

MINUTES

October 10, 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 10:37 am.

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

Lynn Jacobs,
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Executive Director's Report (Agenda Item 2) (Informational Item)

Joanie Jones Kelly reported the following:

DUE TO THE INSTABILITY IN THE FINANCIAL MARKETS CDLAC HAS TAKEN THE FOLLOWING ACTION:

- CDLAC Applicants that received an allocation in May, July or September 2008, will not be penalized (no forfeiture of performance deposit and no assessment of negative points), if the Applicant/Issuer returns the allocation to CDLAC no later than November 7, 2008.

- Applicants that return their allocation by the November 7th date will be permitted to apply for the CDLAC December 3rd carryforward allocation; ONLY if the Applicant notifies CDLAC in **writing by close of business on November 6th**. Applicants that return May, July or September allocation will not be required to submit a new application to apply for the December 3rd allocation. CDLAC will use the Applicants' existing public benefit score (May, July, or September Application) to award allocation in December.

Consideration and Approval of an Issuance Extension Through November 7, 2008 for May 28, 2008 Allocation (Agenda Item 3) (Action Item) – Joanie Jones Kelly

ACTION:

Approval of an extension through November 7, 2008 for projects that received a May 28, 2008 CDLAC award of allocation.

BACKGROUND:

Due to the instability in the financial markets CDLAC has taken the following action; CDLAC Applicants that received an allocation in May, July or September 2008, will not be penalized (no forfeiture of performance deposit and no assessment of negative points), if the Applicant/Issuer returns the allocation to CDLAC no later than November 7, 2008.

There are currently twelve (12) projects from the May - 2008 CDLAC allocation round that have not issued bonds as of today. All May projects are eligible to be extended through October 14, 2008 without Committee approval, the approval requested is for a three (3) week period October 14th thru November 7th. The July and September Applicants were not included in this request because their allocations does not expire until after the November 7th date (see ATTACHMENT).

ISSUE:

The Preliminary CDLAC posting of allocation recommendations for the December 3rd meeting is November 7, 2008. In order to make an allocation recommendation, CDLAC would need to determine if there is sufficient allocation available to fund the proposed projects; therefore any unused allocation must be returned to CDLAC prior to the date of posting. This would insure that no allocation is wasted because 2008 allocation that is not used prior to December 31, 2008 is permanently lost.

It is important that Applicants be granted the opportunity to defer their allocation request to the December meeting because they would be eligible to receive carryforward allocation. Carryforward allocation allows the Applicant the flexibility to issue bonds in 2009. If the market does not improve within the CDLAC issuance timeframe (110-days) CDLAC has the ability to extend the carryforward allocation without Committee approval.

RECOMMENDATION:

Staff recommends approval of an issuance extension through November 7, 2008 for all projects that received a CDLAC award of allocation on May 28, 2008 and have not issued bonds.

Theresa Parker: This is the issue that we talked about at the last meeting. We have a couple of projects that are on this list. I want to say on behalf of the Housing Finance Agency and our customers that the staff and the willingness of the Committee to take this approach with us in these extraordinary times is very appreciated. We believe this will work particularly well given the uncertainty of the marketplace and gives us enough flexibility to work with our customers to get these very important deals done. Many of them have tax credits committed, so that is not an issue. They just need to be able to do something with the bonds. The situation has gotten worse since our last meeting. There was not a housing bond that has successfully traded on Wall Street in the past few weeks, so this is particularly important and gives all of us some predictability to manage the next several months.

Bettina Redway: Are there any further questions or comments from the board, or from the public?

Pat Sabelhaus: My name is Pat Sabelhaus. I am the secretary for the California Council for Affordable Housing. I'd like to take a minute to in part repeat what Ms. Parker just said. I'd like to thank the Committee and Joanie, and the staff for being absolutely flexible in these dire times, because if you weren't it would serve no good purpose at all. And secondly I want to re-emphasize to this Committee what was said at the tax credit committee meeting earlier this week, because I don't think there has been enough direct discussion with Committee members with regard to the tax credit program being totally in the tank at this point. The capital markets as everyone knows have totally dried up but particularly for the purchase of investment in the tax credit programs. Most of the largest syndicators of both bond deals and 9% projects have been out of the market for some months and don't know when they are going to come back in. There's not enough money to do all of the projects that were approved in round one of the 9% list, and there is certainly not enough money for the 40 projects on the 9% round two list that were just approved. Lastly for the bond projects that are being allowed to reallocate in December, this will give people a little more time to struggle with this situation. But everyone should recognize that there is no assurance that these deals will actually get underway and get done because the 4% credits are the most difficult to sell right now because none of the corporations that have been investing in them want to take the losses, driving up the pricing on the 4% credits. I don't know where all of this is going. But I would again emphasize that we are appreciative of your efforts to be as flexible as possible, because that is what it is going to take to get through the next several months and hopefully become productive again.

Theresa Parker: I feel that sometimes we need to end with something positive. I want to report that I've been in Washington DC the last four days and I had a couple of meetings that involved discussions with Fannie Mae. Many of my colleagues in other states have stopped doing any kind of financing for home ownership programs. The California Housing Finance Agency, as I reported last time, still does have a 30 year fixed rate mortgage program. We specifically designed this around being able to sell loans directly to Fannie Mae. In talking to one of their senior vice presidents yesterday, they assured me that their window is wide open for these loans. CalHFA will provide at least these loans until the marketplace can stabilize. Those loans won't be FHA loans because that's not what Fannie buys. But it will be a loan that has fixed rate and has mortgage guarantee to them. It's been surprising to me that even with reducing our down payment assistance, we've had a couple of days this week where we've done two million dollars a day.

Bettina Redway: That is good news. If anyone has ideas on how CDLAC or TCAC can actually provide relief, we are more than happy to hear them. We are very sensitive to the situation, especially TCAC

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: No; Bettina Redway: Aye.

Public Comment (Agenda Item 4) (Action Item)

No comments.

Adjournment (Agenda Item 13)

The meeting adjourned at 10:49 am.