

California Debt Limit Allocation Committee

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

November 12, 2014
Meeting Minutes

OPEN SESSION

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

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 1:31 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Eraina Ortega for Edmund G. Brown, Jr., Governor
Alan Gordon for John Chiang, State Controller

Advisory Members Present: Tia Boatman-Patterson for the California Housing Finance Agency (CalHFA)
Russell Schmunk for the Department of Housing and Community Development (HCD)

2. **Approval of the Minutes of the September 17, 2014 Meeting** (Action Item)

Inadvertently, there was no motion or second for the September 17, 2014 meeting minutes. The September 17, 2014 and November 10, 2014 meeting minutes will be approved at the December 10, 2014 meeting.

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

Sean Spear began his report by notifying Committee Members about revisions to both the publicly-noticed Executive Director's report subject matter as well as Item 4 in the Agenda packet. Mr. Spear stated that he will discuss the status of the annual issuer compliance certification form responses during his Executive Director's report at the December 10, 2014 meeting. Item 4, a set of regulation changes, were struck from the agenda pursuant to the Tax Credit Allocation Committee's (TCAC) decision not to pursue new regulation changes for 2015 at this time.

Mr. Spear reported that at the July meeting, the Board was briefed that CDLAC was delaying its permanent regulations packet for this year while staff had a chance to process the changes that TCAC was considering for the beginning of 2015. Since TCAC is no longer pursuing those revisions, CDLAC staff is going forward with the original plan to make permanent the various emergency regulations that were adopted earlier in the year. CDLAC staff will finalize and submit the permanent regulations package to the Office of Administrative Law (OAL) next month.

Mr. Spear stated that there was only one emergency regulations package that was approved this year by the Committee, back in May. As part of the process, there will be a public hearing meeting on November 25, 2014. At that hearing, the public may provide any comments they may have on the emergency regulations, even though these revisions have already gone through a public review process earlier this year. There were no letters or comments received at that time.

Mr. Spear reported that if there are no substantive changes that come out of the hearing on November 25, then staff will move forward with the permanent regulations package and have it in place for the first round of applications to be submitted in January 2015 for consideration at the March Committee meeting.

Mr. Spear then reported on a situation where there was a regulatory agreement in place for one of the older deals back in 2007 that suffered a foreclosure. There is a developer who is moving forward with having the affordable units be developed as part of a new project which was approved earlier this year. Some clarification was needed for the issuer, the City of Santa Rosa, around the compliance that would be required for both of the projects from the 2007 and 2014 regulatory agreements. There will be a memo that will go to the file explaining the situation and the compliance requirements. The memo will be given to the Committee members as well. No committee action is needed; however, Mr. Spear felt it was necessary that the Committee be apprised of the situation.

Mr. Spear reported that staff put out a request not only for multifamily issuers, but to single family issuers as well to see if they are willing to secure a lump sum allocation for their programs going forward. There is still time for folks on the single family side to be able to submit their interest in receiving lump sum allocation. Staff is hopeful that there will be a fair amount of issuers that will voluntarily receive allocation, which will partially commit the more than \$3 billion in allocation that is expected to be left after the December round.

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

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

App.	Project
14-069	Camphora Apartments
14-082	Paseo at California Apartments
14-081	Bill Sorro Apartments
14-083	LDK Senior Apartments
14-078	South Hayward BART Family & Senior Affordable Apartments
14-079	Westminster Manor Apartments
14-086	Avila Avenue Apartments II
14-042	Villa Primavera Apartments

Devon King reported that issuance date extensions are requested for eight (8) awarded QRRP projects. Two relate to local issuance or permitting issues, two involve delayed final lender and/or investor approvals, two involve revised financing delays, and two involve delayed HUD or HCD approvals. Staff believes it is appropriate to grant them additional time to resolve the outstanding issues and close on the bonds as required.

RECOMMENDATIONS:

Staff recommended the approval of the following issuance date extensions:

14-086	Avila Avenue Apartments II	February 10, 2015
14-082	The Paseo at Californian Apartments	December 31, 2014
14-083	LDK Senior Apartments	February 10, 2015
14-078	So. Hayward BART Fam. & Sr Affordable Apts.	December 12, 2014
14-079	Westminster Manor Apartments	February 10, 2015
14-081	Bill Sorro Community Apartments	February 10, 2015
14-069	Camphora Apartments	February 10, 2015
14-042	Villa Primavera Apartments	February 10, 2015

Alan Gordon moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Eraina Ortega: Aye; Bettina Redway: Aye.

6. Consideration of Requests for a Waiver of the Forfeiture of the Performance Deposit for the Hunters View Phase IIA Apartments Project (14-038), Heritage Commons Phase II Apartments Project (14-063), and Olive Wood Apartments Project (14-039) - Qualified Residential Rental Project Program (Action Item)

Richard Fischer reported that each of these projects received a carry-forward bond issuance extension that requires them to forfeit their performance deposit to CDLAC. However, staff believes that each extension was for justifiable reasons that meet our waiver tests, and a waiver of the forfeiture is recommended in each case.

The Hunters View Phase IIA project has not yet received a Rental Assistance Demonstration ("RAD") Conversion Commitment ("RCC") from the Department of Housing and Urban Development ("HUD"). HUD has confirmed the situation with CDLAC staff, and that the delay was not the fault of the Applicant or the Project Sponsor.

