

California Debt Limit Allocation Committee (CDLAC)

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

July 20, 2011 - Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:05 a.m.

Members present were 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 Cal-HFA.

Member Pedro Reyes representing Governor Edmund G Brown, Jr., arrived at 11:09am.

2. Approval of the Minutes of the May 18, 2011, Meeting

There were no comments or questions and Dave O'Toole moved for approval of the minutes of the May 18, 2011, meeting. Bettina Redway seconded the motion. The approval of the May 18, 2011, minutes was unanimously approved.

3. Executive Director's Report

Sean Spear reported that the Agenda features a new set of Emergency Regulations, a set of minor revision and waiver items, as well as some new program and project application approvals.

Mr. Spear first advised that the Permanent Regulations were finally approved and posted on July 1st. One of the biggest changes is that CDLAC will now have a process for dealing with Drawdown Bond transactions under the new related IRS rules. All previously awarded drawdown transactions that require a swap of regular annual allocation for carryforward allocation should contact CDLAC immediately. All applications received from this point forward must be in compliance with the new Regulations.

Secondly, Mr. Spear reported that the IRS' Advisory Committee on Tax Exempt and Governmental Entities (ACT) released a report on June 15th on the Role of Conduit Issuers in Tax Compliance. The report highlighted a number of concerns about the lack of active monitoring of conduit transactions by the issuers post-closing; as well as the lack of clear direction from the IRS on how issuers should go about monitoring these transactions. Among other recommendations, the ACT suggested that the IRS open up a dialogue with conduit issuers and borrowers in the effort to develop standards and best practices in this area; which is currently being evaluated by the IRS. Mr. Spear stated that many of the issues cited in the report are ongoing concerns shared by the State Treasurer and CDLAC; which are reflected in a portion of the new Emergency Regulation changes that are being proposed under Item #4.

Mr. Spear continued that as part of the approval of the State budget package by the Legislature and the Governor, there were two bills that seek to determine the future of Redevelopment Agencies. RDAs have been both applicants and/or lenders on a good number of projects. On Monday July 18th, a lawsuit was filed challenging the bills. Mr. Spear advised that where permitted under the Regulations, staff is prepared to consider issuance extensions to accommodate projects as needed until this is resolved; however, it is clear that new RDA commitments will have a cloud over them until that time. Mr. Spear stated that Applicants are strongly encouraged to consult with their Bond Counsels on the pros and cons of relying on any RDA commitments issued after June 29th; the effective date of the two bills.

Lastly, Mr. Spear mentioned that CDIAC is sponsoring a One-Day Workshop on Trends and Best Practices in Private Activity Bonds on September 7th in LA. The seminar will focus on market trends, deal structuring and new tools, operational practices, and a dialogue with the IRS. Mr. Spear stated that detailed agenda and registration information will soon be found on both CDIAC's and CDLAC's websites.

There were no comments or questions from the Committee or public.

4. Consideration and Approval of Proposed CDLAC Regulations for Public Comment and Submittal to the Office of Administrative Law for Emergency and Regular Rulemaking Consideration

Sean Spear reported on proposed regulation changes to bring the CDLAC program in alignment with TCAC. The items were related to the sustainable building practices, the point scoring associated with that, how CDLAC would treat rural deals that may be developed in an area where another rural new construction deal may be already under construction or in its lease up period; the self-certification process for the issuers regarding the confirmation of the conveyance of the public benefits for transactions; clarifying language around the zoning approvals that would be required for transactions looking to apply to CDLAC and making sure that those items would be in place before the application is received; and the adding of targeted employment areas as being eligible for the enterprise zone-related activities and ultimately the points that can be garnered if a project is located within an enterprise zone.

Mr. Spear continued that a stakeholder's meeting was held on July 5 to discuss these changes. Mr. Spear noted that there were a couple of comments related chiefly to the enactment of the self-certification and the fact that the issuers would have to go back over their existing portfolio over a number of years in order to pull that information and be able to fill out the form. Based on the comments, the draft text of the proposed emergency regulations was modified to give issuers an additional six months, until September 1 of next year, to be able to submit the self-certification forms for those transactions. This would essentially be for any transaction issued before 2011. CDLAC will hold a pre-notice 15-day public comment period and then will submit the package to OAL and approximately 10 days after that the emergency regulations will be enacted.

Mr. Spear advised that the staff recommendation is to approve the proposed CDLAC regulations for public comment and submittal to OAL for emergency and regular rule making consideration.

Dave O'Toole asked that if the board adopts the staff recommendation and there is public comment which changes the direction of the original proposed changes, when would this matter come back before the Committee. Mr. Spear responded that only if there are changes would the matter be brought before the Committee at the September 28th meeting.

Pedro Reyes asked if that was only for significant changes, minor changes do not need to be presented again to the Committee. Mr. Spear responded in the affirmative.

