

## California Debt Limit Allocation Committee

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

**May 20, 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 11:30 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 Members Present: Tia Boatman-Patterson 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 18, 2015 Meeting (Action Item)

Eraina Ortega moved approval of the minutes for the March 18, 2015 meeting. Upon a second by Lynn Paquin, the minutes passed 3-0 with the following votes: Eraina Ortega: Aye; Lynn Paquin: Aye; Alan Gordon: Aye.

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

Jeree Glasser-Hedrick began her report by advising the Committee members of changes to the Agenda. There were revisions to Exhibit A as four (4) projects were withdrawn and are noted on the pink slip.

Ms. Glasser-Hedrick reported that since the last CDLAC Committee Meeting, CDLAC and the California Tax Credit Allocation Committee (TCAC) have wrapped up their listening tours. Since that time, she and Mark Stivers, Executive Director of TCAC, have compiled a list of the proposed requested regulation changes. They have also narrowed that list of recommendations based on further discussions with CDLAC and TCAC Staff as well as input from the Executive Office.

Ms. Glasser-Hedrick and Mr. Stivers have had an opportunity to discuss these changes with a technical working group as well as a select group of stakeholders. Ms. Hedrick-Glasser was happy to report that the consensus was positive regarding many of the proposed changes with the exception of some 9% issues that Mr. Stivers will discuss with the Committee.

The CDLAC Staff is moving forward drafting the regulation changes with the plan to release the projected changes this summer ahead of the initially projected fall rollout of the proposed regulation changes.

Ms. Glasser-Hedrick stated that she would like to provide history on CDLAC's compliance reporting before providing the 2015 compliance statistics. Historically, CDLAC has required the Developers/Sponsors to submit compliance certification. In 2011, CDLAC developed an Issuer Certification form in an effort to be proactive and ensure that all federal and state requirement concerns were being identified. 2012 was the first year of the issuer compliance reporting. Since 2012, although initial responses have improved, the number of issuers reporting was still less than ideal.

Currently, compliance certifications are due March 1. The CDLAC Staff reviews the certificates and identifies those projects that are non-compliant and sends out a non-compliance letter. This is a time intensive process given the number of projects the CDLAC Staff oversees. In December of 2014, the CDLAC Staff asked for guidance from the Committee regarding what, if any, strategic action the Board might support to increase compliance. Staff provided four (4) ideas: 1) letter of non-compliance, 2) letter and non-compliance list, 3) assessment of negative points to non-compliant issuers, 4) debarment of non-compliant issuers. The Committee provided direction stating that they would like staff to pursue letters as well as a non-compliance list.

Staff found that in the first part of 2015, the non-compliance list had been effective in getting some issuers to respond; however, the initial compliance rate was 69% which was below the anticipated rate of return. Of the 2,021 projects that staff oversees, approximately 1,300 are in compliance while approximately 600 did not respond or responded incompletely. Issuers have thirty (30) days to fix the non-compliance issue. If there is no response, those Issuers will be posted to the CDLAC website on the non-compliance list. Currently, there are no repercussions to being on the non-compliance list.

Pursuant to the Committee's direction, staff will send out non-compliance letters and then post a non-compliance list after the prescribed timeframe.

In acknowledgement of the time-consuming nature of the reporting requirements, CDLAC Staff is working on an online compliance system which will, hopefully, be rolled out in 2016.

Ms. Glasser-Hedrick stated that after gathering more information on 2015 compliance, and as the CDLAC Staff gets closer to rolling out the new online compliance reporting, staff will come back before the Board to discuss the non-compliance issues with the Committee.

Ms. Boatman-Patterson stated that back in December when this issue first came up, the California Housing Finance Agency (CalHFA) asked if there were any trends or particular Issuers that consistently did not comply.

Ms. Glasser-Hedrick replied that there are two types of Issuers - those Issuers that are no longer active likely due to the dissolution of the redevelopment agencies as well as the Federal sequestration; therefore, they most likely have no one within the municipal structure to provide the reporting. The second group is active Issuers that have very large portfolios that for whatever reason have not complied.

Ms. Boatman-Patterson asked if those non-compliant Issuers were currently listed on the website.

Ms. Glasser-Hedrick stated that given feedback from the development community, the list was removed from the website as that list was associated with 2014, as well as in anticipation of receipt of the 2015 certificates. Now that CDLAC Staff has a list of the 2015 non-compliant projects and Issuers, staff will be sending out a new notice and provide them with 30 days to comply. If the certificates have not been received by the 30 day deadline, the new list will be posted to the website.

Ms. Boatman-Patterson stated that she never saw the list. Is there any way she may see the list.

Ms. Glasser-Hedrick asked Misti Armstrong when the list was posted.

Ms. Armstrong stated that it was posted shortly after the December 2014 meeting and was on the website until approximately the end of April. Staff had received feedback from the 2015 submittals. The applicants were stating that they were now compliant and wished to be removed from the list. The decision was made to remove the list.

