

## **MINUTES**

**January 28, 2009**  
(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  
David O'Toole for John Chiang, State Controller  
Thomas Sheehy for Arnold Schwarzenegger, Governor

Members Absent: None

Advisory Members Present: Steven Spears, Executive Director  
California Housing Finance Agency (CalHFA)  
  
Lynn Jacobs, Executive Director  
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

### **Approval of the Minutes of the December 3, 2008 Meeting** (Agenda Item 2) (Action Item)

David O'Toole moved approval of the minutes from the December 3, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: David O'Toole Aye; Thomas Sheehy Aye; Bettina Redway Aye.

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

Joanie Jones Kelly reported the following:

- On this agenda CDLAC received allocation requests for Single Family Housing MCC Fair Share allocation of \$20,347,555 million and a Single Family Housing MRB request from the Department of Veterans Affairs for \$25 million.
- In the Qualified Residential Rental Pool (QRRP) CDLAC received allocation requests totaling \$32,700,000 million. On average the QRRP requests for allocation are between, \$300-\$500 million per meeting. CDLAC does not know if this weak demand will continue through out 2009 but staff will keep the Committee updated.

**Determination and Adoption of the 2009 State Ceiling on Qualified Private Activity Bonds** (Agenda Item 4) (Action Item)

Staff – Brady Hill

Staff recommends that the Committee adopt the 2009 State Ceiling for Qualified Private activity bonds. Section 146 of the Internal Revenue Code limits the amount of qualified tax-exempt private activity bonds that may be issued during a calendar year by each state. The Act further specifies that beginning in calendar year 2003 the volume limit may be adjusted annually for inflation. The volume limit on qualified private activity bonds adjusted for inflation will increase from \$85 per capita to \$90 per capita for 2009. The 2009 volume cap will be \$3,308,099,940 in terms of dollars this is a \$201,076,665 increase over the 2008 ceiling.

RECOMMENDATION: Adopt the resolution establishing the 2009 State Ceiling on qualified private activity bonds at \$3,308,099,940.

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

**Consideration of and Adoption of the Apportionment of the 2009 State Ceiling among the State Ceiling Pools** (Agenda Item 5) (Action Item)

Joanie Jones Kelly

Establish the amounts for each of the State Ceiling Pools for the 2009 program year in accordance with Section 4.II of the Committee's Procedures. California's population as recently reported by the U.S. Census Bureau is 36,756,666, resulting in a State Ceiling for 2009 of \$3,308,099,940. In accordance with the CDLAC Procedures, 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 Pools the Committee may consider the following priorities:

1. Promote housing for lower income families and individuals;
2. Preserve and rehabilitate existing governmental assisted housing for lower income families and individuals; and
3. Provide mortgage tax credits or reduced interest rate mortgages to assist teachers, principals, vice principals, assistant principals, and classified employees who are willing to serve in high priority schools to purchase a home.

CDLAC staff surveyed issuers to determine their estimated demand. However due to the instability in the financial markets, it was difficult to project allocation usage for 2009. Staff is recommending the 2009 Program Pools maintain the same allocation level that was designated in 2008. The excess allocation based on the increase to \$90 per capita has been placed in a reserve fund. Staff has reserved an estimated 21.5%

of the 2009 allocation as “unassigned”. This reserve fund will provide staff the flexibility to provide additional allocation to various program pools on an “as needed” basis.

RECOMMENDATION:

- Staff recommends for the Qualified Residential Rental Pool (QRRP) for the General Pool \$1,382,023,275; \$225 million for the Mixed Income Pool; and \$115 million for the Rural Project Pool.
- Staff recommends setting the Single Family Program Pool at \$500 million. The pool will be split evenly between statewide administrators and local program administrators. Statewide administrator CalHFA will receive \$225 million, while statewide administrator, CALVET will receive \$25 million for 2009. Exhibit B details each local administrator’s Fair Share amounts.
- CalHFA has reported that the Extra Credit Teacher Program has a sufficient amount of unused allocation for 2009. As a result staff does not recommend a 2009 reservation for this program. Should demand increase in this program, allocation may be requested from the “unassigned allocation pool.”
- In 2008, Industrial Development Bond (IDB) allocations totaled just over \$98.3 million. CIDFAC has indicated that for 2009 IDB demand totals approximately \$150 million. Therefore staff is recommending \$150 million in allocation for the IDB program pool.
- In 2008, the Exempt Facility Pool allocations totaled over \$385 million in bond authority. CPCFA staff and financial advisors working on Exempt Facility projects have indicated that they expect high usage of bond authority in 2009 as well. The 2009 pipeline for Exempt Facility projects is approximately \$700 million. Staff does not recommend a 2009 reservation for the Exempt Facility Pool at this time. On December 3, 2008 the Committee awarded all unused 2008 allocation, on a carryforward basis to CPCFA for the Exempt Facility program. The carryforward allocation is available for CPCFA to use through December 31, 2011. The Exempt Facility Program Pool may receive additional allocation later in the year if allocation is available and it is determined that Issuers, other than CPCFA exhibit demand.
- Staff anticipates the return of ALL Student Loan for allocation from the Student Loan program Pool this year. The student loan provider indicated that for 2009 anticipated demand totals \$500 million. However, staff recommends \$225 million in the Student Loan Program Pool at this time. Should demand increase in this program, allocation may be requested from the “unassigned allocation pool.”

