

California Debt Limit Allocation Committee

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

September 16, 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 11:02 am

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

Advisory Members Present: Laura Whittall-Scherfee for the Department of Housing and Community Development (HCD)

2. Approval of the Minutes of the July 15, 2015 Meeting (Action Item)

Eraina Ortega moved approval of the minutes for the July 15, 2015 meeting. Upon a second by Alan Gordon, the minutes passed 2-1-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: Abstain; 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 proposed 2016 calendar. Ms. Glasser-Hedrick reported that as it was with past CDLAC calendars, the CDLAC will hold a January meeting to set the State Debt-Limit Ceiling as well as the amounts in all the pools or programs. The CDLAC will not be awarding allocation to new projects at the January Meeting. The CDLAC will then hold meetings every other month starting in March. An October and November round have been included as place holders assuming there will be sufficient demand for a meeting.

Ms. Glasser-Hedrick reported that outreach was conducted with each of the active Multifamily Issuers about the potential demand for a January Allocation meeting. The feedback provided was that all deals could be deferred until a March award without any negative repercussions.

The CDLAC's proposed regulations comment period ended August 31, 2015. The CDLAC is on track to have the regulatory change package ready for Board review and approval at the October 21, 2015 CDLAC meeting. Jeree reported to the Board that formal approval of the regulations and all updated application materials are required by the Office of Administrative Law (OAL). It is anticipated that this approval will be in place the second week in November. As soon as it is approved the new application materials will be released so that projects seeking to preserve their current year Difficult Development Area (DDA) status will be able to submit their applications based on the updated regulations.

Ms. Glasser-Hedrick further reported that the CDLAC has thus far had a very robust Allocation year. This round (42 projects in all) was enhanced by the fourteen (14) San Francisco Rental Assistance Demonstration Program (RAD) deals that are included (public housing projects that are being privatized through the bond and tax credit programs).

Jeree stated that after the actions taken at today's meeting, the CDLAC will have allocated approximately 130% of the 2014 allocated amount. In 2014, the CDLAC allocated \$1.9 billion. As of adjournment of this meeting, the CDLAC will have allocated approximately \$2.5 billion. The CDLAC is also on track with unit production. As of adjournment of this meeting, the CDLAC will have approved approximately the same numbers of units (approximately 9,700) to date that were approved cumulatively last year. Credit goes out to the CDLAC staff that has worked hard to process the additional requests for allocation. The Board might ask what has driven demand and I can only reflect what I have heard from the development community: 1) the low interest rate environment is being leveraged: 2) portfolio deals are reaching the fifteen (15) year lifecycle: 3) spurred by changes in the way public housing projects can be funded at the federal level, there has been a preponderance of Housing Authority related activities where previously public housing projects were being privatized, have all contributed (reflected in the SF RAD deals included in this round).

4. Consideration of Request for a Waiver of the Forfeiture of the Performance Deposit for Friendship Manor and Triangle Court Apartments Project (15-002) - Qualified Residential Rental Program (Action Item)

Richard Fischer reported that the Friendship Manor and Triangle Court Apartments Project (15-002) received an initial allocation on January 15, 2014, a supplemental award on May 21, 2014 and an additional supplemental award on January 21, 2015. The Project had its issuance deadline extended by the Committee to August 18, 2015 as permitted under the CDLAC Regulations. As a result of several unforeseen delays, the CDLAC Executive Director provided a subsequent carryforward extension to December 31, 2015.

The Project has had difficulty closing due to the complex interactions of the Department of Housing and Urban Development's (HUD) new RAD Program with the proposed bond and tax credit financing. Specifically, unanticipated scope and budget revisions required by the tax credit investor delayed the project prompting the need to secure additional allocation and gap financing to fund the scope modifications. Each additional approval delayed the Applicant's ability to submit materials to HUD, a step necessary for HUD to continue its review and provide final approval of the RAD funding.