Ms. Boatman-Patterson inquired as to whether the applicants would be given an opportunity to actually comply before the list was posted again.

Ms. Armstrong stated yes.

**4. Consideration of Request for a Waiver of the Forfeiture of the Performance Deposit for the Tuolumne Apartments Project – Qualified Residential Rental Project Program (Action Item)**

Sarah Lester reported that the Tuolumne Apartments Project (14-094) received allocation on September 17, 2014 and received a carryforward extension to June 15, 2015. Approval of the carryforward extension requires forfeiture of the performance deposit. The project's closing has been delayed due to administrative staff changes at the San Francisco HUD Office (SF HUD), which caused delays in obtaining the necessary HUD approvals. The Project is currently working with the SF HUD office on: 1) the transfer and assumption of the existing HAP Contract; 2) approval of a 20-year extension to that HAP Contract; and 3)

prepayment of the HUD 241 loan that was previously erroneously denied. The Tuolumne Road Partnership, L.P. is confident that it will be able to complete all closing steps by the extended bond close date of June 15, 2015.

**RECOMMENDATION:**

In light of the circumstances described, staff recommended the approval of the Waiver of Forfeiture of the Performance Deposit for the Tuolumne Apartments (14-094) Project.

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.

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

<u>App.</u>	<u>Project</u>
14-311	Eastside at Creekside Apartments
15-002	Friendship Manor & Triangle Court Apartments
14-137	Normandie Senior Housing Apartments

Devon King reported that issuance date extensions are requested for three (3) awarded QRRP projects. The need for the extensions relate to project financing issues. Staff believes it is appropriate to grant them additional time to resolve the outstanding issues and close on the bonds as required.

**RECOMMENDATION:**

Staff recommended approval of the following issuance date extensions:

14-311	Eastside at Creekside Apartments	August 18, 2015
15-002	Friendship Manor & Triangle Court Apartments	August 18, 2015
14-137	Normandie Senior Housing Apartments	August 18, 2015

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 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: (Action Item)**

**a. Consideration of appeals\***

Brian Clark reported that there were no appeals.

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

Mr. Clark stated that the Committee received one (1) application from County of Marin

(15-011) requesting it's 2015 Fair Share Single Family Housing allocation, for a total of \$2,009,342, all for the issuance of Mortgage Credit Certificates under a single-family homeownership program.

**RECOMMENDATION:**

Staff recommended approval of \$2,001,921 (the calculated fair-share amount) to fund one (1) application in the Single Family Housing Program as noted above.

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.

6.1	15-011	BC	Housing Authority of the County of Marin	MCC Program		Marin	\$2,001,921
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**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 Waiver, 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 stated that one (1) project, Cypress Cove Apartments (15-356) necessitated a \$30 million allocation limit waiver. The second request was for the approval of the twenty-eight (28) QRRP projects requesting a total allocation of \$377,178,409 which included the one (1) project requesting the \$30 million waiver as well as two (2) projects requesting supplemental allocation and one (1) project that previously-received a HUD Forward Commitment Letter from CDLAC Staff and has now received its HUD Firm Commitment and is be ready to be heard by the Committee for an award of allocation at this time.

Rural Pool

The Rural Pool reflects one (1) project requesting a total allocation of \$5,676,253

General Pool

The General Pool received twenty-seven (27) applications for projects requesting a total allocation of \$371,502,156.

Mr. Gordon asked if Park Village Apartments was the project requiring separate approval. Mr. Fischer stated that the Cypress Cove Apartments was the project requiring the \$30,000,000 plus waiver approval.

Mr. Gordon stated that a motion would be needed for Cypress Cove separately, and then a motion for approval of all of the projects.

Ms. Boatman-Patterson asked if any of the Issuers for any of those projects before the Board today were formerly on the list and continues to be out of compliance.

Ms. Armstrong stated yes.

Ms. Boatman-Patterson asked if those Issuers could be identified for the record.

Ms. Armstrong stated that she did not have the non-compliance list with her; however, in general, yes, there are.

Ms. Boatman-Patterson inquired if there are Issuers that were out of compliance in 2014, were posted, and still continue to be out of compliance in 2015 based on the March deadline.

Ms. Armstrong stated that is correct, yes.

Ms. Boatman-Patterson stated that that caused her some concerns. The Committee might want to take a look at that.

Mr. Gordon stated that the issue caused him concern as well. He asked Ms. Boatman-Patterson if she had any suggestions as to how to proceed.

Ms. Boatman-Patterson stated that staff should complete its process.

Ms. Armstrong stated that Ms. Boatman-Patterson's question was specific to Issuers. If Project Sponsors are non-compliant, or were last year and continue to be this year, they would not have been a part of this round. Staff is routinely checking to verify whether the Developers are compliant. If a Developer comes through that is non-compliant, they would not be allowed to proceed with a new application.

Ms. Boatman-Patterson replied with her understanding that Project Sponsors may not go forward and stated that she feels that Issuers have an obligation and should be making sure that they are monitoring and doing compliance. She does have a grave concern with that; however, she feels staff should be allowed to work its process while continuing to look at this issue.

