

California Debt Limit Allocation Committee (CDLAC)

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

May 26, 2010 Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 1:34 p.m.

Members present were Cynthia Bryant for Governor Arnold Schwarzenegger, Terry McGuire for State Controller John Chiang, and Bettina Redway for State Treasurer Bill Lockyer.

Advisory Member present was Russ Schmunk for Lynn Jacobs of the Department of Housing and Community Development. Cal-HFA did not have a representative present.

The chairperson declared a quorum.

2. Approval of the Minutes of the March 24, 2010, Meeting (Action Item)

Cynthia Bryant made a motion to approve the minutes of the March 24, 2010 meeting. Terry McGuire seconded. There were no objections and the March 24, 2010 minutes were approved by unanimous vote.

3. Executive Director's Report (Informational Item)

Sean Spear reported that before the Committee were the major items of CDLAC's draft emergency regulations and the allocation of all of the recovery zone economic development bond and qualified energy conservation bond authority. Mr. Spear advised that by moving the procedures to regulations, CDLAC will increase its level of transparency to the State and the general public. He continued that CDLAC continues to have significantly reduced volume across the board for all allocation pools. However, a bright spot has actually been the substantial amount of interest in the recovery zone and QECEB allocation programs. Each was oversubscribed in the current round, and CDLAC anticipates having about \$30 million left for another recovery zone facility bond round. Applications will be accepted until May 28th, 2010, and those recommended will be for the Committee's consideration at the July 28th meeting. CDLAC expects to be substantially oversubscribed for the remaining allocation. Mr. Spear indicated that several issuers have stated that the amount of projects that will be submitted in the future for the remainder of this year will probably be higher. Mr. Spear then turned the floor over to Russ Schmunk of HCD to talk about a notable change that occurred for HCD's financing programs.

Mr. Schmunk reported that Proposition 1-C and Proposition 46 housing bond programs hit a little snag about 18 months ago when California started experiencing difficulties with the credit market. Due to the PMIB [Pooled Money Investment Board] expenditure freeze, HCD delayed funding announcements and delayed issuing commitments under these programs. Once the freeze was lifted, HCD then did have some funding rounds and issued commitments that were "subject to the availability of funds". Mr. Schmunk stated that construction lenders did not like the "subject to availability of funds" language. As a result, HCD had a number of stalled projects. Since that

time, several things have occurred. The first development was the Tax Credit Allocation Committee making available some federal stimulus funding for what is now called the HCD Backfill Program. And then the Treasurer's Office and HCD were able to reach an agreement with at least one large lender; where the lender would purchase, or would have an option to purchase bonds, in the event that HCD did not have cash to fund the bond funded loans. This agreement affected 29 developments. Mr. Schmunk continued that now there have been successful bond sales and HCD received authorization not only to remove the "subject to availability of funds" language, but also to go ahead and release funding announcements and process applications for the remaining Proposition 1-C program funds. There are 7 pages of funding announcements and HCD is in the application-taking mode again.

Mr. Spear continued to report that there are three legislative bills that may potentially impact CDLAC's allocation programs. The first is a bill which was presented by the House Ways and Means Committee and the Senate Finance Committee. The bill, HR 4213, proposes an extension to the recovery zone bond program for another year, as well as, providing an additional \$25 billion in allocation to the program. Before this allocation would be distributed through the states, there would be a change to the formula that would favor those localities that did not receive allocation the first time around under ARRA. This gives them the opportunity to access the program. Mr. Spear continued that with this possible extension for another year, CDLAC will probably need to revisit its plan of issuance process, which has been the reporting process for the localities to identify the projects that they were considering using their allocations for, as well as, the potential waiver of that allocation. Based on the final version of the bill, CDLAC may suggest some changes to that reporting process and bring that before the Committee for its approval. This may occur as early as July. CDLAC will be consulting with the localities as part of that process, as well as, possibly having a public comment period for those proposed changes.

Mr. Spear continued that while that's potentially a good element of the program in terms of providing additional resources to states and localities, a potentially harmful provision of the draft bill calls for a retroactive change for the allocation processes for the states. CDLAC is working with a key industry association, a set of bond counsels and our counterparts in other key states, and all are hopeful that this question can be resolved either through the addition of an amendment to the bill or through some instructions by Congress to the Treasury for when they would actually put out the IRS guidance on the program. Mr. Spear further stated that worst case scenario, it could mean that CDLAC would have to revise its program and particularly, the reallocation process, and it could potentially impact some of the commitments that have been made prior to this legislation.

