

# California Debt Limit Allocation Committee

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

**January 21, 2015**  
Meeting Minutes

## OPEN SESSION

### 1. Call to Order and Roll Call

Alan Gordon, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:07 a.m.

Members Present: Alan Gordon for John Chiang, State Treasurer  
Eraina Ortega for Edmund G. Brown, Jr., Governor  
Lynn Paquin for Betty T. Yee, State Controller

Advisory Member Present: Tia Boatman-Patterson for the California Housing Finance Agency (CalHFA)

Advisory Member Not Present: Claudia Cappio for the Department of Housing and Community Development

### 2. Approval of the Minutes of the December 10, 2014 Meeting (Action Item)

Eraina Ortega moved approval of the minutes for the December 10, 2014 meeting. Upon a second by Alan Gordon, the minutes passed 2-1-0 with the following votes: Eraina Ortega: Aye; Lynn Paquin: Abstain; Alan Gordon: Aye.

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

Sean Spear began his report by notifying Committee Members about revisions to the Agenda packet. The first revision was to Item 6, an Issuance Date Extension for #14-108, Woodhaven Manor Apartments. That item has since been withdrawn. The next revision was to the Qualified Residential Rental Program (QRRP) and it related to #15-301, Wilshire Manor Apartments, and its name change to Wilshire Tower Apartments. Both the December Agenda and Exhibit A were revised accordingly.

Mr. Spear went on to give an overview of the 2014 CDLAC activity. Mr. Spear reported that the amount of allocation for 2014 was slightly above the 2013 levels. In 2013, the amount of allocation awarded was \$1.930 billion while \$1.934 billion was allocated in 2014. This reflected a huge difference in the Multi-Family Program of an additional 22% in the number of units and 31% in terms of allocation. The Single Family Housing Program had a 50% decrease which Mr. Spear stated is due in part to the new financing tools around mortgage backed securities and the 2-year cycle of spreading out allocation. The Exempt Facilities Program had a 4-fold increase in terms of projects – going from two (2) projects in 2013 to eight (8) projects in 2014 while the Individual Development Bonds Program also increased 4-fold going from one (1) project to four (4) projects in 2014.

Mr. Spear stated that staff will be posting the Public Benefits Summary the week of January 26, 2015. The summary lists specific amounts of allocation awarded to projects and programs as well as the anticipated public benefits from those projects.

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

Brian Clark reported that the following are the proposed revisions to the CDLAC Regulations:

1. Revision of CDLAC Regulations for QRRP Minimum Energy Efficiency Requirements (Section 5205(a)): The reference to subsections “(2) through (11)” is updated to “(2) through (9)” to reflect the proposed deletion of subsections (2) and (10) and re-numbering of the remaining subsections.
2. Revision of CDLAC Regulations for QRRP Minimum Energy Efficiency Requirements (Section 5205(a)(1)): Proposed new language will permit new construction projects to meet the minimum energy efficiency standards by offsetting at least 20% of its residents’ energy load with renewable energy generation; thus, providing an alternative to the minimum energy efficiency compliance standards by permitting projects to utilize the proposed new Zero Net Energy (“ZNE”) option in the energy efficiency scoring. This option will benefit projects in temperate climate zones achieving energy offsets from photovoltaic panels by allowing them to be measured against their true net energy consumption, which may be lower in such climate zones.

An additional proposed change seeks to encourage energy efficiency improvements by permitting the use of a rehabilitation project’s pre-replacement condition as its “existing conditions” where the project has undergone energy efficiency improvements within two years prior to the project’s application date.