Mr. Gordon requested that Ms. Armstrong have a list of the non-compliant Issuers to the Board within two weeks. He asked Ms. Boatman-Patterson if she was okay with that.

Ms. Boatman-Patterson stated yes.

**RECOMMENDATIONS:**

Staff recommended approval of the \$30 million maximum allocation limit waiver for one (1) project (15-356) Cypress Cove Apartments.

Eraina Ortega moved approval of the allocation limit waiver. Upon a second by Lynn Paquin, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Lynn Paquin: Aye; Alan Gordon: Aye.

Staff recommended approval of \$371,502,156 to fund twenty-seven (27) previously reviewed projects in the General Pool and approval of \$5,676,253 to fund one (1) previously reviewed project in the Rural Pool.

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

7.1	15-326	DK	California Statewide Communities Development Authority	Dinuba Village	Dinuba	Tulare	\$5,676,253
7.3	15-012	RF	California Statewide Communities Development Authority	Park Village Apartments (Supplemental)	Compton	Los Angeles	\$6,100,000
7.4	15-013	DK	City of Los Angeles	Park Plaza Apartments (Supplemental)	Los Angeles	Los Angeles	\$950,000
7.5	15-319	DK	California Statewide Communities Development Authority	Summit Rose Apartments	Escondido	San Diego	\$9,100,000
7.7	15-325	RF	California Housing Finance Agency	Downtown Hayward Senior Apartments	Hayward	Alameda	\$17,500,000
7.8	15-328	BC	Housing Authority of the County of Sacramento	Mutual Housing at Foothill Farms Apartments	Sacramento	Sacramento	\$14,000,000
7.9	15-330	RF	City of Los Angeles	Skid Row Southeast 1 Apartments	Los Angeles	Los Angeles	\$8,786,918
7.10	15-331	DK	City of Los Angeles	T. Bailey Manor Apartments	Los Angeles	Los Angeles	\$10,000,000
7.11	15-333	SL	California Municipal Finance Authority	Monterra Redwoods Wheeler Apartments	Gilroy	Santa Clara	\$23,000,000
7.12	15-335	SL	California Statewide Communities Development Authority	St. Timothy's Tower and Manor Apartments	Compton	Los Angeles	\$16,000,000
7.13	15-336	BC	California Municipal Finance Authority	Avenida Crossing Apartments	Lancaster	Los Angeles	\$9,000,000

7.14	15-337	SL	Housing Authority of the City of San Diego	Mayberry Apartments	San Diego	San Diego	\$9,959,732
7.15	15-338	SL	Housing Authority of the City of San Diego	Trolley Residential Apartments	San Diego	San Diego	\$15,000,000
7.18	15-341	SL	Golden State Finance Authority	Seasons at Simi Valley Apartments	Simi Valley	Ventura	\$6,320,000
7.20	15-343	SL	California Statewide Communities Development Authority	Brethren Manor Apartments	Long Beach	Los Angeles	\$19,000,000
7.21	15-344	DK	Housing Authority of the County of San Bernardino	Horizons at Yucaipa Apartments	Yucaipa	San Bernardino	\$8,200,000
7.22	15-345	BC	California Municipal Finance Authority	Vintage Aliso Apartments	Aliso Viejo	Orange	\$27,000,000
7.23	15-346	SL	City of Los Angeles	Pilgrim Tower Apartments	Los Angeles	Los Angeles	\$17,800,000
7.24	15-347	RF	California Municipal Finance Authority	Springville Apartments	Camarillo	Ventura	\$10,883,139
7.25	15-348	DK	California Municipal Finance Authority	Lemon Grove Apartments	Orange	Orange	\$15,371,923
7.26	15-349	RF	City of Los Angeles	Beverly Terrace Apartments	Los Angeles	Los Angeles	\$10,500,000
7.27	15-350	RF	California Municipal Finance Authority	815 N Harbor Apartments	Santa Ana	Orange	\$15,185,948
7.28	15-351	BC	California Municipal Finance Authority	Garden Grove United Methodist Church Apartments	Garden Grove	Orange	\$12,000,000
7.29	15-353	DK	California Statewide Communities Development Authority	Samoa Avenue Apartments	Tujunga	Los Angeles	\$10,000,000
7.30	15-354	BC	California Municipal Finance Authority	Villa La Esperanza Apartments	Goleta	Santa Barbara	\$25,544,496
7.31	15-355	RF	California Housing Finance Agency	Virginia Terrace Apartments	Barstow	San Bernardino	\$5,600,000
7.32	15-356	SL	California Statewide Communities Development Authority	Cypress Cove Apartments	Escondido	San Diego	\$33,700,000
7.33	15-358	RF	City and County of the City of San Francisco	John Burton Foundation Housing Complex Apartments	San Francisco	San Francisco	\$15,000,000

## 8. Public Comment (Action Item)

There was no public comment

## 9. Adjournment

The Chairperson adjourned the meeting at 11:49 a.m.