

## California Debt Limit Allocation Committee

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

**July 15, 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 11:00 am

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)  
Russ Schmunk for the Department of Housing and Community Development (HCD)

#### 2. Approval of the Minutes of the May 20, 2015 Meeting (Action Item)

Lynn Paquin moved approval of the minutes for the May 20, 2015 meeting. Upon a second by Eraina Ortega, the minutes passed 3-0 with the following votes: Lynn Paquin: Aye; Eraina Ortega: Aye; Alan Gordon: Aye.

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

Jeree Glasser-Hedrick began her report by giving the Committee members a brief update regarding the progress of the Issuer and Developer Compliance letters that were discussed at the May meeting. Ms. Glasser-Hedrick stated that 623 of the 2,021 projects in the CDLAC portfolio did not submit compliance certificates upon the March deadline. Following the May meeting, staff sent out non-compliance letters to all of those with remaining non-compliant projects. CDLAC staff did receive a tremendous response to the letters. To date, there are only 237 non-compliant projects remaining. That is a rate of approximately 88% compliance which is what staff was hoping for within the March timeframe. In total, it represents 64 Issuers that are currently non-compliant of which 47 are Multifamily, or QRRP, Issuers. The non-compliance list was posted to the CDLAC website the week of July 13, 2015, and it is available for public review. As a reminder, Project Sponsors or development entities that are on the list are not available to receive new allocation until their

compliance certification is provided to CDLAC. Issuers, on the other hand, are able to continue to apply to CDLAC. The repercussion to the Issuers is that they will be posted to the non-compliance list on the CDLAC website. As discussed at the last meeting, staff will continue to monitor compliance and at year end there will be a broader discussion, once staff is ready to roll out the online system, as to what additional sanctions may be put in place for non-compliance.

Tia Boatman-Patterson asked why CDLAC continued to allow non-compliant Issuers to continue to issue.

Ms. Glasser-Hedrick stated that the compliance certification process is relatively new to CDLAC as it was instituted a couple of years ago. This process has been a change for the development community and it has taken a while to take foot. There was a discussion with the Board last December about options to pursue regarding Issuer compliance. At that time there was agreement among the Board that, to begin with, CDLAC would post the non-compliance list to its website. Staff would monitor the progress of those in non-compliance and then come back before the Board to have an additional discussion as to what further steps may be taken. Ms. Glasser-Hedrick stated that it would be prudent to have another year of compliance under CDLAC's belt and then have another discussion at the end of that year.

Ms. Boatman-Patterson thanked Ms. Glasser-Hedrick for her response.

Ms. Glasser-Hedrick went on to give the Board an update on the CDLAC and the California Tax Credit Allocation Committee (TCAC) regulation change package. At the time of the last allocation meeting, CDLAC and TCAC had concluded the listening tours that were initiated to help identify what may be done with the respective regulations to help spur housing production. Since that point in time, staff has been busy drafting regulation changes.

Ms. Glasser-Hedrick reported that the proposed schedule was to release the regulation changes today, July 15. There has been a slight delay and the plan is to now release the changes to the public on July 16. Staff plans to provide a 45 day comment period with the goal of adopting the regulation change package at the September 23, 2015, CDLAC meeting immediately following the TCAC second round 9% meeting. This is an aggressive timeframe but it is responsive to the desire of the development community to benefit from the proposed changes so that projects submitted at year end might benefit from the changes. Ms. Glasser-Hedrick stated that she will keep the Board informed as things evolve.

#### **4. Consideration of Requests for a Waiver of the Forfeiture of the Performance Deposit and Negative Points for Rancho California Apartments Project – Qualified Residential Rental Project Program (Action Item)**

Richard Fischer reported that the Rancho California Apartments Project (14-131) received allocation on November 12, 2014 and had its issuance deadline extended by the Committee to July 6, 2015, as permitted under the CDLAC Regulations.

Shortly before the expected closing date of the bonds, Orrick, Herrington & Sutcliffe, LLP became aware that the Project Sponsor, AMCAL, had acquired the Project and placed it in service more than

18 months before the expected closing date of the bonds. Treasury Regulation 1.150-2(d)(2) permits bond proceeds to be used to reimburse expenditures provided that a reimbursement allocation, which can only be made once bonds have been issued, is made not later than 18 months after the later of (a) the date of the original expenditure or (b) the date the project is placed in service or abandoned, but in no event more than three years after the original expenditure is paid. As a result there were insufficient capital costs of the Project to which Bond proceeds could be allocated to permit the Bonds to meet the “95% Good Costs” test, and Orrick was therefore unable to deliver a final bond opinion and the bonds were returned to CDLAC.

