

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

November 18, 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 to December 31, 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. On July 22, 2009, the Committee further extended the issuance deadline to November 15, 2009. Staff has since been informed that due to closing delays the following two projects will be unable to finalize their project financing by their current CDLAC deadline:

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

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

To preserve the DDA designation associated with these projects, Staff recommends the Committee **extend the current August issuance deadline of November 15, 2009 to December 31, 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 December 31, 2009 deadline, the allocation will revert to the Committee and be reallocated to another issuer on a carryforward basis.

RECOMMENDATIONS:

Staff recommends the approval of an extended issuance expiration date of December 31, 2009 for 09-023 Valley Vista Apts and 09-024 Windsor Redwood Apts.

Prepared by Misti Armstrong.