

# California Debt Limit Allocation Committee (CDLAC)

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

March 21, 2012 – Meeting Minutes

## 1. Call to Order and Roll Call

Tricia Wynne, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:11 a.m.

Members present were Alan Gordon for State Controller John Chiang, Jennifer Rockwell for Governor Edmund G. Brown, Jr., and Tricia Wynne for State Treasurer Bill Lockyer.

Advisory Members present were Claudia Cappio for Cal-HFA and Linn Warren for HCD.

## 2. Approval of the Minutes of the January 18, 2012 Meeting

There were no comments or questions. Alan Gordon made a motion to approve the minutes of the January 18, 2012 meeting. Jennifer Rockwell seconded the motion. The January 18, 2012 meeting minutes were unanimously approved.

## 3. Executive Director's Report

Sean Spear referenced the revised agenda, stating Item 5 (Trans Pacific Gardens II Apartments) requested an extension, but had in fact closed escrow prior to this meeting. Item No. 7, Appeal by Albert Otero. Mr. Otero has requested that the issue be postponed until the May 16<sup>th</sup> meeting. Item 10 (Bella Vista Apartments) requested the project be withdrawn. CDLAC anticipates the project may be resubmitted in the future.

Mr. Spear reported CDLAC now has bond allocation available for qualified energy conservation programs, in the amount of \$22.3 million. This allocation will be available for the July round, which means applications will be due on May 18<sup>th</sup>. Mr. Spear strongly encourages projects that may be able to take advantage of this allocation to look into submitting an application. Mr. Spear went on to explain that this allocation is available for bonds that are for projects or programs that in manner or form produce some energy conservation measures or energy efficiency. Allocation has been used for anything from energy-efficient lighting to wind farms.

Mr. Spear continued to explain that the allocation was first made available through the American Recovery and Reinvestment Act in 2009. The allocation was disbursed amongst both cities and counties throughout each state in the nation. CDLAC has the ability to reclaim any allocation that was not used by those cities and counties.

These bonds are taxable but have an interest subsidy from the federal government similar to Build America Bonds. In some cases the subsidy can reach up to 70 percent.

Mr. Spear referenced CDLAC's new requirements for Issuers to submit a Post-Issuance Self-Certification Form to CDLAC. Issuers were asked to submit these forms for the 2011 transactions that were approved by CDLAC by March 1<sup>st</sup>. CDLAC is happy to report that most of the Issuers submitted their forms. However, there are a few Issuers that have not submitted the forms and we are contacting them ensure they comply with the requirement.

Mr. Spear went on to say that the second part of the new requirement will be the submission of certification forms for all other projects prior to 2011. These are due on September 1<sup>st</sup>. CDLAC has been both sending emails and phoning past issuers with reminders to submit the required forms; ensuring that the public benefits for each of the projects that the Committee has approved in the past are confirmed to be available to California residents and the economy.

There were no questions or comments.

**4. Consideration and Approval of Proposed Emergency CDLAC Regulations for Submittal to the Office of Administrative Law**

Annie Ong reported on proposed changes to the Emergency CDLAC regulations for the following reasons. First, due to the dissolution of redevelopment agencies, language is being revised to omit the mentioning of said agencies. Annie Ong continued that the annual applicant benefits and the Post-Issuance Self-Certification Form is being amended to include a specific self-certification section for the Single-Family Housing Program. Lastly, TCAC recently adopted regulation changes, and in an effort to remain in alignment with TCAC, CDLAC modifications are being proposed as well.

Ms. Ong stated that once the Committee approves the revisions, staff planned to submit the emergency rule-making package to OAL immediately. A five-day public-comment period would commence on the day of submittal with possible enactment within ten days thereafter.

There were no questions or comments. Alan Gordon moved for approval and Tricia Wynne seconded the motion. The motion for the Approval of Proposed Emergency CDLAC Regulations for Submittal to the Office of Administrative Law was passed unanimously.