3. Deletion of CDLAC Regulations for QRRP Minimum CALGreen Compliance (Section 5205(a)(2)): This paragraph is now redundant in that it simply requires all projects to comply with building codes. It is proposed that the paragraph be deleted and subsequent paragraphs be re-numbered.
4. Revision of CDLAC Regulations for QRRP Minimum Appliance Requirements (Section 5205(a)(6)): The clarifying language lists the appliances that must be Energy Star rated when such appliances are provided or replaced as part of a project’s construction or rehabilitation work, and adds clothes dryers to an all-inclusive list of Energy Star rated appliances. In addition, this subparagraph will be renumbered “(5)” as a result of the proposed deletion of subparagraph “(2)”, as described above.
5. Deletion of CDLAC Regulations for QRRP Minimum Low Volatile Organic Compound Use (Section 5205(a)(10)): This paragraph, relating to the use of low VOC materials, reflects the 2013 building code and is redundant. It is proposed that the paragraph be deleted and the subsequent paragraph be re-numbered.
6. Revision of CDLAC Regulations for QRRP Minimum Insulation Requirements (Section 5205(a)(10)): The proposed revision reflects a change in numeration to the referenced TCAC regulation.
7. Revision of CDLAC Regulations for QRRP Optional Gross Rents Eligibility Criteria (Section 5230(d)(1)(B)(iii)): The proposed changes clarify that the utilities covered by the allowance: (i) must be clearly identified; (ii) must correctly refer to the new **California Association of Building Energy Consultants** (“CABEC”) certification title, “Certified Energy Analyst”; and (iii) must allow a subset of existing tax credit projects to use the **California Utility Allowance Calculator** (“CUAC”) for utility allowance estimates.
8. Revision of CDLAC Regulations for QRRP Optional Sustainable Building Methods Criteria (Section 5230(k)(4)(A) & (B)): The proposed changes eliminate the reference to “current” California Building Code Title 24, Chapter 6 standards, and replaces it with a specific reference to the “2008” standards under California Building Code Title 24, Chapter 6. The changes continue to calibrate energy efficiency against the 2008 Code because software systems for measuring against the 2013 standards continue to be refined. The increases in the optional Title 24 efficiency percentages comport with the increase in the threshold requirement contained in CDLAC Regulation Section 5205(a)(1). The proposed scoring category calibrated against Zero Net Energy (ZNE) Performance is intended to benefit temperate climate zones with fewer opportunities to realize energy efficiencies under Title 24.
9. Revision of CDLAC Regulations for QRRP Optional Sustainable Building Methods Evaluation Standards (Section 5230(k)(6)): The proposed change seeks to encourage energy efficiency improvements, and to expand sustainable building methods points eligibility, by permitting the use of a rehabilitation project’s pre-replacement condition as its “existing conditions” where the project

has undergone energy efficiency improvements within two years prior to the project's application date.

10. Revision of CDLAC Regulations for QRRP Optional Sustainable Building Methods Compliance and Verification (Section 5230(k)(8)(B) & (C)): The proposed changes update CDLAC's reference to the current CABEC examiner classification and update the reference to the required assessment report.

Brian Clark stated that 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 (in consultation with the Tax Credit Allocation Committee (TCAC)) and may result in reevaluation of the proposed regulations. Should this occur, staff will provide updated proposed regulations to the Committee on March 18, 2015 for additional consideration. However, should staff receive only minor or no comments, then the emergency rulemaking package will be submitted to the Office of Administrative Law (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 May 20, 2015 Application Round and the Permanent Regulations would be in place in time for the September 16, 2015 Application Round.

**RECOMMENDATION:**

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

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

5. **Consideration and Approval of a Revised Resolution 14-40 for the Heritage Commons Apartments Project (14-063) – Qualified Residential Rental Program** (Action Item)

Brian Clark reported that the project received allocation in May 2014, but has not yet closed. At the time of application, the Project Sponsor's intent was to restrict occupancy of all residential units to tenants age 55 years and older. To assist with the financing of ten (10) of the Project's restricted residential units, the Project's Sponsor has applied for Federal Section 811 Supportive Housing for Persons with Disabilities program funding. Those ten (10) units thus now require that the project be defined as serving both seniors and/or disabled residents. Both legal counsel and bond counsel concur that this change does not violate applicable Federal or California housing laws, nor affect the validity of the previously-held Tax Equity and Fiscal Responsibility Act (TEFRA) hearing.

**RECOMMENDATION:**

Staff recommended approval of a revision to CDLAC Resolution 14-40 for the purpose of changing the Type of Project from "Senior Citizens" to "Senior Citizens and/or Disabled" for the Heritage Commons Phase 2 Apartments Project (14-063).

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

6. **Consideration and Approval of Issuance Date Extensions for Various Projects – Qualified Residential Rental Program:**

<u>App.</u>	<u>Project</u>
14-108	Woodhaven Senior Residences Apartments
14-094	Tuolumne Apartments
14-112	Rotary Plaza Apartments
14-109	Buchanan Park Apartments
14-093	Winnetka Senior Apartments
14-114	Alice Griffith Phase 1 Apartments
14-106	Poco Way Apartments

(Action Item)

Devon King reported that issuance date extensions are requested for seven (7) awarded QRRP projects. Most relate to project financing, and/or fellow agency loan processing issues. Staff believed it was 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:

14-108	Woodhaven Senior Residences Apartments	March 21, 2015
14-094	Tuolumne Apartments	April 21, 2015
14-112	Rotary Plaza Apartments	April 21, 2015
14-109	Buchanan Park Apartments	April 21, 2015
14-093	Winnetka Senior Apartments	April 21, 2015
14-114	Alice Griffith Phase 1 Apartments	April 21, 2015
14-106	Poco Way Apartments	April 21, 2015

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

**7. Determination and Adoption of the 2015 State Ceiling on Qualified Private Activity Bonds (Action Item)**

Richard Fischer reported that the State’s allocation of private activity bond volume cap is increasing by \$46,997,900, to a new total of \$3,880,250,000 for 2015. The state’s population (which is used to determine the allocation amount for each state) increased by nearly 470,000 people over last year, while the U.S. Treasury retained the per capita formula of \$100 per person for this year.