Mr. Fischer reported that due to unforeseen delays, a carryforward extension was required to provide the additional time needed to ensure all the proper approvals were in place and bonds for this project could be issued. As part of such approval under the CDLAC Regulations, the Applicant is required to surrender the associated performance deposit. Forfeiture of the performance deposit is subject to waiver by the Board if the delays prompting the forfeiture were unforeseen and outside the Sponsor's control. In this instance, the Applicant and Project Sponsor are requesting waiver from the forfeiture based upon the unforeseen delays resulting from the required scope changes. The development team is now confident that it will be able to complete all closing steps by the extended bond close date of December 31, 2015.

Alan Gordon asked Richard Fischer for the amount of the Performance Deposit.

Mr. Fischer did not have that information readily available.

RECOMMENDATION:

In light of the circumstances described, staff recommended the approval of a Waiver of the Forfeited Performance Deposit penalty for the Friendship Manor and Triangle Court Apartments (15-002) Project.

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

5. Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit and Waiver of Negative Points for the Normandie Senior Housing Apartments (14-027 and 137) (Action Item)

Jeree Glasser-Hedrick reported that the Normandie Senior Housing Apartments Project received allocation on March 19, 2014 and a supplemental allocation on December 10, 2014. Its initial issuance deadline was extended by the Committee to August 18, 2015 as permitted under the CDLAC Regulations. After the receipt of the supplemental allocation from CDLAC, the Sponsor, Normandie Senior Housing Preservation, L.P., and the Issuer, the City of Los Angeles, became aware that the project, as structured, was not able to meet the 50% test due to the significant amount of assumed debt associated with the purchase of the property. Internal Revenue Code Section 42 (h)(4)(B) sets forth the "50% test" which states that if 50% or more of the aggregate basis of the building and the land on which the building is located are financed with tax-exempt bonds, 4% tax credits can be obtained. If a project is unable to meet the 50% test it is ineligible to receive 4% tax credits. After identifying the problem, the Sponsor and the Issuer tried to work through a number of scenarios that might have assisted in ameliorating the 50% test issue but were unable to resolve it. As a result the project returned its allocation to the CDLAC.

Ms. Glasser-Hedrick stated that, based on the information provided to staff, this was an unfortunate oversight of the 50% test rules that should have been identified at the initial application stage by both the assigned accountant and bond counsel who staff considers to be

members 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.

RECOMMENDATIONS:

In light of the circumstances described, staff recommended the approval of the Waiver of Negative Points and that the Committee uphold the Forfeited Performance Deposit penalty for the Normandie Senior Housing Apartments (14-027 and 137) Project.

Eraina Ortega moved approval of staff's recommendations. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: 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>
15-325	Downtown Hayward Senior Apartments
15-358	John Burton Foundation Housing Complex Apartments
15-012	Park Village Family Apartments
15-338	Seasons at Simi Valley Apartments
15-326	Dinuba Village Apartments
15-328	Mutual Housing at Foothill Farms Apartments
15-347	Springville Apartments
15-355	Virginia Terrace Apartments
15-331	T. Bailey Manor Apartments
15-307	Leaster Apartments
15-353	Samoa Avenue Apartments
15-346	Pilgrim Tower Apartments
15-335	St. Timothy's Tower and Manor Apartments
15-349	Beverly Terrace Apartments
15-354	Villa la Esperanza Apartments
15-013	Park Plaza Apartments

(Action Item)

Brian Clark reported that issuance date extensions were requested for sixteen (16) awarded QRRP projects; however, two (2) of the projects have since closed, John Burton Foundation Housing Complex Apartments (15-358) and the Seasons at Simi Valley Apartments (15-338), leaving fourteen (14) projects requesting issuance date extensions. The need for the extensions related to project financing including HUD and HCD related delays, general contractor changes, 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 the approval of the following issuance date extensions:

15-325	Downtown Hayward Senior Apartments	December 7, 2015
15-358	John Burton Foundation Housing Complex Apartments	December 7, 2015
15-012	Park Village Family Apartments	September 28, 2015
15-338	Seasons at Simi Valley Apartments	December 16, 2015
15-326	Dinuba Village Apartments	November 10, 2015
15-328	Mutual Housing at Foothill Farms Apartments	October 16, 2015
15-347	Springville Apartments	September 24, 2015
15-355	Virginia Terrace Apartments	December 15, 2015
15-331	T. Bailey Manor Apartments	December 15, 2015
15-307	Leaster Apartments	December 15, 2015
15-353	Samoa Avenue Apartments	December 8, 2015
15-346	Pilgrim Tower Apartments	December 15, 2015
15-335	St. Timothy's Tower and Manor Apartments	December 15, 2015
15-349	Beverly Terrace Apartments	December 15, 2015
15-354	Villa la Esperanza Apartments	December 15, 2015
15-013	Park Plaza Apartments	December 15, 2015

Ms. Glasser-Hedrick stated that the extension process was created to insure that projects closed. The process has grown to the extent that most projects that submit now request extensions. In acknowledgement of that, the proposed regulations include extended issuance timeframes as well as tying the Forfeiture of Performance Deposit with inaction to close. Hopefully, this process will incentivize the applicants to close on time and not come before the Board preemptively which is what seems to be occurring.

Jeree went on to report that there was one (1) project, Downtown Hayward Senior Apartments, where HCD was called out in the Resolution. Ms. Glasser-Hedrick wanted to clarify that part of the delay in closing that Project was due to an HCD program; however, at the time that the application was submitted to CDLAC the funding source was not included in the proposed financing structure. It was an additional funding source that was added after the fact. It is in no way a reflection on HCD and its process. There is a process and it takes time to award and proceed to a standard agreement which has no bearing on HCD's program. Ms. Glasser-Hedrick is hopeful that the proposed regulations changes will help to insure that future projects come forward only when they are ready to close.

Laura Whittall-Scherfee thanked Jeree for her comments regarding HCD.

Ms. Whittall-Scherfee had a comment regarding the Downtown Hayward Senior Apartments project. She stated that, after speaking with Staff, it is that single program that is the issue with getting the standard agreement drafted because it is a brand new program. HCD's other three (3) programs, MHP, IIG and TODD, have received the necessary signatures. HCD is moving forward with this program because this and other projects need their standard agreement. Ms. Whittall-Scherfee stated that HCD is very supportive of these projects.

Alan LoFaso asked if the John Burton Apartments project was ready to receive a date extension today.

Misti Armstrong replied that the John Burton Apartments project closed on September 15, 2015.

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

7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Program and Awards of Allocation (Action Item)

a. Consideration of appeals*

Brain Clark reported that there were no appeals.

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

Mr. Clark reported that the Committee received two (2) applications requesting \$39,058,336 (City of Los Angeles, \$30,552,813 and County of Contra Costa, \$8,505,523) of their 2015 Fair Share Single Family Housing allocations, all for the issuance of Mortgage Credit Certificates under their respective single-family homeownership programs

RECOMMENDATION:

Staff recommends approval of \$39,058,336 (the calculated fair-share amount) to fund the two (2) programs in the Single Family Housing Program as noted above.

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

15-020	BC	City of Los Angeles	MCC	Los Angeles	Los Angeles	\$30,552,813
15-021	BC	County of Contra Costa	MCC	Various	Contra Costa	\$8,505,523

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*

Devon King reported that there were no appeals.

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

Mr. King reported that six (6) projects: Robert Pitts Apartments, Hunters Point East West Apartments, Holly Court Apartments, 225 Woodside Apartments, Woodglen Vista Apartments, and 990 Pacific Apartments each necessitated a \$30 million allocation limit waiver.

General Pool

The General Pool reflects thirty-eight (38) projects requesting a total allocation of \$728,389,996. Included in the group are three (3) projects requesting supplemental allocations and two (2) projects that previously received forward commitments.

Rural Pool

The Rural Pool reflects two (2) projects requesting a total allocation of \$10,000,000.