Mr. Fischer stated that this was an unfortunate oversight on the part of the assigned bond counsel who staff considered to be a member of the Project’s development team. In consideration of the circumstances, staff recommended that the Committee waive the Negative Points penalty and that the Committee uphold the Forfeiture of the Performance Deposit penalty. This would allow for a partial penalty for the failure to issue bonds that would not impact future projects submitted by the Project Sponsor.

Alan Gordon asked the gentlemen representing the Rancho California Project to step forward. Mr. Gordon asked them if they were supportive of the recommendations from staff.

Kyle Arndt, Attorney with Bocarsly, as well as developer counsel for AMCAL; Maurice Ramirez, Executive Vice President AMCAL; and Ben Barker with the California Municipal Finance Authority (CMFA) stepped forward.

Mr. Barker stated that each of them appreciated staff’s thoughtful recommendation. He stated that circumstances out of their control caused the penalties. Mr. Barker also recognized that when Bonds are not issued that sometimes there are consequences with that.

Mr. Gordon asked if all three of them were okay with the Forfeiture of the Performance Deposit Penalty. They each replied yes.

Tia Boatman-Patterson asked if Orrick, Herrington & Sutcliffe, LLP was their Bond Counsel.

Mr. Barker replied yes.

Ms. Boatman-Patterson asked if, as an Issuer, Mr. Barker had ever seen anything like this before.

Mr. Barker stated he had participated in 200-300 issuances and had not come across this issue before.

Mr. Arndt stated that they had looked at the bond regulatory agreement before the issue was raised and it was a timing issue.

Ms. Boatman-Patterson asked was it literally a good cost/bad cost analysis.

Mr. Barker stated that there was a staff turnover at Orrick. He believes there was some confusion at that time and the issue on the timing was dropped. The new Orrick attorney came on and stepped in to get the tax opinion at the last minute, which is pretty typical, and

the tax opinion attorney was separate from the bond counsel attorney and they were unable to get a tax opinion.

Jeree Glasser-Hedrick stated that the purchase occurred in advance of the closing which is atypical. There were reasons that this occurred. Ms. Glasser-Hedrick stated that this was an atypical structure to begin with.

Ms. Boatman-Patterson stated that, typically, doesn't the purchase of the property and close of escrow happen at the same time.

Ms. Glasser-Hedrick replied that in general, yes. If you are trying to preserve a property or have a willing seller and are unable to wait, those would be reasons why you would want to purchase in advance of close. That is where the issue arose, the timing of the purchase in connection with the close.

Ms. Boatman-Patterson thanked Ms. Glasser-Hedrick for the clarification.

Alan Gordon asked if there was counsel from Orrick, Herrington & Sutcliffe, LLP in the audience.

There was not.

Mr. Gordon then asked if Orrick had offered to make them whole for the forfeiture.

Mr. Barker declined discussion. He did state that Orrick did submit a letter explaining the situation.

**RECOMMENDATIONS:**

In light of the circumstances described, staff recommended the approval of the Waiver of Negative Points and that the Committee upholds the Forfeited Performance Deposit penalty for the Rancho California Apartments (14-131) Project.

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 Issuance Date Extensions for Various Projects – Qualified Residential Rental Program (Action Item)**

<u>App.</u>	<u>Project</u>
15-312	Betel Apartments
15-008	Oceanview Apartments
15-303	Butterfield Apartments
15-309	Amberwood Apartments

Brian Clark reported that issuance date extensions are requested for four (4) awarded QRRP projects. The need for the extensions related to project financing or permitting issues. 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 approval of the following issuance date extensions:

15-312	Betel Apartments	July 26, 2015
15-008	Oceanview Apartments	September 30, 2015
15-303	Butterfield Apartments	October 13, 2015
15-309	Amberwood Apartments	August 14, 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 two (2) applications. The first request was from the City of Oceanside (15-014) requesting \$1,123,400 of their 2015 Fair Share Single Family Housing allocation. The second request was from California Housing Finance Agency (15-019) requesting to convert \$200,000,000 of past 2013 Single Family Mortgage Revenue Bond Allocation to MCC Authority. The total of \$201,123,400 will all be utilized for the issuance of Mortgage Credit Certificates under the single-family homeownership program.