**RECOMMENDATION:**

Staff recommended adoption of a resolution establishing the 2015 State Ceiling for qualified private activity bonds at \$3,880,250,000.

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

**8. Consideration and Adoption of the Apportionment of the 2015 State Ceiling among the State Ceiling Pools (Action Item)**

Richard Fischer reported that staff recommended initially apportioning \$50 million to the new Beginning Farmers (Aggie) Bond Program Pool for 2015, but otherwise repeating the same amounts for all other program pools as last year. Depending on the anticipated substantial revisions to the QRRP and potentially other programs, the Committee may elect to revise these amounts later in the year using the available Undesignated/Reserve Pool balance.

**RECOMMENDATION:**

Staff recommended reservation amounts that reflect the statutory emphasis on affordable housing. Staff recommended the following amounts for each of the State Ceiling Pools for 2015:

<b>State Ceiling Pool</b>	<b>Reservation</b>	<b>Percent of Ceiling*</b>
<b>Qualified Residential Rental Project Pool</b>	\$ 850,000,000	21.9%
<b>Mixed Income Pool</b>	250,000,000	6.4%
<b>Rural Project Pool</b>	150,000,000	3.9%
<b>Sub-Total – Multifamily Projects</b>	<b>\$1,250,000,000</b>	<b>32.2 %</b>
<b>Single-Family Housing Program Pool</b>	\$ 600,000,000	15.47%
<b>Single-Family Housing Program Bonus Pool</b>	300,000,000	7.73%
<b>Sub-Total – Single-Family Programs</b>	<b>\$900,000,000</b>	<b>23.2%</b>
<b>Extra Credit Teacher Home Purchase Program Pool</b>	\$0	0%

<b>Single-Family Home Improvement and Rehabilitation Program</b>	<u>\$150,000,000</u>	<u>3.9%</u>
<b>Housing Total</b>	<b>\$2,300,000,000</b>	<b>59.3%</b>
<b>Beginning Farmer Project Pool</b>	\$ 50,000,000	1.3%
<b>Small-Issue Industrial Development Project Pool</b>	50,000,000	1.3%
<b>Exempt Facility Project Pool</b>	0	0%
<b>Student Loan Program Pool</b>	0	0%
<b>Non-Housing Total</b>	<b>\$100,000,000</b>	<b>2.6%</b>
<b>Allocation on Hold (undesignated reserve)</b>	<b>\$1,480,250,000</b>	<b>38.10%</b>
<b>GRAND TOTAL</b>	<b>\$3,880,250,000</b>	<b>100.0%</b>

\* Percentages are rounded.

Sean Spear commented that the allocation amounts for each of the categories are essentially the same as 2014 with the exception of the \$50,000,000 allocation to the Beginning Farmers (Aggie) Project Pool. The California Infrastructure and Economic Development Bank (I-Bank) may become the program administrator for the Aggie Bonds. If so, the I-Bank may come before the Committee in the spring for the initial allocation amount.

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

**9. Consideration of a \$50 million Award of Allocation for the California Industrial Development Financing Advisory Commission (CIDFAC) for the Small-Issue Industrial Development Bond Program (Action Item)**

**a. Consideration of appeals\*\***

Richard Fischer reported that there were no appeals.

Richard Fischer reported that the Committee approved a similar transfer of \$50 million to CIDFAC for 2014, though only \$15.3 million was used. For 2015, CIDFAC anticipates a slightly higher volume of projects, which may make full usage of the proposed \$50 million allocation.

**RECOMMENDATION:**

Staff recommended the Committee award CIDFAC \$50,000,000 in Industrial Development Bond Allocation for the purpose of allocating portions of the award to Project Sponsors for the purpose of issuing bonds for IDB projects.

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

9.1	15-001	RF	California Industrial Development Financing Advisory Commission	CIDFAC IDB Program	Various	Various	\$50,000,000
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**10. Consideration of a \$63,833,263 Award of Allocation for the CRHMFA Homebuyers Fund for a Mortgage Credit Certificate Program (Action Item)**

**a. Consideration of appeals\***

Sarah Lester reported that there were no appeals.