RECOMMENDATIONS:

Staff recommended approval of the \$30 million allocation limit waiver for the Robert Pitts Apartments Project (15-385), Hunters Point East West Apartments Project (15-388), Holly Court Apartments Project (15-396), 225 Woodside Apartments (15-393), Woodglen Vista Apartments Project (15-412), and the 990 Pacific Apartments Project (15-386)

Staff recommended approval of \$ 728,389,996 to fund thirty-eight (38) previously reviewed projects in the General Pool and approval of \$10,000,000 to fund two (2) previously reviewed projects in the Rural Pool.

Eraina Ortega moved approval of the \$30 million maximum allocation limit waivers. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: Aye; Alan Gordon: Aye.

Eraina Ortega moved approval of \$738,389,996 to fund thirty-eight (38) projects in the General Pool and two (2) projects in the Rural Pool. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: Aye; Alan Gordon: Aye.

8.1	15-379	SL	California Municipal Finance Authority	Arroyo Del Camino Apartments	Avenal	Kings	\$5,500,000
8.2	15-380	RF	California Municipal Finance Authority	Coalinga Senior Apartments	Coalinga	Fresno	\$4,500,000
8.4	15-022	DK	Housing Authority of the County of San Bernardino	Horizons at Yucaipa Apartments (Supplemental)	Yucaipa	San Bernardino	\$1,000,000
8.5	15-023	SL	California Housing Finance Agency	O'Farrell Towers Apartments	San Francisco	San Francisco	\$29,004,040
8.7	15-025	SL	California Statewide Communities Development Authority	Huntington Villa Yorba Apartments (Supplemental)	Huntington Beach	Orange	\$13,000,000
8.8	15-026	RF	City of Los Angeles	Skid Row South Southeast 1 Apartments (Supplemental)	Los Angeles	Los Angeles	\$1,413,082
8.9	15-381	DK	Housing Authority of the County of Kern	Green Gardens Apartments	Bakersfield	Kern	\$6,000,000
8.10	15-385	RF	City and County of San Francisco	Robert B. Pitts Apartments	San Francisco	San Francisco	\$48,768,000
8.11	15-386	SL	City and County of San Francisco	990 Pacific Apartments	San Francisco	San Francisco	\$38,633,000

8.12	15-387	DK	City of Los Angeles	Sylmar Court Apartments	Los Angeles	Los Angeles	\$25,000,000
8.13	15-388	RF	City and County of San Francisco	Hunters Point East West Apartments	San Francisco	San Francisco	\$69,238,000
8.14	15-389	DK	California Housing Finance Agency	Groves at Manzanita Apartments	Carmichael	Sacramento	\$10,000,000
8.15	15-390	DK	California Housing Finance Agency	Sunrise Meadows Apartments	Rancho Cordova	Sacramento	\$10,500,000
8.16	15-391	RF	California Housing Finance Agency	Kenneth Park Apartments	Carmichael	Sacramento	\$11,250,000
8.17	15-392	BC	California Housing Finance Agency	Summit at Fair Oaks Apartments	Fair Oaks	Sacramento	\$10,000,000
8.18	15-393	SL	City and County of San Francisco	255 Woodside Apartments	San Francisco	San Francisco	\$30,708,000
8.19	15-394	RF	City and County of San Francisco	462 Duboce Apartments	San Francisco	San Francisco	\$19,514,000
8.20	15-395	SL	City and County of San Francisco	25 Sanchez Apartments	San Francisco	San Francisco	\$25,612,000
8.21	15-396	RF	City and County of San Francisco	Holly Courts Apartments	San Francisco	San Francisco	\$39,843,000
8.22	15-397	SL	City and County of San Francisco	491 31st Ave Apartments	San Francisco	San Francisco	\$16,227,000
8.23	15-398	RF	City and County of San Francisco	1880 Pine Apartments	San Francisco	San Francisco	\$21,475,000
8.24	15-399	SL	City and County of San Francisco	227 Bay Apartments	San Francisco	San Francisco	\$14,297,000
8.25	15-400	RF	City and County of San Francisco	345 Arguello Apartments	San Francisco	San Francisco	\$18,047,000
8.26	15-401	BC	California Housing Finance Agency	Park Sunset Apartments	San Francisco	San Francisco	\$10,000,000
8.27	15-402	SL	City and County of San Francisco	666 Ellis Street Apartments	San Francisco	San Francisco	\$22,168,000
8.28	15-403	RF	City and County of San Francisco	430 Turk Street Apartments	San Francisco	San Francisco	\$21,770,000
8.29	15-404	BC	County of Contra Costa	The Oaks Apartments	Walnut Creek	Contra Costa	\$7,100,000
8.30	15-405	SL	City and County of San Francisco	939 & 951 Eddy Street Apartments	San Francisco	San Francisco	\$13,265,000

