

California Debt Limit Allocation Committee

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

May 21, 2014
Meeting Minutes

OPEN SESSION

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

Michael Paparian, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:13 a.m.

Members Present: Michael Paparian for Bill Lockyer, State Treasurer
Jennifer Rockwell for Edmund G. Brown, Jr., Governor
Alan Gordon for John Chiang, State Controller

Advisory Members Present: Claudia Cappio for the California Housing Finance Agency (CalHFA)
Laura Whittall-Scherfee for the Department of Housing and Community Development (HCD)

2. **Approval of the Minutes of the March 19, 2014 Meeting** (Action Item)

Alan Gordon moved approval of the minutes for the March 19, 2014 meeting. Upon a second by Jennifer Rockwell, the minutes passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

3. **Executive Director's Report** (Informational Item)

Sean Spear began his report by notifying Committee Members about the Allocation Status Report. Mr. Spear reported that approximately \$714 million, following the potential approvals at this meeting, will have been allocated to multifamily projects. For many Qualified Residential Rental Program (QRRP) awards, as well as Exempt Facility Program (EXF) awards made through the California Pollution Control Financing Authority (CPCFA), previous year carry-forward authority is being used. Mr. Spear further reported that, to date, CDLAC has noticed a significant increase in the number of multifamily projects with sixty-one (61) to-date; seventeen (17) of those being for new construction. That is also a noticeable increase over last year as there were eighteen (18) new construction projects for all of 2013. Staff is pleased to see that more allocation is going to new construction. Looking forward, staff is projecting an approximately 20% increase in allocation awards compared to last year.

Mr. Spear then reported on some changes to the Agenda packet. Sean stated that one QRRP project, Villa Primavera, has withdrawn but has resubmitted for the July round. Also, Camphora Apartments, in the rural pool, has withdrawn. That application was also resubmit for the July round.

Mr. Spear then went on to update the Committee Members on some proposed regulation changes. Among these changes is the new draft regulations and draft application for what may become CDLAC's eighth program; the Small Issue Bond Program for Beginning Farmers, sometimes referred to as the Aggie Bond Program. Staff is very excited about bringing this new program forward, in part because it will bring the tax-exempt allocation CDLAC has to an important sector of the California economy. These bonds will be available to beginning and small farmers throughout the state that may be looking at land purchases, improvements to existing farms or for equipment purchasing.

Staff has had conversations with a group of stakeholders that have been assisting with the development of program guidelines as proposed under the regulations. This program pool would operate by providing allocation to programs run by issuers as opposed to individual loans. These loans are looking to close typically within sixty (60) days, so an issuer-led program would be better equipped to execute the necessary review and approvals within that timeframe. In some respects, this program is very

similar to the way CDLAC allocates authority to the Single Family Housing (SFH) programs. The allocation is provided to issuers operating programs as opposed to the individual loans.

Mr. Spear reported that as part of the regulations changes, there is also a proposal for CDLAC to change its threshold requirements under the sustainable building category. This is, in part, to maintain alignment with the Tax Credit Allocation Committee (TCAC) changes that were approved earlier this year. It also reflects that the Energy Commission has increased the Title 24 requirements found in the CAL-Green building code, and will continue to ratchet up to the stated goal of having a net zero requirement under Title 24 by 2020. The change proposed by CDLAC is an interim step in the overall process. Both CDLAC and TCAC will be watching the criteria changes going forward and may do some revisions to the point scoring under that category at some future date.

4. Consideration and Approval of Proposed Emergency/Permanent CDLAC Regulations for Submittal to the Office of Administrative Law (Action Item)

Leslie Campaz and Brian Clark reported on the following proposed revisions to the CDLAC Regulations:

Brian Clark reported the following regarding the proposed Beginning Farmer Bond Program regulations.

1. Qualified Small Issue Bonds by authorized entities, including what are typically called "Beginning Farmer Bonds". Beginning Farmer Bonds are used to back below market interest rate financing for eligible agricultural land, construction/improvements, breeder livestock and depreciable equipment for qualified Beginning Farmers. Eligibility, permissible items and loan limits are set by the Internal Revenue Code (IRC).

Under the proposed program, public agency conduit bond issuers would make application to CDLAC for an allocation of the state ceiling on private activity bonds. The bond issuers would operate programs wherein Beginning Farmers and financial institutions, contract sellers or investors would agree to terms and a bond would be issued to fund the loan, sale or investment. CDLAC would not review individual applications from farmers.