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

Sean Spear reported that staff recommended approval of the following requests for issuance date extensions on eleven (11) projects. Most of the extension requests were related to securing final clearances and documents from other public agencies. The requests otherwise do not present any policy or programmatic issues, and staff recommended approval of the various issuance dates extensions.

Mr. Spear stated that the following requested revised deadlines were all for the year 2012: Heritage Commons Apartments, April 18<sup>th</sup>; Mono Hilltop Apartments, Wasco Arms Apartments and Shady Lane Apartments, April 20<sup>th</sup>; 1180 Fourth Street Apartments, May 30<sup>th</sup>; Palmdalia Family Apartments, Logan Place Apartments, Casa Rita Apartments, Colonial House Apartments, McCarty Manor Apartments, and Broadway Villas Apartments, June 19<sup>th</sup>.

Jennifer Rockwell recommended that the consideration of a motion for approval of these extensions be separated into two motions. Alan Gordon moved for approval of the Issuance Date Extensions for the following: Colonial House Apartments, Heritage Commons Apartments, Logan Place Apartments, 1180 Fourth Street Apartments, and Broadway Villas Apartments. Tricia Wynne seconded the motion. Mr. Gordon and Ms. Wynne voted aye and Jennifer Rockwell abstained. The motion was approved 2-0-1.

11-154	Colonial House Apartments	June 19, 2012
11-138	Heritage Commons Apartments	June 19, 2012
11-172	Logan Place Apartments	June 19, 2012
11-163	1180 4 <sup>th</sup> Street Apartments	May 30, 2012
11-017	Broadway Villas Apartments	June 19, 2012

Alan Gordon moved for approval of the Issuance Date Extensions for the following: Casa Rita Apartments, Palmdalia Apartments, Mono Hilltop Apartments, Wasco Arms Apartments, McCarty Manor Apartments, and Shady Lane Apartments. Jennifer Rockwell seconded the motion. The motion was unanimously approved for issuance date extension for the following:

11-129	Casa Rita Apartments	June 19, 2012
11-149	Palmdalia Apartments	June 19, 2012
11-151	Mono Hilltop Apartments	April 20, 2012
11-152	Wasco Arms Apartments	April 20, 2012
11-165	McCarty Manor Apartments	June 19, 2012
11-123	Shady Lane Apartments	April 20, 2012

**6. Consideration of Requests for a Waiver of Penalties for the Crossing at North Loop Apartments Project (11-148), Third Street Apartments (11-124), and Morgan Hill Senior Apartments Project (11-105) – Qualified Residential Rental Project Program**

Crystal Alvarez reported that the Third Street Apartments project (11-124) and the Morgan Hill Senior Apartments project (11-105) both involve one project sponsor whose tax credit investor withdrew their preliminary commitment to the projects. The project sponsor is seeking a new investor, and remains hopeful the

projects will close before they carryforward extended issuance deadline. The Crossings at North Loop Apartments project (11-148) issued slightly less than the 80 percent of the allocation award due to a required change in the private placement structure by the lender.

Staff recommended the Approval of a Waiver and Partial Refund of the Performance Deposit Forfeiture for the Crossings at North Loop Apartments and waivers of the Performance Deposit Forfeiture for the Morgan Hill Senior Apartments, and the Third Street Residential Development Apartments.

Tricia Wynne asked if this is a common procedure for the committee to waive penalties in certain circumstances.

Sean Spear replied that they do occur from time to time.

There were no other questions or comments. Alan Gordon moved for the approval and Tricia Wynne seconded the motion. The motion for the Approval of a Waiver and Partial Refund of the Performance Deposit Forfeiture for the Crossings at North Loop Apartments (11-148), and the Waivers of the Performance Deposit Forfeiture for the Morgan Hill Senior Apartments(11-105), and the Third Street Residential Development Apartments (11-124) was passed unanimously.

