California Debt Limit Allocation Committee (CDLAC)

Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

September 23, 2009

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation committee meeting to order at 1:34pm.

Members present were Jennifer Rockwell for Governor Arnold Schwarzenegger, David O'Toole for State Controller John Chiang, and Bettina Redway for State Treasurer Bill Lockyer.

Advisory Members present were Steven Spears of Cal-HFA and Russ Schmunk for Lynn Jacobs of Housing and Community Development.

The chairperson declared a quorum.

2. Approval of the Minutes of the August 26, 2009, Meeting (Action Item)

David O'Toole made a motion approval of the minutes of the August 26, 2009 meeting. Jennifer Rockwell seconded. There were no objections and the August 26, 2009 minutes were approved by unanimous vote.

3. Executive Director's Report (Informational Item)

Sean Spear stated that he wanted to share some items that the staff is working on currently. First, per the committee's request, we will now be including an allocation status report for each month, basically identifying the status of the allocation and its approvals to date. This revised allocation status report includes some of the amounts that were under the multifamily pool, as well as, in the single family, and identifying the amounts assuming you approve the agenda items later in this meeting. That would leave us with the grand total of little less than $1 billion in allocation put out to date; with a remaining allocation of approximately $2.4 billion.

We anticipate that there will be some larger projects coming in the next month, as well as for the last meeting in December. Still, we are at this point expecting to have a fairly large amount of unallocated bond, which we will then come to you in December with some recommendations on how to deal with that as a carry-forward allocation.

The staff will be working over the next couple of months to both analyze the amount of allocation we anticipate having at the end of the year and the best places that we will look toward allocating it to.

Second item is that in our work with the projects that have been approved in recent months, a number of them are seeking to apply to TCAC for the two different ARRA based funding programs that they have available. Out of that, there arose a concern about the actual schedule for those projects and their closing requirements.

Under the original approvals, they typically had anywhere from 90 to 120 days to close on the bonds under the terms of our approvals. However, they are wanting to take advantage of the ARRA funding that's available; so what actually is reflected in item 6 is a set of projects that just received approval for ARRA funding on August 26th from TCAC and are anticipated to probably close by the end of the year, although, TCAC has not identified the exact loan closing dates as of today.

What we are proactively doing is essentially grant them extended time until the end of the year to close and having that align with TCAC's closing deadlines that will be as part of the ARRA funding. The items in item 8 actually reflect some projects that we are looking to approve today that will undoubtedly take advantage of the next round of ARRA funding; which TCAC is anticipating taking applications for in November, which would mean that the approvals will probably not happen until after the beginning of the year, and their closing date deadlines being set for a couple months after that.

So with those deals, we are requesting that you would approve them receiving carry-forward allocation as opposed to the normal allocation that would require them to be closed by the end of the year. This will essentially afford them the opportunity to apply for the ARRA funds, possibly get an award and close based upon TCAC's deadline that they would establish at that point.

The third item occurred in the end of August; when the committee approved the procedures for the reallocation of the recovery zone bond and energy conservation bonds. In essence, should a locality waive their allocation of these bonds that authority would come back to the State to possibly be reallocated to other projects throughout the State as the State determines? The issue becomes that there are a number of localities that may be looking to waive their allocations early and, if so, we think that there really would be an opportunity to look to reallocate those bonds earlier than what we were initially thinking. The current procedures call for the Localities to provide a plan of issuance by the end of January and then for the final determination on who is going to waive their allocation or who the State will define as having the their allocation deemed waived and returned to the State, to go through our process But, our thinking is that perhaps if there is a fair amount of cities and counties that may be waiving their allocations early, then we should try to do our part and do the best we can to actually reallocate that sooner than after July.

Staff will work on a set of revised procedures for the program as well as develop an application for it. We anticipate that we would bring a draft of the revised procedures and application to the committee most likely in November and go out for a public comment period and receive some feedback from the general population on that and possibly bring that forward for final approval after the beginning of next year. Our hope is that we would be able to reallocate that first wave of waivers from the cities and counties some time within the first quarter of next year.

