

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 26, 2011

Consideration and Approval of
Waiver of Forfeiture of Performance Deposit for the Palmdale Transit Village Apartments Project,
Casa Grande Apartments Project, and CalHFA
(Agenda Item No. 9)

I. ACTION

Approve the Waiver of Forfeiture of Performance Deposit for the Palmdale Transit Village Apartments Project, Casa Grande Apartments Project and California Housing Finance Housing Agency's 2007 Single-Family Housing Program.

BACKGROUND

An Applicant bears the risk of forfeiting all or part of their performance deposit if the Allocation is not used in accordance with the conditions and timeframes set forth in the Committee Resolution. As provided for under the Government Code, CDLAC permits an Applicant to request the waiver of the forfeiture of the performance deposit if the allocation is not used to issue the bonds within the set timeframe given. For a waiver to be approved, the CDLAC Executive Director subjects the request to two tests: 1) was the issue or event that prevented the issuance of the bonds unforeseen; and 2) was the issue or event wholly outside the control of the applicant and project sponsor. A request must pass both tests.

II. DISCUSSION:

Palmdale Transit Village Apartments (Resolution No. 09-123)

To date, the Palmdale Transit Village Apartments Project has not issued its bond allocation. The California Statewide Communities Development Authority ("CSCDA") requested and received a staff-level Carryforward Extension approval to accommodate a future bond issuance in March of 2011. However, per the CDLAC Regulations, the Project's performance deposit must be forfeited for failure to issue the bonds by the initial issuance deadline.

As the Project moved forward with its initial US Bank construction loan, US Bank's underwriting standards became more conservative. It became unclear whether or not the Project would be able to close under such revised terms. As a result, the Project Sponsor began to aggressively pursue other financing alternatives. This created an unforeseen delay in the financing of the project that was outside the control of the Palmdale Transit Village Project Sponsor. To date, the Project Sponsor has had significant discussions with Chase and Citibank and anticipates receiving a new letter of intent for financing shortly.

Given the facts associated with this waiver request, Staff recommends an approval of a waiver of the performance deposit forfeiture.

Casa Grande Apartments (Resolution No. 10-25 and 10-65)

The Casa Grande Apartments Project received a total allocation of \$12,015,000 through CSCDA. Casa Grande Apartments Project was initially scheduled to issue bonds by December 22, 2010. However, due to an unexpected delay with HUD related to the Interest Reduction Payments ("IRP") decoupling, the project experienced unforeseen delays that were outside the control of the Project Sponsor. CSCDA recently requested and received a staff-level Carryforward Extension approval to accommodate a future bond issuance date of February 22, 2011.

Given the facts associated with this waiver request, Staff recommends an approval of a waiver of the performance deposit forfeiture.

CalHFA (Resolution No. 07-165 and 07-185)

The California Housing Finance Agency (“CalHFA”) was awarded \$468,257,154 in 2007 Allocation on a carryforward basis for its Single-Family Housing Bond Program. The CalHFA Single-Family Housing (“SFH”) Program was initially awarded \$310,000,000. An additional \$158,257,154 in unused allocation remaining in the 2007 program pools was transferred to the Issuer at the end of 2007.

CalHFA was unable to fully utilize \$256,256,287 of the 2007 allocation by the December 31, 2010 expiration date. CalHFA has indicated that there were several factors that prevented the issuance of bonds over the past three years. The instability in market conditions, the state’s budget crisis and the current low interest rates each compounded the difficulty in securing loans for first-time homeowners. As a result, CalHFA suspended the Single-Family Program in late 2008. In September of 2010, the program was revised and reopened; receiving \$120 million in loan reservations within a five-month period.

Based on the circumstances described in CalHFA’s waiver request, staff believes the failure to issue bonds was outside the control of the Issuer. Therefore, staff recommends an approval of a waiver of the performance deposit forfeiture.

III. RECOMMENDATION:

Staff recommends the approval of the waivers of the performance deposit forfeiture for the Palmdale Transit Village Apartments Project (09-142), Casa Grande Apartments Project (10-027 and supplemental 10-074), and California Housing Finance Agency’s 2007 SFH Program (Resolution No. 07-197).

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