Mr. Spear continued that, secondly, Senator Feinstein introduced a new bill that would essentially create a private activity program for renewable energy projects. This would be for projects that would either generate or conserve electricity or thermal energy through solar, wind, geothermal, hydropower, BIO gas or BIO mass. It is anticipated that CDLAC would be charged with administering this new allocation program. The bill calls for \$ 2.5 billion in allocation authority, which CDLAC would probably get a proportional share of that amount. Once confirmed that a new program would have to be created, CDLAC would have a public review and stakeholder process to create new guidelines and new regulations.

Lastly, Mr. Spear stated that there is an effort to expand the tax credit exchange program to cover 4% level tax credits. This would impact the multifamily projects that seek both allocation from CDLAC, as well as, 4% tax credit allocation from TCAC. There is no time frame identified for when this will be submitted to the floor for this Congress, but hopefully within the next several weeks.

4. Consideration of and Approval to Submit Draft CDLAC Regulations to the Office of Administrative Law for a Public Comment Period

Sean Spear reported that presently, the California Debt Limit Allocation Committee (Committee) operates under adopted procedures that set forth the priorities and process by which potential

issuers of qualified private activity bonds may apply for, and be awarded, an allocation of the annual state ceiling in accordance with the provisions and requirements of 26 U.S.C. Sections 141, et seq., as amended, and California Government Code Sections 8869.80, et seq., as amended. Over the years, the Committee has operated pursuant to procedures adopted by the Committee following notice and public comment. With the addition of new and more complex programs, staff is recommending the Committee adopt regulations to ensure its rules are readily accessible, clear, and in conformance with other similar rules utilized by state agencies.

Mr. Spear continued that the proposed draft regulations will not modify the priorities or the process of the Committee with the exception of the following proposed additions:

- Under the Qualified Residential Rental Program, the evaluation criteria for Site Amenities will include additional points:
 - “Two and one-half (2 ½) points will be awarded to projects located within one-half (½) mile of a public library.”*
- The evaluation for Sustainable Building Methods will include additional points for:
 - A. *“Projects, where the Project Sponsor commits to develop and secure the certification of the project under any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines, will receive eight (8) points.”*
 - B. *“An allocation of Historic Tax Credits”*
- The evaluation for Service Amenities will include the following provision:
 - “The application must propose a combined annual value of at least \$10,000, or \$5,000 for projects of 20 units or fewer, for those services. This annual value does not apply to High Speed Internet Service when chosen as a single service amenity. In addition, any donated services must be assigned a dollar value by the provider of those services. Applications must contain a detailed budget clearly displaying all anticipated income and expenses associated with the projects services program.”*
- Service Amenities will include additional points as follows:
 - “Five (5) points to projects with a bona fide service coordinator/social worker available. Having a bona fide service coordinator (not the on-site manager, for example) may count for 5 points in this category, provided that a description of the experience of the coordinator, a description of the duties of the coordinator, and a budget to pay for the coordinator are included in the application.”*
- Under the Expiration of Allocations, it is proposed that in the case of extreme hardship, the Committee may extend beyond five (5) business days provided the following:
 - “If an Allocation was awarded during an Open Allocation Round, the Committee may extend the Project’s expiration date up to the next regularly scheduled meeting at which time the Committee may elect to grant an additional extension up to ninety (90) days.”*

Each of these recommended changes are designed to either clarify or update language and references currently found in the CDLAC Procedures. The public will have an opportunity to review and comment on these items during the Office of Administrative Law (OAL) public comment period. CDLAC staff anticipates submitting these draft regulations to OAL in early June.

Mr. Spear advised that the Staff recommends the approval to submit the proposed Draft CDLAC Regulations to the Office of Administrative Law for a 45-day public comment period.

- Cynthia Bryant commented that this recommendation is good for transparency and she was appreciative that these changes are being submitted to help make the process more open.
- Bettina Redway asked that regarding the 90 days extension proposal that Mr. Spear let the Committee know how many requests had previously been submitted for an extension and how often this proposed provision could have been used.
- Mr. Spear responded that he would have that information at the next Committee meeting.
- There were no other comments or questions.
- Cynthia Bryant made a motion for approval.
- Terry McGuire seconded the motion for approval.
- The motion was unanimously approved to submit the proposed Draft CDLAC Regulations to the Office of Administrative Law for a 45-day public comment period.