There were no questions or other comments.

4. H.R. 3221 single Family Housing Program Update (Informational Item) – Sean L. Spear

At the July meeting, the committee had requested that staff go back and talk to each of the issuers that received HR3221 bond authority. The State received a little less than $1.2 billion in additional bond authority under ARRA; and 80% went to single family programs. There were a number of individual multifamily projects that were also approved, as well as, some MCCs. Basically, there's a concern about the status of those allocations and where those issuers were in their processes. We went back and asked each of the recipients of those allocations to provide a status report and identify their intent on how they were going to put out the remaining portions of their allocations.

We heard back that two of them, San Diego and San Francisco, had gone forward and fully allocated their amounts of these bonds. Both Mendocino County and Sacramento were in process on a number of programs. Mendocino is actually considering coming back and exchanging or possibly reapplying to have their allocation converted to mortgage revenue bonds, but we're still in discussions with them on that matter. Lastly, there is an amount slightly over $25 million that went to Independent Cities, as well as, a fair amount that went to CalHFA. What we heard back from the two of them is that they are waiting to see what will happen with a proposed program that may come from the Treasury Department. If that comes into being, they're very hopeful that it will provide a mechanism for them to be able to go forward with issuing those bonds. If so, they want to have at least until March 31st, to see how that process plays itself out before they would come back and consider an alternative course for dealing with their bond allocations.

- Bettina Redway asked if the staff got any idea from the two communities, San Francisco and San Diego, whether they would use more if they were able to get more allocation.

- Sean Spear responded that the question was not asked, but the thinking is that if we do get back some allocation from those others, that we would look to possibly reallocating them and certainly, we'd want to encourage those that have been successful in issuing them to come back and possibly consider taking more.

- There were no other questions or comments.

5. Consideration of a Modification to CDLAC Resolution 09-18 for Finnell Place and Washington Gardens Apartments (Action Item) - Crystal Alvarez

On March 25, 2009, the Committee awarded $5,961,000 in Qualified Residential Rental Program (QRRP) allocation to the California Municipal Finance Authority for Finnell Place and Washington Gardens Apartments. This scattered site project, consisting of two parcels, is located in a 2008 HUD-designated Difficult Development Area (DDA) within the Town of Yountville (Napa Valley). The project originally proposed providing 24 units with 1 manager unit at 1911 Finnell Place and 11 units at 6478 Washington Street; for a total of 36 units. However, the seller of the Washington Street parcel has since decided to pull out of the purchase contract. In response, the project sponsor Napa Valley Community Housing has hired a litigator to force the seller to perform, but their efforts have been unsuccessful to date.

The Applicant is requesting a modification to the resolution that would omit the Washington Street units from the proposed unit count and allow the project sponsor to move forward with the development of the Finnell Place Apartments project. If the pending litigation is successful, Washington Street Apartments will be developed as a separate affordable housing project at a later time. Approval of this modification is required to preserve the project’s DDA status and current CDLAC allocation.

Napa Valley Community Housing has provided several letters of support for the Finnell Place Apartments from the Department of Housing and Community Development, Town of Yountville, the equity investor and the County of Napa. All of whom are providing financial support to the project.

Staff recommends the approval of a modification to resolution 09-18 Finnell Place Apartments reducing the number of low-income units from 35 units to 24 units.

- David O’Toole asked if the overall allocation level is unchanged, what happens then with the Washington street portion? There's an expectation that later on it will get utilized?
- Crystal Alvarez responded that it will be a completely new project.
- David O’Toole asked if the original allocation had both parts in it.

- Misti Armstrong responded that CDLAC was informed that the project is likely to issue below the awarded amount as a result, but it's likely that they'll be above the 80% required to move forward without penalty.
- Bettina Redway commented that the issuer would hold the unused allocation.
- Misti Armstrong added because it is carry-forward, it would come back to CDLAC.

David O'Toole made a motion for approval. Jennifer Rockwell seconded. There were no objections and the motion was unanimously approved to modify CDLAC Resolution 09-18.