8.31	15-406	BC	County of Contra Costa	Golden Oak Manor Apartments	Oakley	Contra Costa	\$5,800,000
8.32	15-407	BC	California Municipal Finance Authority	Copper Square Apartments	Lancaster	Los Angeles	\$20,840,000
8.33	15-408	BC	California Municipal Finance Authority	Villa Garcia Apartments	Thousand Oaks	Ventura	\$10,000,000
8.34	15-409	BC	California Municipal Finance Authority	Sycamore Terrace Apartments	Upland	San Bernardino	\$13,000,000
8.35	15-410	BC	California Housing Finance Agency	Maplewood Apartments	Lakeside	San Diego	\$8,600,000
8.36	15-411	DK	California Municipal Finance Authority	Colorado Park Apartments	Palo Alto	Santa Clara	\$22,347,000
8.37	15-412	DK	California Housing Finance Agency	Woodglen Vista Apartments	Santee	San Diego	\$31,000,000
8.38	15-413	DK	California Municipal Finance Authority	Briar Crest and Rosecrest Apartments	Garden Grove	Orange	\$7,000,000
8.39	15-414	DK	California Statewide Communities Development Authority	Cottonwood Place Apartments (Phase I)	Moreno Valley	Riverside	\$8,910,874
8.40	15-415	RF	City of Los Angeles	HCHC Recap I Apartments	Los Angeles	Los Angeles	\$7,500,000
8.41	15-316	RF	California Statewide Communities Development Authority	Las Cortes Apartments	Oxnard	Ventura	\$29,560,000
8.42	15-327	BC	City of San Jose	Casa del Pueblo	San Jose	Santa Clara	\$30,000,000

9. Consideration of a Request for a Revised Resolution for Stevenson House Apartments Project (14-125) – Qualified Residential Rental Program – (Action Item)

Misti Armstrong reported that prior to the May 2014 award, the Project operated since 1998 as an affordable project with 119 tenant-occupied affordable units.

At the time of application, it was the intent of the Project Sponsor to income-restrict the 119 tenant-occupied units. During a more recent verification of tenant incomes, it came to the attention of the developer that a tenant’s income exceeded the 60% Area Median Income (AMI) threshold.

The General Partner of Stevenson House is a non-profit organization associated with a church adjacent to the Project and previously made the decision to not involuntarily relocate over income tenants currently living at the property. The Project is a senior housing project in the Palo Alto area and offers services that cannot be found in other nearby projects. As such, the General Partner was not comfortable forcing the issue of relocation on an elderly resident. The Applicant is now requesting that the total number of units reflected in the

Committee's resolution be changed from 119 units plus one (1) manager unit to 118 units plus one (1) manager unit and one (1) market rate unit. The change will not affect the projects threshold score.

RECOMMENDATION:

Staff recommended approval of revisions to CDLAC Resolution 14-125 for the purpose of changing the total count of restricted units from 119 units plus one (1) managers unit to 118 units plus one (1) manager's unit and one (1) market rate unit for the Stevenson Housing Apartments Project (14-125).

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

10. Public Comment (Action Item)

There was no public comment.

11. Adjournment

The Chairperson adjourned the meeting at 11:27 a.m.