5. Consideration and Approval of Revision to CDLAC Resolution 08-222 for the Sacramento Housing and Redevelopment Agency

John Weir reported that on December 3, 2008, the Committee awarded the Sacramento Housing and Redevelopment Agency (SHRA) \$ 17,101,115 in 2008 Housing Act Volume Cap (H.R. 3221) for a Mortgage Credit Certificate (MCC) REO Program on a carry-forward basis.

Mr. Weir continued that during 2009, the SHRA converted their Allocation into three equal installments. With the first installment completely issued, the second and third installments must be issued by June 26, 2010 and November 16, 2010 respectively. Currently, SHRA has outstanding authority to issue approximately nine (9) more certificates. In order to comply with the I.R.S. Code, 20% of the certificates must be issued for use in federally designated target areas. Due to the current conditions in the real estate industry, the SHRA has had difficulty issuing certificates that would only go towards the purchase of REO properties in federally designated target areas; as restricted by the current resolution.

The SHRA is requesting a modification to the resolution that would lift the use restrictions and permit certificates to be issued to purchasers of non-REO properties. With this restriction lifted, the SHRA believes they will be able to satisfy the requirement that 20% of certificates be issued in federally designated target areas.

Mr. Weir advised that the Staff recommends the approval of a modification to resolution #08-222 allowing outstanding certificates be issued for the purchase of non-REO properties.

- There were no comments or questions.
- Cynthia Bryant made a motion for approval.
- Terry McGuire seconded the motion for approval.
- The motion was unanimously approved for a modification to resolution #08-222 allowing outstanding certificates to be issued for the purchase of non-REO properties.

6. 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

Richard Fischer reported that there were no appeals.

Mr. Fischer continued that the Rural Pool received two (2) applications requesting a total allocation of \$11,241,185 and the General Pool received eleven (11) complete applications requesting a total allocation of \$102,435,346.

Mr. Fischer advised that the Staff recommends approval of \$11,241,185 to fund two projects in the Rural Pool and approval of \$102,435,346 to fund all eleven projects in the General Pool.

- There were no comments or questions.

- Cynthia Bryant made a motion for approval.
- Terry McGuire seconded the motion for approval.
- The motion was unanimously approved for approval of \$11,241,185 to fund two projects in the Rural Pool and approval of \$102,435,346 to fund all eleven projects in the General Pool.

CMFA	Cynara Court Apartments	\$11,000,000
CSCDA	Rolling Hills Apartments Supplemental	\$241,185
Community Redevelopment Agency of the City of Los Angeles	Buckingham Senior Apartments	\$14,000,000
City of San Jose	Orvieto Family Apartments	\$14,200,000
County of Alameda	Peralta Senior Housing Apartments	\$18,000,000
CSCDA	Casa Grande Apartments	\$11,000,000
CSCDA	New Hope Home Apartments Supplemental	\$898,100
CMFA	Fanita 48 Family Apts.	\$500,000
CalHFA	Lakeview I Apartments	\$5,098,496
CalHFA	Lakeview II Apartments	\$4,653,850
CalHFA	Meadowview I Apartments	\$4,450,000
CalHFA	Meadowview II Apartments	\$5,744,900
CalHFA	Belovida at Newbury Park Senior Apartments	\$23,890,000

7. Consideration of Appeals and Applications for a Re-Allocation of American Recovery and Reinvestment Act - Recovery Zone Economic Development Bonds and Awards of Allocation

Crystal Alvarez reported that there were no appeals.

Ms. Alvarez continued that the Recovery Zone Economic Development Bond Program received two (2) complete applications for projects requesting a total allocation of \$113,135,000.

Ms. Alvarez advised that the Staff recommends the approval of \$113,135,000 in reallocated American Recovery and Reinvestment Act - Recovery Zone Economic Development Bond authority to fund the two (2) projects.

- There were no comments or questions.
- Terry McGuire made a motion for approval.
- Cynthia Bryant seconded the motion for approval.
- The motion was unanimously approved for the approval of \$113,135,000 in reallocated American Recovery and Reinvestment Act - Recovery Zone Economic Development Bond authority to fund the two (2) projects.

