

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 9581
January 18, 2017
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 11:20 am.

Members Present: Alan Gordon for John Chiang, State Treasurer
Eraina Ortega for Edmund G. Brown, Jr., Governor
Anne Baker 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 December 14, 2016 Meeting (Action Item)

Eraina Ortega moved approval of the minutes for the December 14, 2016 meeting. Upon a second by Anne Baker, the minutes passed 2-1-0 with the following votes: Eraina Ortega: Aye; Alan Gordon: Aye; Anne Bake: Abstain

3. Executive Director's Report (Informational Item)

Ms. Glasser-Hedrick reported an overview of CDLAC's program activity for 2016. CDLAC received \$3.9 billion of allocation and allocated approximately \$6.1 billion. When compared to the 2014 figures of \$1.9 billion of allocated resources, the 2016 figures represented a 321% increase year to year. With regard to multifamily units, CDLAC participated in the financing of over 20,750 units which is up from the 9,763 units in 2014 netting an increase of 213%. With regard to single family units, CDLAC has through its Mortgage Credit Certificate (MCC) and Mortgage Revenue Bonds (MRB) programs helped to assist 8,695 first time homebuyers. This is a major uptick from the 1,374 first time homebuyers assisted in 2014 garnering an increase of 624%

These are all positive statistics that were made possible by CDLAC's good stewardship of underutilized resources preserved in the past. CDLAC hopes to sustain its full utilization for the foreseeable future. However, it should be noted that given the deletion of CDLAC's carry-forward resources, the ability to allocate going forward will be limited to what carry forward CDLAC has on hand in addition to the allocation from the annual federal ceiling amount. Thus replicating \$6.1 billion of allocation is not realistic in the foreseeable future.

Ms. Glasser-Hedrick further reported she is frequently asked to explain the factors that have prompted CDLAC's landscape. From her perspective, the regulation changes completed in 2015, namely encouraging larger developments through eliminating the cap on developer fees, have had a positive impact, long-term stable interest rate environment, favorable tax credit pay in rates and the aging portfolio of assets in need of preservation resources. In the coming year, the strength of CDLAC recovery will be tested as interest rates tick up and tax credit rates return to historical norms.

Ms. Glasser-Hedrick thanked the entire CDLAC staff for their efforts in making the expansion possible and it is a tribute to what one organization can do with regard to the fact that CDLAC doubled the amount of units that are so desperately needed in the state of California.

Ms. Glasser-Hedrick anticipates having more details about the California Industrial Development Financing Advisory Commission (CIDFAC) stakeholder process. As a reminder, CDLAC allocates resources to CIDFAC for Industrial Development Bond (IDB) purposes. There have been comments and concerns from the development community requesting that CDLAC review its regulations to insure that they are consistent with the current Industrial Development projects. CDLAC will be participating in a stakeholder group with CIDFAC which will transpire during spring 2017. Additional details will be forthcoming in March. CDLAC will also be joining TCAC at their workshops. It is important to outreach to the community and that CDLAC, too, provide a forum where everyone understands the regulations and changes made to the application process.

Ms. Glasser-Hedrick advised that item #8 is a closed session item and the room will be cleared of the public.

Ms. Patterson inquired whether CDLAC and TCAC have a workshop schedule.

Ms. Glasser-Hedrick confirmed that a workshop schedule is listed on both the CDLAC and TCAC websites.

4. Determination and Adoption of the 2017 State Ceiling on Qualified Private Activity Bonds
(Action Item)

Ruben Barcelo reported that the State's allocation of private activity bond volume cap is increasing by \$10,519,900 to a new total of \$3,925,001,700 for 2017. The population increased by nearly 105,199 people over last year, and the U.S. Treasury held the per capita formula to \$100 per person.

RECOMMENDATION:

Staff recommended adoption of a resolution establishing the 2017 State Ceiling for qualified private activity bonds at \$3,925,001,700.

