

# California Debt Limit Allocation Committee (CDLAC)

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

## **May 18, 2011 - Meeting Minutes**

### **1. Call to Order and Roll Call**

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:04 a.m.

Members present were Todd Jerue for Governor Edmund G. Brown Jr., Dave O'Toole for State Controller John Chiang, and Bettina Redway for State Treasurer Bill Lockyer.

Advisory Members present were Elliott Mandell for HCD and Bob Deaner for CalHFA.

### **2. Approval of the Minutes of the April 26, 2011, Meeting**

There were no comments or questions and Todd Jerue moved for approval of the minutes of the April 26, 2011, meeting. Dave O'Toole seconded the motion. The approval of the April 26, 2011 minutes was unanimously approved.

### **3. Executive Director's Report**

Sean Spear summarized the agenda for the meeting describing a short agenda that included a few modifications and extensions and a set of allocation approvals. Mr. Spear also advised that Agenda Item 5 must be considered before Agenda item 4 as there is a related matter in item 4 that can only be considered after item 5 has been reviewed. Mr. Spear also advised that Agenda Item 8 has projects that include redevelopment agencies which may cause questions or a discussion.

Lastly, Mr. Spear stated that the CDLAC permanent regulations draft has been reposted for a 15 day public comment period. Once the period is complete and OAL has reviewed the draft, the regulations should be approved for implementation by mid-June 2011.

There were no comments or questions.

### **4. Consideration of a Request to Remove the Senior Restriction from Resolution 08-101 for Drake Manor Apartments (08-109) - Qualified Residential Rental Project Program**

Crystal Alvarez reported that The Drake Manor Apartments Project received an award of allocation in the amount of \$7,500,000 on May 28, 2008. The proposed Project was an acquisition and rehabilitation of 108 one-bedroom units with 1 two-bedroom manager unit. In addition, the Project was awarded points for being within a ½ mile of a senior center.

The project sponsor, Thomas Safran & Associates, acquired the property in March 2007 and completed the rehabilitation of the Drake Manor Apartments in December 2009. However, according to TSA, the company's staff incorrectly interpreted the regulatory agreement and the CDLAC resolution. Their interpretation was based on the TEFRA documentation which noticed the project as a multifamily project, and drafts of the regulatory agreement that did not explicitly define an occupancy restriction to seniors 55 and over. Therefore, the project did not lease up as an age-restricted project. This oversight was discovered by the compliance Tax Credit staff upon their first visit to the project site several weeks ago.

Ms. Alvarez continued that TSA has stated that their failure to comply with the age restriction was purely an error on their part, and not an attempt to circumvent the CDLAC resolution requirements. At this point, the property is now serving both senior and non-senior income-qualifying households. TSA now requests that CDLAC modify the resolution to allow the project to continue to do so; thereby serving the larger low-income community of Pomona. CDLAC has received letters of support for this revision from both the City of Pomona and the private placement provider for the project.

Although the project will no longer qualify for the site amenity points related to being within ½ mile of a senior center since it would no longer be an age-restricted property, the project sponsor has evidenced that the Project does qualify for an equivalent amount of points for being within a ½ mile of a K-12 public school. This is an acceptable substitution of the existing site amenity requirement.

Ms. Alvarez advised that the Staff recommends the approval of a revision to the CDLAC Resolution 08-101 removing the senior restriction for the Drake Manor Apartments Project.

Dave O'Toole asked what is the standard for project visits. Sean Spear responded that the California Tax Credit Allocation Committee (CTCAC) will conduct an onsite review and audit within a 3 year period for every project.

Bettina Redway asked Thomas Safran of Thomas Safran & Associates, the project sponsor, how easy it would be for a property manager to misinterpret something like this matter; in other words, whether this was an aberration or whether there was something that could be done to improve communications there. Mr. Safran responded that he felt the error was his organization's; the company had purchased 8 buildings from the same developer at the same time, all needing rehabilitation. The building in question had 19 vacancies out of 39 units and they did not know it was a senior housing project. Mr. Safran continued that the language in the purchase agreement was vague and was told approximately 3 years ago that there were no restrictions. Mr. Safran stated that even when the company was attempting to fill the vacancies, there were not enough qualified applicants, seniors or Section 8, to fill the building because of the weak rental market in Pomona.

Ms. Redway indicated she understood his explanation and asked if there were any other questions or comments. There were none and Dave O'Toole motioned for approval, Todd Jerue seconded the motion. The motion to remove the senior restriction from Resolution 08-101 for Drake Manor Apartments was unanimously approved.

##### **5. Consideration and Approval of an Issuance Date Extension for Various Projects - Qualified Residential Rental Project Program**

Crystal Alvarez reported on requested issuance date extensions for the following five (5) awards:

Ms. Alvarez advised that the Del Rey Senior Apartments Project received an allocation award through the City of Los Angeles on January 26, 2011. The Project's original issuance deadline was May 16, 2011, and was extended to May 18, 2011.