(See Reservation Chart attached)

Thomas Sheehy- Exempt facility issuers other than CPCFA would have access to allocation?

Joanie Jones Kelly- Yes.

Thomas Sheehy- If an exempt facility issuer submitted an application, will they have access to the \$711 million?

Joanie Jones Kelly- Yes they will

Thomas Sheehy- I think we have to be sensitive of the fact that we are in a severe recession and we need to use all of the economic development tools we have to stimulate the economy. We don’t want to send the message to businesses that they have to wait until the 4<sup>th</sup> quarter of the year to come forward to get funds. I also want to say that I’m not comfortable with the way we handled the issue with CPCFA in December.

Under certain constraints of this board, I can't just call up my fellow board members and ask questions because this is a public agenda meeting, and that could be construed as a meeting that wasn't in a public venue. I appreciate all the effort given by staff and the board members, but I think I now have a better understanding of the implications of our decision. I want to say that I'm not comfortable giving a complete monopoly for exempt facilities bonds to CPCFA and make everyone else wait until October. That being said, I understand that there is a policy benefit for the State of California to develop a pool of expertise within a state organization that can review new technology and utilize the expertise of staff and look at these types of projects. And I want you to know that I am very much in support of that. I just think that in general, competition is a good thing. I hate for us to create a monopoly when we don't know what the future will bear. And I would like also to note that the demand survey that Joanie Jones Kelly had provided indicates great uncertainty, and I'd bet that we're going to see a lot of this volume cap returned and I don't think that it is appropriate to make people wait ten months in the middle of a recession to get access to volume cap. So there is a concern, and I'm willing to have further discussion on it.

Bettina Redway- We have some public comments on this item.

Andrew Alexander, Bank of America Securities- On behalf of our clients, we would like a choice of municipal conduit issuers. The current credit markets are extremely difficult, the challenges unparalleled to date. Bank of America Securities feels there should be a broad choice of municipal conduit issuers to eliminate the risk that any one of these conduit issuers would be shut down for any period of time. This is not a vote against the policies of the Treasurer's office, but rather it is a request by our clients to see conduit issuers at the state and local level when they consider going to the capital markets.

John Stoecker, California Municipal Finance Authority- We would humbly request that you give the option of multiple issuers for a number of reasons. The first of which has been discussed a number of times, which is the tremendous market conditions we are in. At various times State issuers have been shut out of the market for different reasons, and we would request that you keep your options open. Second, we believe that businesses in California deserve options and choices. We believe competition is healthy, it improves the marketplace and creates efficiencies. We think it is important to have options. We think local government has a place for oversight and accountability and that it is appropriate to have local issuers as well as state issuers. Finally some of the local and state issuers outside of CPCFA still have inducements for other projects that would, if projects were forced to go through CPCFA, lose these and the ability to capture those expenses.

Bettina Redway- Could you just talk a little more about the State issuers shutting down? I don't understand and I'm not familiar with what you are talking about. If you induced with a particular issuer, like CPCFA, and if they shut down, where the project was induced is where it is issued, correct?

John Stoecker- Well that is where they would hope to go. For example we have inducements of approximately 300 million with Waste Management and Allied Waste. We are aware that the I-Bank and other JPA's have inducements for solid waste projects. If they can't get volume cap, they could lose the ability to capture some of their expenses.

Bettina Redway- Last year we waited to the end of the year to see if we had cap left for the solid waste projects, and I believe for the last two years we have provided you with cap, so that has worked correct?

John Stoecker- Yes certainly.

Bettina Redway- And it didn't put your clients at any particular disadvantage?

John Stoecker- Yes it did. They submitted applications the first year in January, and were told that they had to wait. According to our borrowers it affected them and their plans. To me it is more a matter of fairness. Why should local issuers have to wait until the end of the year, when CPCFA can issue throughout the year?

Thomas Sheehy- So you had a client that had to wait ten months to receive volume cap last year?

John Stoecker- Yes.

Thomas Sheehy- So what is the practical impact of that?

John Stoecker- The capital markets were much more open and efficient at the beginning of the year, so the pricing difference can be considerable. The other issue is the timing of when they can issue these projects. Also, there was a time when the market was basically shut down and it didn't matter what issuer you went to, to find rates that were reasonable.

Bettina Redway- I want to clarify, for the past two years there has been high demand from the housing market, which took priority. We didn't know if there would be allocation remaining. This year the situation could be different. We don't know what is going to happen, which is why we are proposing a reserve. CDLAC will be able to revisit this issue this summer. It is my preference to keep the reserve.