Sarah Lester stated that at the December 10th CDLAC meeting, the Governor's Office requested that the Committee delay a portion of the award of CRHMFA's 2014 fairshare allocation in the amount of \$68,833,263 for its MCC program. The request was made out of concern that CalHFA's pending lawsuit against CRHMFA may negatively impact CRHMFA's ability to actively administer its existing MCC program. At the same, the Governor's Office was concerned that totally denying CRHMFA's award request would prevent potential first-time homebuyers already in the closing process from being able to receive their needed MCC and close on their home purchase on-time. Further, it was hoped

that CRHMFA and CalHFA could restart their discussions and hopefully reach an agreement between both parties before the next CDLAC meeting in January. Therefore, the Committee adopted a motion approving a portion of CRHMFA's award request in the amount of \$5 million. This would ensure that the program would not experience any program delays between December 2014 and January 2015 due to a lack of available MCC authority. It was also agreed upon that CRHMFA could return for the balance of its requested allocation on January 21, 2015 if an agreement was reached and the lawsuit avoided. Staff has since been informed by both parties that a tentative agreement has been made and consideration of the balance of allocation should be recommended for approval.

**RECOMMENDATION:**

Staff recommended approval of \$68,833,263 for the balance of allocation to CRHMFA for the MCC Program.

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

Tia Boatman-Patterson stated that the name dispute between CalHFA and CRHMFA has been resolved and the newly named organization is called Golden State Finance Authority. Ms. Boatman-Patterson thanked the newly named organization and was happy that all parties were able to come together and reach a resolution.

Craig Ferguson thanked the Board for its time and he stated that any name is better than CRHMFA.

Alan Gordon stated that he was glad that all parties were able to come to a mutual resolution.

10.1	15-005	SL	CRHMFA Homebuyers Fund	MCC	Various	Various	\$68,833,263
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**11. 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 (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 stated that after two overlapping allocation rounds at the end of 2014 (November and December), as per norm, CDLAC did not offer a January Round. However, there were two (2) previously reviewed HUD Forward Commitment projects for which CDLAC has a standing policy to seek final award consideration at the soonest available CDLAC meeting. Additionally, there was a December Round supplemental allocation request that had a last minute issue and could not proceed until this month. Staff recommended that all three projects be considered for approval.

**RECOMMENDATION:**

Staff recommended approval of \$42,088,000 to fund three (3) previously reviewed projects in the General Pool.

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

11.1	15-002	RF	Housing Authority of the City of Richmond	Friendship Manor & Triangle Court Apartments (sup)	Richmond	Contra Costa	\$2,000,000
11.2	15-003	DK	California Statewide Communities Development Authority	Pilgrim Terrace Apartments	Santa Barbara	Santa Barbara	\$13,088,000
11.3	15-301	DK	City of Los Angeles	Wilshire Towers Apartments (fka Wilshire Manor Apartments)	Los Angeles	Los Angeles	\$27,000,000

**12. Public Comment (Action Item)**

Sean Spear reported that he will be leaving CDLAC to join a private consulting group. Mr. Spear introduced Jeree Glasser-Hedrick the new Executive Director of CDLAC. During the transition, Mr. Spear and Ms. Glasser-Hedrick will be working together for a few weeks to make sure the work of CDLAC continues unimpeded.

Jeree Glasser-Hedrick stated that she is excited to be a part of the CDLAC team. Ms. Glasser-Hedrick stated that she looks forward to working to resolve the affordable housing crisis challenges that face the State in the coming years.

Sean Spear stated that he found the last five years working for CDLAC personally very rewarding. Mr. Spear feels that it gave him a chance to flex his housing muscle as well as to grow and expand in non-housing related activities. As Ms. Glasser-Hedrick mentioned, Mr. Spear stated that CDLAC was able to navigate through some difficult waters after the downturn and even expand the program. Going forward, Mr. Spear feels that brighter days are coming for CDLAC. There are many exciting ideas around increasing allocation going forward. Mr. Spear is very thankful that the Treasurer has made housing one of his top priorities. Mr. Spear then thanked the Treasurer's Office as well as the CDLAC staff for everything they have been able to accomplish over the last five years.

Alan Gordon thanked Sean Spear on behalf of Treasurer Chiang for his fantastic service and the remarkable job he did with the CDLAC programs. Treasurer Chiang extended his regards and his hope for the future to Mr. Spear.

Mr. Gordon stated that four years ago when he became the Controller's designee for the CDLAC, he knew very little about affordable housing. Alan personally thanked Mr. Spear for walking him through the various programs and how they worked over many long conversations. Mr. Gordon stated that he is very happy for Jeree Glasser-Hedrick while very sad over the leaving of Mr. Spear.

**13. Adjournment**

The Chairperson adjourned the meeting at 11:42 p.m.