It is anticipated that the proposed bond and loan programs will provide Beginning Farmers with access to capital that traditionally would be unavailable to them; thus continuing California's agricultural traditions and encouraging and facilitating ownership of farming operations by Beginning Farmers. Anticipated public benefits include job creation, provision of technical assistance to beginning farmers, resource conservation, an increase in commodities for local consumption (farm to fork), increased yield, the continuation of family farming and encouraging farming by under-represented populations. Based on the relatively small size of the individual loans, it is anticipated that the proposed program would be combined with other state and federal financing resources and programs as part of a larger financing package for beginning farmers.

Mr. Clark reported that receipt of applications is anticipated to begin in late 2014.

Mr. Papanian asked if there were any questions or comments regarding the new program.

Ms. Cappio asked if there is any limitation on the type or lawfulness of crops that can be cultivated here.

Mr. Clark stated that the program cannot be operated in violation of any federal or state law.

Mr. Papanian stated that if something is illegal under federal law, providing federal resources, including the tax deductibility of interest would taint the transaction.

Leslie Campaz reported on the following regulation changes.

2. Revision of CDLAC Regulations for Definitions: Under the Small Issue Industrial Development Bond Program, the definition of Special Designation Area is being deleted. The term "Special Designation Area" and its related scoring category are being removed due to the dissolution of Enterprise Zones, Manufacturing Enhancement Areas, Targeted Tax areas, Empowerment Zones, Enterprise Communities and Renewal Communities. Communities with low income levels, high poverty and/or high unemployment rates will remain advantaged through other scoring categories found in the evaluation criteria of the program.
3. Revision of CDLAC Regulations for Definitions: Under the Qualified Residential Rental Program, the definition of Distressed Community is being updated. Due to the dissolution of State Enterprise Zones, Manufacturing Enhancement Areas and Targeted Tax areas, and Federal Empowerment

Zones, Enterprise Communities and Renewal Communities, the term “Distressed Community” is being updated in the list of definitions. Communities with low income levels, high poverty and/or high unemployment rates will remain advantaged through this scoring category of the evaluation criteria of the program.

4. Revision of CDLAC Regulations for Site Amenities (Section 5230) (j)(2)(E): Under the Qualified Residential Rental Program, amend language to clarify the distance qualifications for projects near hospitals and to describe the types of accessible medical services that must be provided for low and moderate income residents in their immediate area for elective point purposes. This aligns the CDLAC Regulations with the California Tax Credit Allocation Committee’s regulations.
5. Revision of CDLAC Regulations for Service Amenities (Section 5230) (l)(1)(B): Under the Qualified Residential Rental Program, amend language to clarify the permissible distances for rural off-site services that may serve as an alternative to on-site services and to align the CDLAC Regulations with the California Tax Credit Allocation Committee’s regulations.
6. Revision of CDLAC Regulations for Negative Points (Section 5230(n)(1)(A), (n)(1)(B), (n)(1)(C), and (n)(1)(D)): Under the Qualified Residential Rental Program, amend language to clarify that a waiver can be considered when the failure to fully utilize the committed public subsidies or Taxable Debt was entirely unforeseen, and to clarify certain negative points start and ending dates.
7. Revision of CDLAC Regulations for Application Requirements (Section 5255)(f): Under the Qualified Residential Rental Program, language has been added to require that evidence of a HUD Firm Commitment Application has been submitted to HUD to encourage Applicants to apply to HUD immediately (within 30 days) following the issuance of a CDLAC forward commitment approval.
8. Revision of CDLAC Regulations for Sustainable Building Standards (Section 5205(a)(1)): Under the Qualified Residential Rental Program, revise the Energy Efficiency Standards requirement. The proposed language would require that all new construction buildings shall be thirty percent (30%) better than the 2008 Energy Efficiency Standards (California Code of Regulations, Part 6 of Title 24). This aligns the CDLAC Regulations with the Tax Credit Allocation Committee’s regulations.

Should the Committee approve these revisions, staff plans to conduct a 30-day public comment period to provide all interested parties with the opportunity to review the proposed regulations. All consequential comments will be considered by staff and may result in reevaluation of the proposed regulations. Should this occur, staff will provide updated proposed regulations to the Committee on July 16, 2014 for additional consideration. However, should staff receive only minor or no comments, then the emergency rulemaking package will be submitted to OAL immediately following the 30-day public comment period. A five (5) day public comment period will commence on the day of submittal, with possible enactment of the regulations within ten (10) days thereafter. If approved as per scheduled, the Emergency Regulations would be in-place in time for the September 17, 2014 Application Round.