Pedro Reyes moved for approval and Dave O'Toole seconded the motion. The motion to approve the proposed CDLAC regulations for public comment and submittal to the Office of Administrative Law for emergency and regular rulemaking consideration was unanimously approved.

5. Consideration and Approval of an Issuance Date Extension for Hunters View Apartments (11-079) – Qualified Residential Rental Program

Richard Fischer reported that The Hunters View Phase One Apartments Project received an allocation award to the San Francisco Redevelopment Agency on April 26, 2011. The project's current issuance deadline is August 15, 2011. The project has experienced U.S. Department of Housing and Urban Development loan processing delays. As a result, the parties to the transaction are concerned that they may not be able to secure approval from HUD prior to the current issuance deadline. The applicant is requesting an extension to the current deadline as a precautionary measure.

Mr. Fischer advised that the Staff recommends the approval of the issuance date extension for Hunters View Phase One Apartments to October 20, 2011.

There were no comments or questions. Dave O'Toole moved for approval and Pedro Reyes seconded the motion. The motion to approve the issuance date extension for Hunters View Apartments 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
11-09	11-006	NoHo Sr. Villas Apartments	\$9,600,000	\$8,725,000
11-17	11-023	Tulare Portfolio Apartments	\$6,100,000	\$5,700,000
11-19	11-018	Canby Woods Sr. Apartments	\$13,000,000	\$12,350,000
11-21	11-020	Mission Apartments	\$13,297,355	\$12,888,363
11-47	11-002	Arroyo Vista Family & Sr. Apts.	\$31,000,000	\$28,685,977

There were no questions or comments. Dave O'Toole moved for approval and Pedro Reyes 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 a Request for a Waiver of Penalties for the California Department of Veterans Affairs Single Family Housing Program (10-084) – Single Family Housing Program; and McCreery Apartments (11-004), El Centro Apartments (10-022), and La Vida Apartments (10-044) – Qualified Residential Rental Program

Sarah Lester reported that the following four projects are requesting the approval of a waiver from the forfeiture of their performance deposit: the California Department of Veteran Affairs for its 2010 Single-Family Housing Mortgage Revenue Bond program, the McCreery Courtyards Apartments project, the El Centro Family Apartments project, and La Vida at Campus Point apartments. Ms. Lester continued that the Staff recommends the approval of the waiver of the performance of project for these four projects.

There were no questions or comments. Pedro Reyes moved for approved and Dave O'Toole seconded the motion. The motion for a Waiver of Penalties for the California Department of Veterans Affairs Single Family Housing Program (10-084) – Single Family Housing Program; and McCreery Apartments (11-004), El Centro Apartments (10-022), and La Vida Apartments (10-044) was unanimously approved.

8. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Exempt Facility Bond Project and an Award of Allocation

Richard Fischer reported that the Water System Improvement Program (WSIP) is a multi-billion dollar multi-year program to upgrade the San Francisco Public Utilities Commission's (SFPUC) water system. The WSIP will deliver capital improvements that enhance the SFPUC's ability to provide reliable, affordable, high quality drinking water to its 27 wholesale customers and regional retail customers in Alameda, Santa Clara and San Mateo Counties, and to 800,000 retail customers in the City and County of San Francisco, in an environmentally sustainable manner.

Mr. Fischer advised that the Staff recommends approval of \$56 million to fund the San Francisco Public Utility Commission Water System Improvement Program under the Exempt Facility program.

Before the Committee voted, Charles Perault, the Deputy Chief Financial Officer at the SFPUC spoke to thank the Committee for considering the application. Mr. Perault stated that this is a multi-billion dollar project which is about five years into the construction phase of a roughly ten-year program. Mr. Perault continued that there are 86 projects. About half of those are in the region between the Bay and up country, which is the Moccasin area. The other half are within the City and County of San Francisco, more local reservoir-type projects. There are tunnels under the Bay, which has redundancies and a lot of seismic-related work, which includes adding capacity.

There were no other comments or questions. Dave O'Toole moved for approval. Pedro Reyes seconded the motion. The motion to approve the exempt facility program application for the WSIP for \$56 million was unanimously approved.

9. 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

Sarah Lester reported that the Committee received two applications, one requesting their 2011 fair share single-family housing allocation and the other requesting 2011 single-family housing bonus pool allocation for a total of \$14,594,085 for the issuance of MCCs under their respective MCC programs. Ms. Lester continued that the Staff recommends approval of a reduced amount of \$13,927,447 which is the aggregate 2011 fair share total for these two single-family housing programs.

Pedro Reyes moved approval and Dave O'Toole seconded the motion. The motion to approve \$13,927,447 which is the aggregate 2011 fair share total for these two single-family housing programs.

