

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

**October 19, 2016**

**CONSIDERATION AND ADOPTION OF THE QUALIFIED RESIDENTIAL RENTAL PROGRAM (QRRP) MINIMUM POINT THRESHOLDS AND NON-COMPETITIVE APPLICATION PROCESS FOR THE 2017 PROGRAM YEAR**  
**(Agenda Item No. 7)**

**ACTION:**

For the 2017 program year, approve minimum point thresholds and an open application process for the Qualified Residential Rental Program (QRRP).

**BACKGROUND:**

**Open Application Process**

Staff recommends that the Committee approve and maintain an open application process for the 2017 Qualified Residential Rental Program (QRRP) year. This recommendation is made on the basis that the QRRP pool continues to be non-competitive in 2016 and is expected to be non-competitive for the 2017 program year. However, if at any time during the open application process the QRRP pool appears to become competitive, staff will return to the Committee with a recommendation to close the open application process and return to a competitive allocation round process.

**Minimum Point Thresholds**

Staff recommends minimum point thresholds as follows: Forty-five (45) points in the General Pool and Rural Pool and twenty (20) points in the Mixed Income Pool.

Throughout CDLAC's history of administering the State Ceiling for qualified private activity bonds, the program has enjoyed robust utilization. This trend dramatically changed in the late 2000's in conjunction with the downturn and has continued despite the economic recovery. As a result of factors including but not limited to the dissolution of redevelopment, the exhaustion of State Bond funds specifically dedicated to affordable housing preservation and production, and the historically low spreads between tax-exempt and taxable financing the State Ceiling has been underutilized since 2008. To preserve this underutilized resource, CDLAC has been making lump sum awards which are carried forward and preserved. There are federal limitations to preserving the bond authority and, in 2014, CDLAC was required to abandon nearly \$1.429 billion. Additionally, in 2014 CDLAC carried forward \$7.884 billion of unused resources into 2015.

Since reducing the point threshold to forty-five (45) points in the General pool and twenty (20) points in the Rural pool for the 2016 program year, demand in the multifamily housing pools has increased dramatically for various reasons. As a result, carryforward balances are at significantly low levels and for both the 2015 and 2016 year, CDLAC has allocated more than the annual state ceiling established for each of the given years (this was possible due to the utilization of unused past year carryforward). Still, the program has not reached a competitive status where demand exceeds available resources and as such, staff recommends maintaining the current minimum point thresholds in an effort to continue to encourage utilization of CDLAC's resources. Additionally, CDLAC received a pipeline of \$2.6 billion of expiring Difficult Development Area (DDA) projects in June of 2016 most of which will request allocation in 2017, if they are able to proceed. Given that the expiring DDA projects submitted to CDLAC were subject to a 45 point minimum score, it would be administratively cumbersome to create a different standard for 2017.

CDLAC is hopeful that maintaining this scoring threshold will continue to push more projects into the realm of economically viable and accordingly increase production and preservation of affordable housing throughout the state.

**RECOMMENDATION:**

Staff recommends the approval of minimum point thresholds for the General and Rural Pools of forty-five (45) points and twenty (20) points for the Mixed Income Pool as noted and an open application process for the Qualified Residential Rental Program for 2017.

*Prepared by Misti Armstrong*