RECOMMENDATION:

Staff recommended approval of the proposed CDLAC Regulations for submittal to the Office of Administrative Law for emergency and regular rulemaking consideration.

Alan Gordon moved approval of staff’s recommendation. Upon a second by Jennifer Rockwell, the resolution passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye.

5. Consideration and Approval of Issuance Date Extensions for Various Projects – Qualified Residential Rental Program: (Action Item)

<u>App.</u>	<u>Project</u>
14-008	Park Plaza Apartments
13-129	Minerva Manor Apartments
13-106	Park 20th Apartments

Richard Fischer stated that issuance date extensions are requested for three (3) awarded QRRP projects. Two relate to local permitting issues, and one involves a fellow agency loan processing issue. Staff believed it was appropriate to grant them additional time to resolve the outstanding issues and close on the bonds as required.

RECOMMENDATION:

Staff recommended the approval of the following issuance date extensions:

13-129	Minerva Manor Apartments	August 19, 2014
13-106	Park 20 th Apartments	June 30, 2014
14-008	Park Plaza Apartments	August 19, 2014

Alan Gordon moved approval of staff's recommendation. Upon a second by Jennifer Rockwell, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye.

6. Consideration of Requests for a Waiver of the Forfeiture of the Performance Deposit for Various Projects - Qualified Residential Rental Project Program (Action Item)

Richard Fischer reported that on September 18, 2013, Villa Nueva RHCP Apartments (13-084) and the Santa Monica RHCP Apartments (13-083) were awarded \$2,300,000 and \$4,500,000 in tax-exempt bond allocation respectively. The Projects were delayed due to the extended time required by the California Department of Housing and Community Development (HCD) to prepare legal documents related to the assumption and restructuring of its existing loans, which was both unexpected and beyond the control of the borrower.

Mr. Fischer further reported that on September 18, 2013, Rio Vista Apartments (13-067) was also awarded \$4,000,000 in tax-exempt bond allocation. The Project continues to experience delays in the completion of loan documents necessary to close the transaction and it is no longer possible to close the bonds by the previously established final issuance deadline. Unfortunately, as HUD has worked through issues related to the new Rental Assistance Demonstration (RAD) program, there have been program-related delays that have prevented the Project from closing. However, HUD has provided a written confirmation regarding the remaining steps to complete the transaction and is now confident they will be able to close by June 15, 2014.

In each of these cases, with the approval of the carry-forward extension came the requirement for the Project's performance deposit to be forfeited to the Committee.

RECOMMENDATION:

Staff recommended the approval of the Waivers of Forfeiture of the Performance Deposit for the Villa Nueva RHCP Apartments (13-084), the Santa Monica RHCP Apartments (13-083) and the Rio Vista Apartments (13-067) Projects.

Alan Gordon moved approval of staff's recommendation. Upon a second by Jennifer Rockwell, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye.

7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects, \$30 million Maximum Allocation Limit Waivers, and Awards of Allocation (Action Item)

a. Consideration of appeals**

Richard Fischer reported that there were no appeals.

b. Consideration of applications – See Exhibit A for a list of Applications***

Mr. Fischer reported that two (2) projects, Cambrian Center Apartments and Charlotte Drive Family Apartments, will necessitate a \$30 million allocation limit waiver for each.

Alan Gordon moved approval of staff's recommendation to allow Cambrian Center Apartments, \$38,069,000, and Charlotte Drive Family Apartments, \$36,000,000, to exceed the \$30 million cap. Upon a second by Jennifer Rockwell, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Papanian: Aye

Rural Pool

The Rural Pool received two (2) applications for projects requesting a total allocation of \$14,200,000.

General Pool

The General Pool received twenty-eight (28) applications for projects requesting a total allocation of \$360,705,634.

RECOMMENDATION:

Staff recommended approval of:

- a) \$14,200,000 to fund two (2) projects in the Rural Pool; and
- b) \$360,705,634 to fund twenty-eight (28) projects in the General Pool.