Alameda County	Highland Hospital Acute Tower Replacement Project	\$103,135,000
City of Placentia	Placentia Metrolink Parking Structure Project	\$10,000,000

8. Consideration of Appeals and Applications for a Re-Allocation of American Recovery and Reinvestment Act - Recovery Zone Facility Bonds and Awards of Allocation

Crystal Alvarez reported that there were no appeals.

Ms. Alvarez continued that the Recovery Zone Facility Bond Program received five (5) complete applications for projects requesting a total allocation of \$71,983,112.

Ms. Alvarez advised that the Staff recommends the approval of \$71,983,112 in reallocated American Recovery and Reinvestment Act - Recovery Zone Facility Bond authority to fund the five (5) projects.

- There were no comments or questions.
- Cynthia Bryant made a motion for approval.
- Terry McGuire seconded the motion for approval.
- The motion was unanimously approved for the approval of \$71,983,112 in reallocated American Recovery and Reinvestment Act - Recovery Zone Facility Bond authority to fund the five (5) projects.

California Enterprise Development Authority	Mesquite Lake Resource Recovery Facility Project	\$29,930,000
California Statewide Communities Development Authority	Ingomar Packing Company Solar Project	\$2,947,637
California Statewide Communities Development Authority	Developers Diversified Realty Solar Projects	\$831,475
California Statewide Communities Development Authority	Potovoltaic Panel Manufacturing and Solar Energy Facilities Project	\$32,024,000
California Municipal Finance Authority	Mariani Packing Project	\$6,250,000

9. Consideration of Appeals, Applications and a Waiting List for a Re-Allocation of American Recovery and Reinvestment Act – Qualified Energy Conservation Bonds and Awards of Allocation

Brady Hill reported that there were no appeals.

Mr. Hill continued that the Qualified Energy Conservation Bond (QECB) Program received eight (8) complete applications for projects requesting a total allocation of \$306,587,710. Currently there is only \$195,710,345 available in QECB allocation; providing only enough allocation to award authority for the five highest scoring projects. In addition, one of these five projects will only be able to receive a partial award; with the remaining three receiving none.

In order to make immediate use of any waived QECB allocation that CDLAC may receive between May 27th and August 14th, CDLAC staff is recommending the creation of a waiting list for these four complete applications. If no waived allocation is received during this period, then the

applicants may elect to resubmit their applications and compete in the final QECB allocation round scheduled to occur in the fall.

Mr. Hill advised that the Staff recommends:

- 1) Approval of \$195,710,345 in reallocated American Recovery and Reinvestment Act – Qualified Energy Conservation Bond authority to fund five (5) projects.
 - 2) Creation of a waiting list with an expiration date of August 14th, 2010, for the following complete QECB applications; which shall be funded in the following descending order until the available QECB allocation is exhausted:
 - a. ARRA-041 Oxnard Union High School District
 - b. ARRA-039 Lodi Unified School District
 - c. ARRA-043 Rancho California Water District
 - d. ARRA-044 Fallbrook Public Utility District
- There were no comments or questions.
 - Cynthia Bryant made a motion for approval.
 - Terry McGuire seconded the motion for approval.
 - The motion was unanimously approved for 1) Approval of \$195,710,345 in reallocated American Recovery and Reinvestment Act – Qualified Energy Conservation Bond authority to fund five (5) projects; 2) Creation of a waiting list with an expiration date of August 14th, 2010, for the following complete QECB applications; which shall be funded in the following descending order until the available QECB allocation is exhausted:
 - a. ARRA-041 Oxnard Union High School District
 - b. ARRA-039 Lodi Unified School District
 - c. ARRA-043 Rancho California Water District
 - d. ARRA-044 Fallbrook Public Utility District

Department of Water and Power for the City of Los Angeles	Pine Tree Solar Project	\$48,000,000
Department of Water and Power for the City of Los Angeles	Adelanto Solar Project	\$48,000,000
Department of Water and Power for the City of Los Angeles	Pine Tree Wind Turbine Expansion Project	\$35,022,000
California Statewide Communities Development Authority	Solar Power, Inc.	\$58,713,103
California Alternative Energy & Advanced Transportation Financing Authority	Oxnard Union High School District Project	\$5,975,242

10. Public Comment (Action Item)

There were no public comments or questions.

11. Adjournment

The Chairperson adjourned the meeting at 2:03 p.m.