**RECOMMENDATION:**

Staff recommended approval of \$1,123,400 (the calculated fair-share amount) to fund the City of Oceanside’s Single Family Housing Program and approval to reassign \$200,000,000 of past 2013 Single Family Mortgage Revenue Bond Allocation to MCC Authority both as noted above.

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.

6.1	15-014	BC	City of Oceanside	MCC	Oceanside	San Diego	\$1,123,400
6.2	15-019	SL	California Housing Finance Agency	MCC	Statewide	Statewide	\$200,000,000

**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**

Misti Armstrong reported that there were no appeals.

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

Ms. Armstrong stated that two (2) projects, Alexander Station Apartments, (15-359), and Town Park Tower Apartments, (15-361), each necessitated a \$30 million allocation limit waiver. The second request was for the approval of the seventeen (17) QRRP projects requesting a total allocation of \$343,505,330 which included the two (2) projects requesting the \$30 million waiver as well as two (2) projects requesting supplemental allocation.

Rural Pool

The Rural Pool reflected one (1) project requesting a total allocation of \$6,500,000.

General Pool

The General Pool received sixteen (16) applications for projects requesting a total allocation of \$337,005,330.

**RECOMMENDATIONS:**

Staff recommended approval of the \$30 million maximum allocation limit waivers for two (2) projects, Alexander Station Apartments Project (15-359) and the Town Park Towers Apartments Project (15-361).

Eraina Ortega moved approval of the allocation limit waivers. 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 \$343,505,330 to fund seventeen (17) projects in the General Pool.

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

7.1	15-362	BC	California Municipal Finance Authority	Terracina Oaks II Apartments	Greenfield	Monterey	\$6,500,000
7.3	15-015	RF	California Municipal Finance Authority	Camino Esperanza Apartments (sup)	Simi Valley	Ventura	\$1,000,000
7.4	15-017	DK	California Municipal Finance Authority	Eastgate Apartments (sup)	San Marcos	San Diego	\$1,000,000

7.5	15-359	RF	California Statewide Communities Development Authority	Alexander Station Apartments	Gilroy	Santa Clara	\$88,000,000
7.6	15-360	BC	City of San Jose	Canoas Terrace Apartments	San Jose	Santa Clara	\$23,750,000
7.7	15-361	SL	City of San Jose	Town Park Towers Apartments	San Jose	Santa Clara	\$48,000,000
7.8	15-363	SL	California Municipal Finance Authority	March Veterans Village Apartments	March Air Reserve Base	Riverside	\$28,000,000
7.9	15-364	DK	California Municipal Finance Authority	Marcus Garvey Hismen Hin-Nu Apartments	Oakland	Alameda	\$20,300,000
7.10	15-365	BC	Housing Authority of the City of Anaheim	Pebble Cove Towers Apartments	Anaheim	Orange	\$13,145,330
7.11	15-366	BC	California Statewide Communities Development Authority	Vista Park Chino Apartments	Chino	San Bernardino	\$9,300,000
7.12	15-367	SL	California Statewide Communities Development Authority	Duarte Manor Apartments	Duarte	Los Angeles	\$9,100,000
7.13	15-368	BC	California Municipal Finance Authority	College Park II Apartments	Chino	San Bernardino	\$28,000,000
7.14	15-371	RF	California Municipal Finance Authority	Bellflower Friendship Manor Apartments	Bellflower	Los Angeles	\$21,000,000
7.15	15-373	RF	County of Alameda	Dublin Family Apartments	Dublin	Alameda	\$17,400,000
7.16	15-375	RF	California Municipal Finance Authority	Beverly Park Senior Apartments	Los Angeles	Los Angeles	\$14,000,000
7.18	15-377	DK	California Statewide Communities Development Authority	Northwest Manors II Apartments	Pasadena	Los Angeles	\$10,530,000
7.19	15-378	SL	California Municipal Finance Authority	The Lodge at Eureka Apartments	Eureka	Humboldt	\$4,480,000

## 8. Public Comment (Action Item)

There was no public comment

## 9. Adjournment

The Chairperson adjourned the meeting at 11:19 am.