**7. Withdrawn From Consideration**

**8. 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 five (5) applications requesting 2012 single-family housing allocation. Staff is recommending approval of an aggregate total of \$37,763,797 to fund all five (5) programs for their respective MCC Programs.

12-021	County of Riverside	\$14,812,626
12-023	Sacramento Housing & Redevelopment Agency	\$9,516,962
12-024	City of Oceanside	\$1,180,000
12-025	County of Solano	\$2,104,454
12-026	County of Alameda	\$10,149,755

Tricia Wynne asked if the Sacramento Housing and Redevelopment Agency separated off or just maintained the name.

Sean Spear explained the MCC program is operated through their housing side. It does not have anything to do with the redevelopment side.

There were no additional questions or comments. Alan Gordon moved for the Approval of Allocation for County of Riverside (12-021), Sacramento Housing & Redevelopment Agency (12-023), City of Oceanside (12-024), County of Solano (12-025), County of Alameda (12-026), Jennifer Rockwell seconded the motion. The motion to Approve Allocation for all five (5) applications for a total of \$37,763,797 was unanimously approved.

**9. 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.**

Sarah Lester reminded the Committee that the Bella Vista Apartments project has been withdrawn by the applicant. The second issue brought to the Committee's attention is the two projects located in Chico: the, North Pointe Apartments and the Harvest Park Apartments that will be recommended with conditional approvals based on the nature of their RDA loan agreements.

Ms. Lester stated that there are 12 multifamily projects to be considered under this item. One project is for the mixed-income pool, one for the rural project pool, and ten projects for the general pool. In the general pool, this is where those two projects that will be recommended for conditional approvals are found. Ms. Lester informed the Committee that the Executive Director Sean Spear has received two letters of support submitted on behalf of these two projects.

The letters are from the California Coalition for Rural Housing and one from the Community Action Agency of Butte County. They requested that the recommendation be without a conditional approval. There are representatives present from the city and the developer who are here to answer any questions in regards to this.

Staff recommended approval of an aggregate total of \$92,938,333 to fund all 12 projects with conditional approvals for the North Pointe Apartments and the Harvest Park Apartments projects.

The conditional of approval for North Pointe Apartments and Harvest Park Apartments is that prior to issuance, evidence from the State Department of Finance that the existing RDA loan agreements are each an enforceable obligation must be submitted to the Committee.

12-035	Encanto Apartments	\$200,000
12-036	Gridley Springs Apartments	\$4,000,000
12-017	Sonoma Gardens	\$5,910,000
12-022	Kelsey Village Apartments	\$3,125,000
12-027	Cathedral Gardens Apartments	\$21,000,000
12-028	Yucca Trails Apartments	\$2,500,000
12-029	Vista Terrace	\$10,100,000
12-030	Key Largo Apartments	\$100,000
12-033	Villa Mirage Apartments	\$10,100,000
12-037	Lugonia Avenue Apartments	\$18,000,000

Alan Gordon moved for approval and Tricia Wynne seconded the motion. The motion for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects with exception of North Pointe Apartments (12-016) and Harvest Park Apartments (12-032) is passed unanimously.

Public Comment:

Laurie Doyle of Affordable Housing Development, the developer on Harvest Park Apartments, stated that they have been working with Chico Redevelopment Agency since 2002 on this project. To date they have over 1,000 hours of staff time and \$575,000 of predevelopment capital invested on this project. The general contractor is bidding the project and they anticipate starting construction within 90 days.

Since 2007 they have been in constant communication with the City of Chico's legal counsel. They were assured that the commitment signed between them and the redevelopment agency in March 2011 is enforceable. Ms. Doyle explained they have done everything right according to the State legislation to move this project along. They are a small family business and have had 20 successful years owning and operating multifamily housing throughout the state; utilizing bonds, tax credits, and other state and federal funds to make affordable housing a reality to the citizens of California.

The Committee had no questions for Ms. Doyle.

Stephanie Neumann of Community Action Agency of Butte County, the developer of North Pointe Apartments, stated that following 18 months of intensive detailed pre-development work, the Community Action Agency of Butte County is poised to construct North Pointe Apartments.

