

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

July 22, 2009

**CONSIDERATION OF AN EXTENSION TO THE ISSUANCE PERIOD FOR VARIOUS
DIFFICULT DEVELOPMENT AREA (DDA) DESIGNATED QUALIFIED RESIDENTIAL
RENTAL POOL PROJECTS**

(Agenda Item No. 5)

ACTION:

Approve an extended issuance expiration date of November 15, 2009 for March 25, 2009 multifamily housing projects located in former "Difficult Development Area" locations

BACKGROUND:

Annually, HUD is statutorily mandated to designate "Difficult Development Area" locations (DDA). A DDA designation can have a significant impact on multifamily housing projects for a number of reasons, the most notable being the ability to get a "boost" in tax credit eligible basis which in turn can translate into higher tax credit equity. For areas that are being phased out of a DDA designation in any given year, it may be possible to grandfather in that status depending upon a number of factors including when an application to a state housing agency is made, when an allocation is made and when a project is placed in service.

DISCUSSION:

On January 1, 2009, several Difficult Development Areas throughout California lost their DDA designation. To preserve the designation and its benefits, applications for projects within these DDA's were submitted to CDLAC prior to the December 31, 2008 DDA expiration date. The applicants later received an award of allocation on March 25, 2009 and in accordance with CDLAC Procedures, an issuance deadline of no later than August 10, 2009 was established. Staff has since been informed that due to current market conditions and unanticipated changes in the structure of project financings the following projects will be unable to finalize their project financing by the current CDLAC deadline:

09-023 Valley Vista Apts. (County of Contra Costa)

09-024 Windsor Redwoods Apts. (County of Sonoma)

09-026 Finnell Place and Washington Gardens Apts. (County of Napa)

To preserve the DDA designation associated with these projects, Staff recommends the Committee **extend the current August issuance deadline to November 15, 2009**. This will allow each of the applicants additional time to finalize their project financing while maintaining the benefits of their associated DDA designation. Should any of the projects fail to receive the necessary project financing by the November 15 deadline, the newly established deadline will provide CDLAC staff the necessary time to reallocate and fully utilize the applicant's unused allocation prior to year-end.

RECOMMENDATIONS:

Staff recommends the approval of an extended issuance expiration date of November 15, 2009 for 09-023 Valley Vista Apts, 09-024 Windsor Redwood Apts, and 09-026 Finnell Place Apts.

Prepared by Misti Armstrong.