The City of Los Angeles and Citibank are negotiating extensively bond policies applicable to the issuance of unrated, non-credit-enhanced tax-exempt housing bonds. These extended negotiations have significantly delayed the consideration of the bond transaction by the City Council. Allowing an extension to the issuance date to August 16, 2011 will ensure the completion of the financing process and the issuance of the bonds for the Project.

The second project Ms. Alvarez reported on was The Casa Grande Apartments Project which received an allocation award through the California Statewide Communities Development Authority on July 28, 2010 and a supplemental allocation award on September 22, 2010, with a bond issuance deadline of May 18, 2011.

The Project Sponsor is requesting a 60-day extension to permit the U.S. Department of Housing and Urban Development to complete its Interest Reduction Payment Decoupling process and to provide the Project Sponsor with the 20-year Housing Assistance Payment (HAP) contract to complete the transaction. Allowing an extension to the issuance date to July 18, 2011, will ensure the completion of HUD's process.

The third project is The Kearney Palms Senior Apartments Phase III Project which received an allocation award through the California Statewide Communities Development Authority on December 15, 2010. The Project's original issuance deadline was March 25, 2011, and was extended to May 18, 2011.

The Project is relying on a USDA Section 538 loan which has not yet been allocated to this Project from the 2011 Congressional Budget. Allowing an extension to the issuance date to June 17, 2011, will ensure the completion of USDA's process.

The fourth project Ms. Alvarez reported on was The Red Star Apartments Project which received an allocation award through the California Statewide Communities Development Authority on December 15, 2010, and a supplemental allocation award on March 16, 2011. The Project's original issuance deadline for the 2010 allocation was March 25, 2011, and was extended to May 18, 2011.

Due to changes in the structure of the deal and delays with the tax credit equity investor, California Statewide Communities Development Authority is requesting a 90 day extension. Allowing an extension of the issuance date to August 16, 2011, will ensure the completion of the financing process and the issuance of the bonds for the Project.

The fifth and final project for this item is the Buckingham Senior Apartments Project which received an allocation award through the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) on January 26th. The Project's original issuance deadline for the 2011 allocation was May 16, 2011, and was extended to May 18, 2011.

While the transaction is in the final stages of pre-closing, the potential failure to issue the bonds is entirely outside of the control of CRA/LA and the Project Sponsor. Though indicated to be soon, the State of California Housing and Community Development Department has not yet completed its processing of the awarded Neighborhood Stabilization Program loan. The expected \$10 million in NSP funds represents a significant amount of the capital needed to complete the Project's construction. Allowing an extension of the issuance date to June 30, 2011 will ensure the completion of the financing process and the issuance of the bonds for the Project.

Ms. Alvarez reported that the CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend the Project or Program'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. The Projects mentioned above are otherwise in full compliance and eligible for an extension under the CDLAC Regulations. Ms. Alvarez stated that the Staff recommends the approval of the following issuance date extensions:

10-027 & 10-074 Casa Grande Apartments	July 18, 2011
10-097 Kearney Palms Senior Apartments Phase III	June 17, 2011
11-007 Del Rey Square Senior Housing Apts.	August 16, 2011
10-096 & 11-035 Red Star Apartments	August 16, 2011
11-009 Buckingham Senior Apartments	June 30, 2011

There were no comments or questions. Dave O'Toole moved approval and Todd Jerue seconded the motion. The motion to extend the issuance dates as noted above was unanimously approved.

**6. Consideration and Approval of an Award Revision to Various Qualified Residential Rental Project Resolutions**

Richard Fischer reported that projects often encounter justifiable reasons for issuing bonds in amounts slightly less than the original awarded allocation amounts from CDLAC. To avoid a forfeit, staff recommends revising the current CDLAC Resolutions for the Projects to reflect the actual amount used.

Mr. Fischer advised that the Staff recommends approval of a revision to the CDLAC Resolutions for all five (5) projects listed below:

Reso.	App.	Project	Award	Revised Award
09-124	09-144	New Hope Home Apts.	\$9,101,900	\$8,384,000
10-92	10-103	Forestwood @Folsom Fam. Apts.	\$6,600,000	\$6,100,000
11-06	11-003	Sunrise Pointe Apartments	\$16,500,000	\$14,625,000
11-26	11-031	Windam Village Apartments	\$4,680,000	\$4,250,000
11-28	11-033	Sunwest Villas Apartments	\$4,800,000	\$4,710,000

There were no questions or comments. Todd Jerue moved for approval and Dave O'Toole seconded the motion. The motion to approve the request of a revision to the CDLAC Resolutions for the above projects was unanimously approved.

**7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation**

Misti Armstrong reported that the Committee initially received five (5) applications requesting \$81,886,148 for the issuance of Mortgage Credit Certificates under their respective Mortgage Credit Certificate Programs.

Ms. Armstrong advised that the Staff recommends approval of a reduced fair share amount of \$55,082,037 to fund five (5) programs in the Single Family Housing Program.

There were no comments or questions. Dave O'Toole moved for approval and Todd Jerue seconded the motion. The motion was unanimously approved.