Thomas Sheehy- Thank you for clarifying. I'd like to note that a chunk of the multifamily allocation for 2008 wasn't used. And we also had help with the HR 3221 funds. I'd like an update sooner than summer, maybe in March, to see where we stand. We need to use every tool at our disposal.

Bettina Redway- Yes I would like an update at the March meeting, and I'd expect one at each upcoming meeting.

Thomas Sheehy- I am sympathetic to your situation Mr. Stoecker, and would be willing to set aside volume cap.

Paula Connors, California Infrastructure and Development Bank- I'm glad to see a reserve set aside. We have a potential project that lies outside of CPCFA. We have an induced resolution. I just want to understand, it will be possible to come in at any time for allocation, correct?

Bettina Redway- Yes, at any time.

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the item passed 2-0 with the following vote: Thomas Sheehy: Abstain; David O'Toole: Aye; Bettina Redway: Aye.

**Consideration of and Award of Allocation for the California Industrial Development Financing Advisory Commission for the Small-Issue Industrial Development Bond Program** (Agenda Item 6)

(Action Item)

Staff – Richard Fischer

Small-Issue Industrial Development Bonds (IDBs) are tax-exempt private activity bonds that are issued through state and local governmental agencies to assist manufacturing facilities in financing capital expenditures. IDBs serve to retain and create new jobs within their communities. By providing the allocation to CIDFAC, the Borrower is able to receive their financing and allocation approval at the same time. Monthly CIDFAC meetings also ensure the Borrower does not have to wait 60-90 days for a CDLAC allocation meeting; thus eliminating the need for expensive interim financing.

**RECOMMENDATION:** Staff recommends the Committee award the California Industrial Development Financing Advisory Commission (CIDFAC) \$150 million in Industrial Development Bond allocation for the purpose of allocating portions of the award to Project Sponsors for the purpose of issuing bonds for IDB projects.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
CIDFAC (09-001)	IDB Program	\$150,000,000	\$150,000,000

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

Staff – Sarah Lester

a. Consideration of appeals\*  
There are no appeals.

b. Consideration of applications – See Exhibit A for a list of Applications\*\*  
The Committee received three (3) applications requesting their Fair Share 2009 Single Family Housing allocation for the issuance of Mortgage Credit Certificates (MCCs): 1) The City and County of San Francisco requested their Fair Share allocation of \$5,417,455; 2) The Housing Authority of the County of Tulare requested their Fair Share allocation of \$2,859,791; 3) The County of Santa Clara requested their Fair Share allocation of \$12,070,309. The total Fair Share allocation requested for MCC’s totaled \$20,347,555.

The Committee received one (1) application requesting a Mortgage Revenue Bond (MRB) Allocation of \$25 million for the California Department of Veterans Affairs.

**RECOMMENDATION:** Staff recommends approval of a total Fair Share allocation of \$20,347,555 to issue Mortgage Credit Certificates for the three projects listed above. Staff recommends approval of a \$25 million allocation for the Department of Veteran Affairs to issue Mortgage Revenue Bonds.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
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		<b><u>REQUESTED</u></b>	<b><u>RECOMMENDED</u></b>
City and County of San Francisco (09-005)	MCC Program	\$20,000,000	\$5,417,455
Housing Authority of the County of Tulare (09-010)	MCC Program	\$5,000,000	\$2,859,791
County of Santa Clara (09-011)	MCC Program	\$25,000,000	\$12,070,309
California Department of Veterans Affairs	MRB Program	\$25,000,000	\$25,000,000

Thomas Sheehy moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: Thomas Sheehy: Aye; David O'Toole: 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 8)

(Action Item)

Staff – Misti Armstrong

a. Consideration of appeals\*

There are no appeals

b. Consideration of applications – See Exhibit A for a list of Applications\*\*

The Rural Pool

The Rural Pool received zero (0) applications requesting allocation.

RECOMMENDATION: None

The General Pool

The General Pool received four (4) applications requesting a total allocation of \$62,700,000.

<b><u>ISSUER</u></b>	<b><u>PROJECT</u></b>	<b><u>AMOUNT REQUESTED</u></b>	<b><u>AMOUNT RECOMMENDED</u></b>
Housing Authority of the City of Oakland (09-013)	Tassafaronga Village Phase II Apartments	\$5,000,000	\$5,000,000
Anaheim Housing Authority (09-015)	Lincoln Anaheim Phase B Apartments	\$23,500,000	\$21,635,000
CMFA (09-008)	St. Joseph's Senior Apartments	\$27,700,000	\$27,700,000
CMFA (09-012)	Oak Knoll Villas Apartments	\$6,500,000	\$6,500,000

RECOMMENDATION: Staff recommends approval of \$62,700,000 to fund all projects in the General Pool.

Thomas Sheehy- Why do you think so many projects were withdrawn, and are any of them coming back?

Misti Armstrong- There were various reasons, having to do with the current market situation. We have been told that at least three of them will be returning to our March meeting.

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

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

No public comment.

**Adjournment** (Agenda Item 10)

The meeting adjourned at 2:11 pm.