11-080	Housing Authority of the County of Santa Cruz	\$1,760,766
11-083	County of Santa Clara	\$12,166,681

10. 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

Misti Armstrong reported that the Staff received four applications in the Rural Pool for projects requesting a total allocation of \$12,250,000. For the Mixed Income Pool, Staff received one application for \$20,050,000 and in the General Pool Staff received 20 complete applications for projects requesting a total allocation of \$245,023,232. Ms. Armstrong continued that Staff is making a recommendation to approve all projects and, in addition, there is a request for a waiver of the \$30 million cap: Lakeside Village Apartments for \$100 million in the General Pool applications and is not an RDA project.

There were no comments or questions. Bettina Redway suggested a vote for all applications except 11-084, 11-097, 11-099, 11-053, 11-054, 11-087, 11-085, 11-090, and 11-092. Pedro Reyes moved for approval and Dave O'Toole seconded the motion. The motion to approve was unanimously approved.

Ms. Redway then asked a vote on application 11-095 for the waiver of the \$30 million cap. There were no comments or questions. Pedro Reyes moved approval and Dave O'Toole seconded the motion. The motion to waive the \$30 million cap and approve the application for 11-095 was unanimously approved.

Finally, Ms. Redway asked for a vote on RDA-related applications 11-084, 11-097, 11-099, 11-053, 11-054, 11-087, 11-085, 11-090, and 11-092. Dave O'Toole moved for approval of the listed applications and Bettina Redway seconded the motion. Dave O'Toole and Bettina Redway voted aye and Pedro Reyes abstained. The motion to approve applications 11-084, 11-097, 11-099, 11-053, 11-054, 11-087, 11-085, 11-090, and 11-092 was approved 2-0 with one abstention.

11-084	Valley Commons East Apartments	Grass Valley	Nevada	\$3,500,000
11-104	Ivanhoe Family Apartments Supplemental	Ivanhoe	Tulare	\$2,250,000
11-055	Mendota Portfolio Apartments	Mendota	Fresno	\$3,200,000
11-056	Huron Portfolio Apartments	Huron	Fresno	\$3,300,000
11-100	Sonoma Apartments	Vallejo	Solano	\$20,050,000
11-024	Market Plaza Apartments	Inglewood	Los Angeles	\$6,000,000
11-042	Samoa Avenue Apartments	Tujunga	Los Angeles	\$11,000,000
11-053	Bush Washington Apartments	Santa Ana	Orange	\$8,803,262
11-054	Birch Birch Apartments	Santa Ana	Orange	\$1,812,438
11-057	Manzanita Place Apartments	Unincorporated	Monterey	\$13,300,000
11-082	Taylor Oaks Apartments	San Jose	Santa Clara	\$7,000,000
11-085	Santa Fe Commons Apartments	Pittsburg	Contra Costa	\$4,500,000
11-086	Poway Villas Apartments	Poway	San Diego	\$10,000,000
11-087	Kenneth Henry Court Apartments	Oakland	Alameda	\$3,200,000
11-088	Evergreen Apartments 1801 & 1823 E. 68th, Street	Long Beach	Los Angeles	\$8,570,000
11-089	Evergreen Apartments 1528 Freeman Avenue	Long Beach	Los Angeles	\$2,630,000
11-090	Drasnin Manor Apartments	Oakland	Alameda	\$4,300,000
11-092	Pinole Grove Senior Apartments	Pinole	Contra Costa	\$4,800,000
11-094	Warner Creek Senior Housing Apartments	Novato	Marin	\$14,834,808
11-095	Lakeside Village Apartments	San Leandro	Alameda	\$100,000,000
11-096	Gateway Terrace Apartments	Merced	Merced	\$8,546,206
11-097	Mountain View Downtown Family Apartments	Mountain View	Santa Clara	\$12,750,000
11-098	Avila Avenue Apartments	Parlier	Fresno	\$5,366,021
11-099	Hemlock Family Apartments	Moreno Valley	Riverside	\$9,510,497
11-102	Fell Street Apartments	San Francisco	San Francisco	\$8,100,000

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

Misti Armstrong reported that the Qualified Energy Conservation Bond program received three complete applications for projects requesting a total of \$30,505,765. Ms. Armstrong advised that the Staff recommends approval to fund all three projects: Santa Barbara County Photovoltaic Project, Yellow County Photovoltaic Project, and the Santa Clara County Facility Lighting retrofit project.

There were no comments or questions. Pedro Reyes moved approval and Dave O'Toole seconded the motion. The motion to approve the three (3) QECB applications was unanimously approved.

Appl #:	Project Name	Award Amount
ARRA-085	Santa Barbara County Photovoltaic Project at Calle Real	\$5,500,000
ARRA-086	Yolo County Photovoltaic Project	\$21,366,765
ARRA-087	Santa Clara County Facility Lighting Retrofit Project	\$3,639,000

12. Public Comment

There were no comments or questions from the public.

13. Adjournment

Bettina Redway adjourned the meeting at 11:31a.m.