7.1	14-046	RF	California Statewide Communities Development Authority	Canyon View Apartments	Colfax	Placer	\$7,000,000
7.2	14-063	BC	California Statewide Communities Development Authority	Heritage Commons Phase 2 Apartments	Dixon	Solano	\$7,200,000
7.4	14-011	LC	City of Los Angeles	The Berendos Apartments	Los Angeles	Los Angeles	\$8,750,000
7.5	14-021	LC	City and County of San Francisco	Rosa Parks II Apartments	San Francisco	San Francisco	\$30,000,000
7.6	14-035	SL	California Municipal Finance Authority	Mill Creek Courtyard Apartments	Bakersfield	Kern	\$9,000,000
7.8	14-043	LC	California Municipal Finance Authority	Sharmon Palms Lane	Campbell	Santa Clara	\$11,000,000
7.9	14-044	LC	California Municipal Finance Authority	Stevenson House	Palo Alto	Santa Clara	\$20,000,000
7.10	14-045	SL	California Municipal Finance Authority	Oak Creek Terrace	Napa	Napa	\$8,855,000
7.11	14-047	LC	California Statewide Communities Development Authority	Auburn Villa Apartments	Auburn	Placer	\$6,000,000
7.12	14-048	RF	California Statewide Communities Development Authority	Lynroc Apartments	Rocklin	Placer	\$9,000,000
7.13	14-049	RF	Housing Authority of the County of Sacramento	Arbor Creek Senior Apartments	Sacramento	Sacramento	\$7,300,000
7.14	14-052	SL	City of San Jose	Cambrian Center Apartments	San Jose	Santa Clara	\$38,069,000
7.15	14-054	RF	Housing Authority of the City of Richmond	Triangle Court and Friendship Manor Apartments Supplemental	Richmond	Contra Costa	\$963,854
7.16	14-055	SL	California Statewide Communities Development Authority	Indio Desert Palms Apartments	Indio	Riverside	\$11,000,000
7.17	14-057	LC	California Housing Finance Agency	Esperanza Colosimo Apartments Supplemental	San Francisco	San Francisco	\$1,000,000
7.18	14-058	SL	California Housing Finance Agency	Sullivan Manor Apartments Supplemental	Santa Ana	Orange	\$4,450,000

7.19	14-059	RF	California Housing Finance Agency	Rancheria Del Sol Apartments Supplemental	Palm Springs	Riverside	\$3,300,000
7.20	14-060	BC	California Housing Finance Agency	The Alexander Apartments	Fullerton	Orange	\$15,500,866
7.21	14-061	RF	California Statewide Communities Development Authority	Lexington Avenue Family Apartments	San Jose	Santa Clara	\$25,000,000
7.22	14-062	SL	California Statewide Communities Development Authority	Jefferson Townhomes and Cunningham Village Apartments	Los Angeles	Los Angeles	\$15,000,000
7.23	14-064	LC	California Statewide Communities Development Authority	Heritage II Apartments	Lompoc	Santa Barbara	\$7,100,000
7.24	14-065	RF	California Statewide Communities Development Authority	Charlotte Drive Family Apartments	San Jose	Santa Clara	\$36,000,000
7.25	14-066	RF	City of Santa Rosa	Tierra Springs Apartments	Santa Rosa	Sonoma	\$11,000,000
7.26	14-067	RF	California Municipal Finance Authority	Camino Esperanza Apartments	Simi Valley	Ventura	\$6,000,000
7.27	14-068	LC	California Municipal Finance Authority	Royal Vista Terrace Apartments	Duarte	Los Angeles	\$7,500,000
7.28	14-070	RF	California Municipal Finance Authority	Pacific Pointe At the Shipyard	San Francisco	San Francisco	\$19,000,000
7.29	14-071	LC	California Municipal Finance Authority	615 Manhattan Apartments(fka Christ Unity Manor)	Los Angeles	Los Angeles	\$28,000,000
7.30	14-072	SL	California Municipal Finance Authority	Peppertree Senior Apartments	Spring Valley	San Diego	\$10,116,914
7.31	14-073	BC	Chula Vista Housing Authority	Garden Villas Apartments (fka Kiku Gardens)	Chula Vista	San Diego	\$8,000,000
7.32	14-074	LC	California Affordable Housing Agency	Crosswood Apartments	Woodland	Yolo	\$3,800,000

Alan Gordon moved approval of staff's recommendation. Upon a second by Jennifer Rockwell, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Jennifer Rockwell: Aye; Michael Paparian: Aye.

8. Public Comment (Action Item)

There was no public comment.

9. Adjournment

The Chairperson adjourned the meeting at 11:34a.m.