

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

**January 26, 2011**

**Consideration of Awards of Allocation for the Housing Authority of the City of Oakland for Qualified Residential Rental Projects, Harrison Street Senior Apartments (10-023) for \$11,025,135 and Lion Creek Crossing Phase IV Apartments (10-018) for \$17,255,000**  
**(Agenda Item No. 12)**

**I. ACTION**

Approve the awards of allocation to the Housing Authority of the City of Oakland for the following projects: Harrison Street Senior Apartments (10-023) and Lion Creek Crossing Phase IV Apartments (10-018).

**II. BACKGROUND**

On July 28, 2010, the Lion Creek Crossing Phase IV Apartments Project and the Harrison Street Senior Apartments Project (the "Projects") received 2010 Allocation awards in the amounts of \$21,000,000 and \$11,800,000 respectively. From those awards, the Housing Authority of the City of Oakland issued only minimal draw down bond amounts with the intent of issuing future draws as needed in the coming months.

In a typical bond transaction, all of the bonds are delivered to the bond purchaser on a single date and the bond purchaser provides payment for the bonds on that date. A drawdown deal operates differently. In a drawdown issuance, bonds are delivered to the bond purchaser intermittently as funds are needed by the bond issuer, and the bond purchaser only provides payments equal to the amount of bonds drawn on each date.

On November 23, 2010, the IRS published IRS Notice 2010-81. The Notice provides that, in a drawdown issuance, volume cap is used only as each draw is made. Prior to the Notice, the industry accepted that all awarded volume cap was officially used on the first draw date. The distinction is particularly important if subsequent draw dates occur in a later calendar year than the first draw date. In that event, if current year volume cap was allocated to the deal, it may need to be carried-forward in order to be available for use in the subsequent calendar years.

The Projects were in the process of moving to closing when IRS Notice 2010-81 was published, and each had no choice but to proceed to closing even though any undrawn Allocation would be subject to expiration at the end of the year. The Project's undrawn Allocation expired on December 31, 2010.

To now ensure the completion of the Projects and accommodate future drawdown transactions (unless provided with further IRS Guidance making the replacement unnecessary), staff recommends that the Committee approve a replacement of the unused expired allocation with current 2011 volume cap. If the approval is not granted, the Projects will not have the ability to continue to fund the development costs and the City of Oakland will lose the ability to create 143 new units of affordable housing; 72 units for seniors and 71 units for families.

**III. DISCUSSION:**

Under our current regulations, carryforward can only be awarded in very limited circumstances (essentially only at the last meeting of each calendar year). On January 26th, staff will recommend the Committee's approval of the revised proposed permanent regulations for submittal to the Office of Administrative Law (OAL), which shall include a provision allowing for carryforward to be awarded to projects in these circumstances. Upon OALs approval of the proposed regulations, staff will likely return to the Committee for authorization to award carryforward allocation to the Projects. This will allow for future year drawdowns for these Projects, and for future drawdown transactions.

**IV. RECOMMENDATION:**

Staff recommends the approval of \$11,025,135 in 2011 tax-exempt bond allocation for the Harrison Street Senior Apartments Project and \$17,255,000 in 2011 tax-exempt bond allocation for the Lion Creek Crossing Phase IV Apartments Project.

*Prepared by Sarah Lester*