847
Housing Authority Of the City of Upland (08-206)	Coy D. Estes II Senior Apartments	\$8,000,000	\$8,000,000
California Municipal Finance Authority (08-209)	Senior Manor Apartments	\$7,564,000	\$7,564,000
California Statewide Communities Development Authority (08-211)	New Hope Home Apartments	\$8,450,000	\$8,450,000
Housing Authority Of the City of Oakland (08-206)	Tassafaronga Village Apartments, Phase II	\$5,000,000	\$5,000,000

Thomas Sheehy: What is the main theme of the projects that are dropping out?

Joanie Jones Kelly: They were not sure if they would be able to issue right away. All of them said that they are going to apply again in December. They are anticipating that the market will stabilize with the federal legislation. They just want more time.

Misti Armstrong: One of the unique features about this September meeting is that every applicant has only 90 days to issue bonds. In other meetings you have up to 130 days.

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following votes: Thomas Sheehy: Aye; Cindy Aronberg: Aye; Bettina Redway: Aye.

Public Comment (Agenda Item 12) (Action Item)

Paul Smith: My name is Paul Smith, and I've spoken with Ms. Kelly through email on occasion. I'm here as the owner of First Sierra Mortgage and Realty here in Sacramento. It has become frustrating for the brokers to work with CalHFA because they basically refuse to speak to us on the ground level. There is a requirement that says we can't call and talk about issues. When we talk to our wholesalers, which you consider your brokers, they are afraid to communicate that information to CalHFA. We would like to ask for a possible review of the amount of funding that CalHFA gets as compared to the MCC programs that

are offered and the other programs that are available in Sacramento that seem to dry up so fast halfway through the year. We no longer have access to these funds, so the process of putting someone into a house becomes difficult. Specifically the Sacramento Housing Redevelopment Agency's MCC program ran out halfway through the year. They did not hit the point qualifications to reapply, but there was a need within the community to have further MCC's issued. It seems like the local communities are not getting a fair share. CalHFA seems to get the bulk of the money. When you look at what the local programs can do compared to CalHFA, it's night and day. I'm here to give you some specific instances and ask that if it's possible, especially in light of what CalHFA has done in the last day and a half where they suspended their 40 year program, their 35 year program...

Theresa Parker: That's just not true. Please don't submit incorrect information that may cause some panic. Anyone who has a reservation in our system will have their reservation honored.

Paul Smith: I'm talking about people who are negotiating contracts or getting ready to buy. The program was pulled out from under them and now we can't even write the offer because the program has disappeared. We had someone approved for a 40 year loan, and now we can't use that program.

Theresa Parker: There are changes in the market all the time. Have you called my office and asked to speak with me?

Paul Smith: I've talked to several people at CalHFA. I've asked to speak to whoever would be a person in charge who would handle this kind of thing. I didn't know who you were until today.

Theresa Parker: Call my office I would be happy to talk with you. I will give you my card.

Thomas Sheehy: Excuse me madam chair, may I say something? I don't think it's a secret who runs CalHFA. I'm surprised that you are here before this board today making these comments and this statement that you're just now finding out who that individual is. And I don't know that this is the right forum for these arguments to be made right now.

Bettina Redway: Theresa has offered to talk with you or meet with you. She is definitely the right person to talk to you. Do you have further comments about fair share allocation and wanting a little more information about the MCC programs? Also I encourage you to call Joanie as well.

Joanie Jones Kelly: Let me provide some clarification. I spoke to Sacramento Housing Redevelopment Agency. You'll notice on this agenda we had a bonus pool for housing because our local applicants did not request all their single family housing allocation. When I spoke to Sacramento and the other local authorities there was no problem as far as a shortage in allocation. In fact we have a surplus. That's the reason we had the bonus pool this year.

Paul Smith: We're currently out of MCC's except for the target areas. We've been out since June for Sacramento. During my discussion with them yesterday they said that they can't meet the points, so they can't ask for further allocation. Something needs to be fundamentally changed in the points so they can readily get the money when they need it.

Joanie Jones Kelly: I've talked to them and they've expressed no concerns. But I'll be happy to call them again.

Theresa Parker: We took 25 million worth of reservations on Monday. We took four, almost five million worth of reservations yesterday with raising our interest rates to where the market is. The 30 year program has comprised 98% of our loans in the last six months. The 30 year program was the most important to keep with the current situation. We are open for business. So while the 35 or 40 year programs are useful for some people, the majority of people who use our loans can use the 30 year program.

Bettina Redway: I think that Joanie has tried to be responsive in terms of Sacramento. She will follow up on this point issue and why they don't feel they are able to apply for further allocation.

Adjournment (Agenda Item 13)

The meeting adjourned at 2:21 pm.