The Heritage Commons Phase 2 Project Sponsor initially applied for competitive state tax credits in March 2014 but did not receive an award in June 2014. Prior to this year the state tax credit pool was long under-subscribed, and the Project Sponsor did not anticipate the possibility of not receiving an award on the first try when they originally applied for bond allocation from CDLAC. The Project Sponsor reapplied for state tax credits in July 2014 and was awarded an allocation in September 2014. They now need until the end of the year to complete the closing and to start construction.

The Olive Wood Apartments project was granted a carry-forward extension of the deadline for issuance of bonds until December 31, 2014 due to the selected tax credit equity investor having substantive issues with the project sponsor's previously selected construction contractor and property management firm. These issues were not known prior to the acceptance of the CDLAC bond allocation award. Both firms have since been replaced, but the project sponsor needed additional time to move forward to closing; now scheduled for December.

RECOMMENDATION:

In light of the circumstances described, staff recommended the approval of the Waiver of Forfeiture of the Performance Deposit for the Hunters View Phase IIA Apartments Project (14-038), the Heritage Commons Phase II Apartments Project (14-063), and the Olive Wood Apartments Project (14-039).

Alan Gordon moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Eraina Ortega: Aye; Bettina Redway: Aye.

7. Consideration of a Request for a Waiver of the Assessment of Negative Points and Forfeiture of the Performance Deposit for Santa Monica RHCP Apartments Project (13-083) - Qualified Residential Rental Project Program (Action Item)

Richard Fischer reported that the Santa Monica RHCP Apartments Project ("Project") received allocation on September 18, 2013 and had its issuance deadline extended to September 30, 2014, as permitted under the CDLAC Regulations. The Project is situated on sites that are ground leased from PJG LP. The ground lease agreement requires the landlord to allow changes in ownership, and the landlord repeatedly indicated its willingness to approve the proposed transfer when Santa Monica-Villa Nueva LP ("Project Sponsor") discussed the pending transaction with them prior to accepting the original CDLAC allocation. Nevertheless, the landlord was later prevented from executing the necessary financing subordination and non-disturbance agreements required for bond issuance since he became subject to a pending bankruptcy case that required court approval of any changes in status of the landlord's assets. The Project Sponsor stated that they learned of the pending bankruptcy action on April 28, 2014; well after the CDLAC allocation was received.

The Project Sponsor continues its discussions with the landlord and is optimistic that the Project can ultimately be completed. The landlord has indicated its continued willingness to be cooperative at such time as court approval can be obtained. Unfortunately it is difficult to estimate when that will be, although the Project Sponsor remains hopeful that the project closing can resume in 2015. The Project Sponsor plans to return to CDLAC with a new CDLAC application once there is certainty regarding the landlord's legal capacity to complete the transaction.

RECOMMENDATION:

In light of the circumstances described above, staff recommended the approval of the Waiver of Forfeiture of the Performance Deposit and a waiver of the assessment of Negative Points for the Santa Monica RHCP Apartments (13-083) Project.

Alan Gordon moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Eraina Ortega: Aye; Bettina Redway: Aye.

8. 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**

Richard Fischer reported that two (2) projects, the Westridge at Hilltop Apartments and Alice Griffith Phase II Apartments, will both necessitate a \$30 million allocation limit waiver.

General Pool

The General Pool received eight (8) applications for projects requesting a total allocation of \$130,427,596. This includes one (1) project with a HUD Forward Commitment Letter that has received its HUD Approval and is now ready to be considered for approval by the Committee.

RECOMMENDATIONS:

Staff recommended approval of the \$30,000,000 allocation waiver for two (2) projects: (14-110) Westridge at Hilltop Apartments and (14-121), Alice Griffith Phase II Apartments.

Ms. Redway asked if there was a motion to waive the \$30,000,000 allocation limit waiver.

Alan Gordon moved approval of staff’s recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Eraina Ortega: Aye; Bettina Redway: Aye.

Staff recommended approval of \$130,427,596 to fund eight (8) projects in the General Pool.

Alan Gordon moved approval of staff’s recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan Gordon: Aye; Eraina Ortega: Aye; Bettina Redway: Aye.

14-110	SL	California Municipal Finance Authority	Westridge At Hilltop Apartments	Richmond	Contra Costa	\$57,000,000
14-120	BC	Housing Authority of the City of San Buenaventura	Johnson Gardens Apartments	Ventura	Ventura	\$14,400,000
14-121	BC	The City and County of San Francisco-Mayor's Office of HCD	Alice Griffith Phase 2 Apartments	San Francisco	San Francisco	\$32,500,000
14-122	RF	California Municipal Finance Authority	East Cliff Village Apartments	Unincorporated Santa Cruz	Santa Cruz	\$11,500,000
14-123	DK	California Statewide Communities Development Authority	Callen Street Apartments	Vacaville	Solano	\$8,172,596
14-125	SL	California Municipal Finance Authority	Stevenson House Apartments (Supplemental)	Palo Alto	Santa Clara	\$250,000
14-127	SL	City of Los Angeles	Martha Bryant Manor Apartments (Supplemental)	Los Angeles	Los Angeles	\$500,000
14-131	RF	California Municipal Finance Authority	Rancho California Apartments	Temecula	Riverside	\$6,105,000

9. Public Comment (Action Item)

There was no public comment.

10. Adjournment

The Chairperson adjourned the meeting at 1:41 p.m.