6. Consideration of an Issuance Period Extension to Certain Qualified Residential Rental Program Projects Approved on May 27, 2009 and July 22, 2009 and in Receipt of TCAC August 26, 2009 ARRA Funding Awards (Action Item) - Brady Hill

On August 26, 2009, TCAC awarded ARRA funds to a total of 11 multi-family projects previously awarded tax-exempt bond allocation in May and July of this year. According to CDLAC procedures, these projects were given a deadline to issue no later than September 14, 2009 and November 9, 2009 respectively. In an effort to provide these projects adequate time to take advantage of the ARRA funds and finalize project financing, staff recommends the Committee extend the current issuance deadlines to December 31, 2009. This is the latest date allowed under IRS tax code for projects not awarded allocation on a carry-forward basis in 2009.

Staff recommends the approval of an extended issuance expiration date of December 31, 2009 for the following projects:

09-056 Hudson Park I and II Apartments
09-060 Desert View Apartments
09-062 San Jacinto Senior Apartments
09-048 Tonner Hills Apartments
09-052 St. Joseph's Senior Apartments
09-057 Desert Oak Apartments

09-059 Creekside Apartments
09-084 2235 Third Street Apts.
09-013 Tassafaronga Village Apts.
09-041 Camellia Place Apts.
09-073 36th & Broadway Apts.

- Jennifer Rockwell asked what occurs if they're not able to do so? What happens? Does it disappear? Does it come back?
- Misti Armstrong responded that the allocation would return to the Committee.
- Jennifer Rockwell asked if there would be time-- could it be reallocated, or is December 31st just the final.
- Misti Armstrong responded that with an allocation that late, it would likely go into the undesignated allocation that we reserve at the end of the year for a particular program. We typically designate a program that would take all of the unused allocation at the end of the year, utilizing every dollar, so for any projects that were unsuccessful in moving forward, that allocation would go into that pot as well.
- Steven Spears asked if it has a different schedule for that bond to be used. It seems that they have a different one. He thought it was on a different schedule than a regular allocation. It then becomes a carry forward, right?
- Misti Armstrong responded that it does become a carry forward.
- Bettina Redway added that they are getting an extension because TCAC is running on a different schedule this year because of the ARRA fund and in allocating ARRA money.

There were no other questions. David O'Toole made a motion for approval. Jennifer Rockwell seconded motion. There were no objections and the motion was unanimously approved to extend the issuance expiration date to December 31, 2009.

7. 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 (Action Item) – 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 2009 Fair Share Single Family Housing allocation of $30,574,243 for the issuance of Mortgage Credit Certificates (MCC's);

The Committee received three (3) applications requesting their 2009 Fair Share Single Family Housing allocation of $27,625,884 for the issuance of Mortgage Credit Certificate Bonus Pool;

Staff recommends approval of $58,200,127 to fund all six (6) applications in the Single Family Housing Program as noted above.

David O'Toole made a motion for approval. Jennifer Rockwell seconded. There were no objections and the motion was unanimously approved for the applications.

8. 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 (Action Item) – Crystal Alvarez

a. Consideration of appeals*
There are no appeals

b. Consideration of applications – See Exhibit A for a list of Applications**
The Rural Pool received two requests for $6,850,000 and Mixed Income received one application requesting an allocation of 30 million. The General Pool program received 22 applications requesting an allocation of $249,246,661.

Staff recommends approval of $286,096,861 to fund all 25 projects in a qualified residential rental project program. Last issuance deadline shall be the project on the Tax Credit Allocation Committee closing deadline for August 26th, 2009, and January 27th, 2010. TCAC exchange awards, or August 25th, 2010, for those applicants not in receipt of a TCAC exchange award by January 27th, 2010.

Jennifer Rockwell made a motion for approval. David O'Toole seconded. There were no objections and the motion was unanimously approved for the applications.

9. Public Comment (Action Item)

There were no comments from the public.

10. Adjournment

The Chairperson adjourned the meeting at 1:57pm.