11-037	Sacramento Housing and Redevelopment Agency	Sacramento	\$9,349,278
11-038	County of Ventura	Ventura	\$5,464,132
11-039	San Diego Housing Commission	San Diego	\$8,901,947
11-047	City of Los Angeles	Los Angeles	\$26,487,493
11-048	County of San Mateo	San Mateo	\$4,879,187

**8. 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**

Todd Jerue began by requesting to separate these projects into two groups and to have two separate motions: the first for all non-redevelopment agency involved projects and those projects with redevelopment agency commitments approved before January 1, 2011, and the second for those projects with redevelopment agency commitments that were approved post-January 1, 2011. Ms. Redway agreed that Mr. Jerue's request could be done as new motions from the Committee members.

Misti Armstrong reported that there were a total of 8 projects that include RDA funds that were approved after January 1, 2011. Those projects are Aspen at South Lake Tahoe Apartments, agenda item 8.1; Hill View Ridge II Apartments, agenda item 8.4; Washington Court Apartments, agenda item 8.5; Orange Garden Apartments, agenda item 8.11; Presidio El Camino Apartments, agenda item 8.12; Florida Street Apartments, agenda item 8.23; Woodridge Place Apartments, agenda item 8.32; and Fame Santa Monica Senior Apartments, agenda item 8.33. Ms. Redway requested to confirm that the funds were in place at the time the commitment was made prior to January 1, 2011. Sean Spear responded that since RDA's typically operate on a fiscal year beginning on July 1<sup>st</sup>, that it be would assumed that even before January 1, the RDA had those funds in-place.

There were no further comments or questions and Dave O'Toole motioned for approval of the 8 projects. Dave O'Toole and Bettina Redway voted aye and Todd Jerue abstained. The motion was passed on a 2-0-1 vote.

Misti Armstrong continued that before the Committee continued with the remaining projects, there was also one request for a waiver of the \$30 million cap. Ms. Armstrong advised Ms. Redway there would need to be 2 motions, 1 for the remaining projects and 1 for the cap waiver. Ms. Redway understood and Ms. Armstrong continued that the Staff recommendation would be to waive the \$30 million cap for these particular projects as CDLAC is currently under-subscribed and there is enough allocation to fund the requests. The projects are Monarch Fountain and Le Brea Apartments for \$62 million; Monarch Santa Monica and Le Brea Apartments for \$62 million; Arroyo Vista Family and Senior Communities Apartments for \$31 million; First and Rosemary Family Apartments for \$30.7 million; and Amanda Park Apartments for \$31.55 million.

There were no comments or questions and Dave O'Toole moved to approve both items. Todd Jerue seconded the motion and both items were unanimously approved: Waiver of the \$30 million cap and remaining applications.

11-002	Arroyo Vista Family & Senior Communities Apartments	Dublin	\$31,000,000
11-022	Figueroa Senior Housing Apartments	Los Angeles	\$5,600,000
11-025	Monarch Fountain & La Brea Apartments	West Hollywood	\$62,000,000
11-030	Orange Gardens Apartments	Poway	\$7,600,000
11-040	Presidio El Camino Apartments	Santa Clara	\$7,700,000
11-041	La Coruna Senior Apartments	Los Angeles	\$14,000,000
11-043	Dunbar Village Apartments	Los Angeles	\$15,025,000
11-045	Terra Bella Apartments	Bell Gardens	\$11,974,000
11-046	1st and Rosemary Family Apartments	San Jose	\$30,700,000
11-049	School House Station & Vista Grande Apartments	Daly City	\$11,000,000
11-051	Casa Griffin Apartments	Los Angeles	\$8,500,000
11-052	Desert Meadows Apartments	Indio	\$12,700,000
11-058	Florida Street Apartments	San Diego	\$16,833,000
11-059	Terramar Apartments	San Diego	\$4,000,000
11-062	Vintage at Laguna II Senior Apartments	Elk Grove	\$7,250,000

11-063	Amanda Park Apartments	Murrieta	\$31,550,000
11-064	Vintage Chateau II Apartments	Petaluma	\$8,100,000
11-065	High Place West Apartments	Santa Monica	\$12,000,000
11-066	Aspens at South Lake Tahoe Apartments	South Lake Tahoe	\$9,000,000
11-068	Madera Family Apartments	Madera	\$5,000,000
11-069	Ivanhoe Family Apartments	Ivanhoe	\$8,000,000
11-070	Summer Park Apartments	Crescent City	\$6,111,772
11-071	Hillview Ridge II Apartments	Oroville	\$8,000,000
11-072	Washington Court Apartments	Gridley	\$7,000,000
11-073	Woodbridge Place Apartments	Merced	\$8,200,000
11-074	FAME Santa Monica Senior Apartments	Santa Monica	\$9,367,458
11-075	Shasta Court Apartments	Chowchilla	\$7,500,000
11-076	Monarch Santa Monica & La Brea Apartments	West Hollywood	\$62,000,000
11-077	Regent Square Apartments	Inglewood	\$25,000,000

**9. Public Comment**

There were comments or questions from the public.

**10. Adjournment**

The Chairperson adjourned the meeting at 11:28 a.m.