

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

March 16, 2011

Consideration of an Award of Allocation for Peralta Senior Housing Apartments (10-025) \$15,263,000-Qualified Residential Rental Project Program Agenda Item No. 8

I. ACTION

Approve the award of allocation to the County of Alameda (the “County”) for the Peralta Senior Housing Apartments (10-025).

II. BACKGROUND

On May 26, 2010, the Peralta Senior Housing Apartments Project (the “Project”) received \$15,318,000 in 2008 Housing Act Volume Cap and was authorized the use of \$2,682,000 of the County’s unused 2008 carryforward Allocation. From this award, the County of Alameda issued only a minimal draw down bond amount 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 Project issued its initial draw prior to the publication of IRS Notice 2010-81, and was unaware at the time that any undrawn Allocation would be subject to expiration at the end of the year as a result of the Notice. The Project’s undrawn Allocation expired on December 31, 2010.

To now ensure the completion of the Project 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 Project will not have the ability to continue to fund the development costs and the County of Alameda will lose the ability to create 97 new units of affordable senior housing.

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, the Committee approved revised proposed permanent regulations that were subsequently submitted to the Office of Administrative Law (OAL), which included 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 Project. This will allow for future year drawdowns for the Project, and for future drawdown transactions.

IV. RECOMMENDATION:

Staff recommends the approval of \$15,263,000 in 2011 tax-exempt bond allocation for the Peralta Senior Housing Apartments Project.