Over the last 15 months numerous detailed studies, surveys and designs were completed. Funding commitments were solicited and obtained from the private lender, investor and syndicator. The development team has had building permits approved and is ready to break ground. This project will be an asset to the entire community.

The Committee had no questions for Ms. Neumann.

James Coles stated that he is the housing manager for the City of Chico. They have provided financial assistance for Harvest Park Apartments and North Pointe Apartments. He went on to say that he was there to answer any questions the Committee may have.

The Committee had no questions for Mr. Coles.

Sean Spear explained the Committee Staff's stance of the recommendations. He informed the Committee that the two projects scored fairly high in the application scoring and staff felt comfortable making the recommendation for approval. The issue at hand is the structure of the loans; which call for use of both existing tax increments and future tax increment funds.

Alan Gordon asked how they could call for the involvement of future RDA tax increments, when financing through RDA's is no longer state policy.

Mr. Spear stated that under ABX1 26, the successor entity (City of Chico) would be required to provide funds for the two projects as defined under the existing loan agreements provided the project satisfied their side of the loan agreements.

Mr. Gordon asked the value of the Tax Increment.

Mr. Spear stated that the Harvest Park tax increment amount is \$6.35 million and North Pointe is \$2.6 million. He noted that those were to be dispersed in fiscal years 2011/12 and 2013/14.

Mr. Gordon then asked if the City of Chico has the funds to commit to the projects.

Mr. Spear explained the process for the projects to secure the funds. The City of Chico Oversight Committee will decide by May 1<sup>st</sup> if the two projects, along with other items, are Enforceable Obligations. If so, the City is then responsible to satisfy the terms of the loan as per the loan agreement and ABX1 26. Then the Department of Finance has 5 business days after the decision to decide whether or not they agree with the city's decision. He advised that the Committee approve the projects, pending DOF decision. He noted that the loan agreement was negotiated back in March, and did not foresee that this would be an issue for DOF.

Ms. Wynne wanted confirmation that the City of Chico Oversight Committee, and DOF will be looking to ensure that the agreement is enforceable, not deciding the merits of the projects. She noted that the DOF review timeline starts upon approval of the Oversight Committee. Ms. Wynne asked for assurance that the Oversight Committee could make its decision before May 1<sup>st</sup>.

Mr. Coles explained that the Oversight Committee held its first meeting today (3/21/12) and plans to meet again in two weeks. The Oversight Committee expects to have a recommended ROPS by mid-April.

Alan Gordon then asked James Coles if the City of Chico is confident the Oversight Committee will approve funding of the two projects under the loan agreements, and if that will be done under the time line provided by Mr. Spear.

Mr. Coles explained that the City will work diligently getting the Oversight Committee's decision, and the DOF approval. The City is confident that they will support the staff's recommendations.

Linn Warren asked the sponsors if the delay until May would put a burden on the projects to where it would be unfeasible or have commitments expire.

Both Laurie Doyle (Harvest Park Apartments) and Stephanie Neumann (North Pointe Apartments) confirmed they have finance commitments that expire in June, but they expect the DOF approvals to be in place before that.

There were no further questions or comments.

Alan Gordon moved for approval of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects of North Pointe Apartments (12-016) and Harvest Park Apartments (12-032), under the condition that prior to issuance, evidence from the State Department of Finance that the existing RDA loan agreements are each an enforceable obligation must be submitted to the Committee. Jennifer Rockwell seconded the motion. Mr. Gordon and Ms. Wynne voted aye and Jennifer Rockwell abstained. The motion was approved 2-0-1.

12-016	North Pointe Apartments	\$6,900,000
12-032	Harvest Park Apartments	\$11,003,333

#### **10. Withdrawn From Consideration**

#### **11. Public Comment**

No public comment.

#### **12. Adjournment**

The Chairperson adjourned the meeting at 11:44 a.m.