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

5. Consideration and Adoption of the Apportionment of the 2017 State Ceiling among the State Ceiling Pools (Action Item)

Ruben Barcelo reported that the State Ceiling Pools reflects a shift in CDLAC policy regarding expiring Difficult Development Areas (DDA) and Quality Census Tract (QCT) projects. As a result of this shift in the 2016 definition of a DDA, the separate pooling for the 2015 expiring DDA/QCT projects seeks to ensure that these projects are funded given the potential of losing the federal tax credit basis bump. Preserving the DDA/QCT status will maximize federal resources. This also continues a shift in the

CDLAC policy regarding CalHFA which began last year. The direct allocation to CalHFA recognizes its unique role and responsibility as the State's affordable housing bank and seeks to support CalHFA's conduit and lending programs. Also, given that there is a significant amount of carryforward allocation for exempt facility deals, demand for IDB's has been fully funded. Staff has eliminated all of the undesignated reserves that existed in 2016, reduced the amount of single family allocation to historical norms and is allocating resources to other pools based only on demand.

RECOMMENDATION:

Staff recommended reservation amounts which reflect the statutory emphasis on affordable housing. Staff recommended the following amounts for each of the State Ceiling Pools for 2017.

State Ceiling Pool	Reservation	Percent of Ceiling*
General Project Pool	\$2,145,001,105	54.65%
- General	\$584,243,105	14.89%
- 2015 DDA	\$1,410,758,000	35.94%
- CalHFA	\$150,000,000	3.82%
Mixed Income Pool	\$825,000,425	21.02%
- General	\$300,015,625	7.64%
- 2015 DDA	\$524,984,800	13.38%
Rural Project Pool	\$330,000,170	8.41%
- General	\$305,000,170	7.77%
- 2015 DDA	\$25,000,000	0.64%
<i>Sub-Total – Multifamily Projects</i>	<i>\$3,300,001,700</i>	<i>84.08%</i>
Single-Family Housing-CalHFA/CalVet	\$250,000,000	6.37%
Single-Family Housing-Locals	\$250,000,000	6.37%
Single-Family Housing Program Bonus Pool	\$0	0.00%
<i>Sub-Total – Single-Family Programs</i>	<i>\$500,000,000</i>	<i>12.74%</i>
Extra Credit Teacher Home Purchase Program Pool	\$0	0.00%
Single-Family Home Improvement and Rehabilitation Program	\$0	0.00%
<i>Housing Total</i>	<i>\$3,800,001,700</i>	<i>96.82%</i>
Beginning Farmer Project Pool	\$0	0.00%
Small-Issue Industrial Development Project Pool	\$36,000,000	0.92%
- IBank	\$11,000,000	0.28%
- CIDFAC	\$25,000,000	0.64%
Exempt Facility Project Pool	\$89,000,000	2.27%
Student Loan Program Pool	\$0	0.00%
<i>Non-Housing Total</i>	<i>\$125,000,000</i>	<i>3.18%</i>
Allocation on Hold (undesignated reserve)	\$0	0.00%
GRAND TOTAL	\$3,925,001,700	100.00%

*Percentages are rounded.

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

6. Consideration of a \$25 Million Award of Allocation for the California Industrial Development Financing Advisory Commission (CIDFAC) for the Small-Issue Industrial Development Bond Program (IDB) (Action Item)

a. Consideration of appeals*

Richard Fischer stated that there were no appeals.

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

The Committee approved a similar transfer of \$50 million to CIDFAC for 2016 year and approximately \$6 million was utilized. For 2017, CIDFAC anticipates demand of \$25 million.

RECOMMENDATION:

Staff recommended approval of \$25,000,000 of allocation for the California Industrial Development Financing Advisory Commission for the Industrial Development Bond Program.

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

6	17-001	RF	California Industrial Development Financing Advisory Commission	CIDFAC IDB Program	Various	Various	\$25,000,000
---	--------	----	---	--------------------	---------	---------	--------------

7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation (Action Item)

a. Consideration of appeals**

Ruben Barcelo stated that there were no appeals.

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

Mr. Barcelo reported that the committee received three (3) project applications requesting a total allocation of \$76,758,225.

RECOMMENDATION:

Staff recommended approval of \$76,758,225 to fund three (3) previously reviewed projects in the General Pool.

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

7.1	17-302	RF	California Statewide Communities Development Authority	Lilly Gardens Apartments	Gilroy	Santa Clara	\$33,710,000
7.2	17-303	SL	California Public Finance Authority	Willowbrook Apartments	Baypoint	Contra Costa	\$21,620,000
7.3	17-304	RF	City of Los Angeles	Gilbert Lindsay Apartments	Los Angeles	Los Angeles	\$21,428,225

8. CLOSED SESSION: Litigation (Government Code Section 11126(e)(2)(c)) - Discussion with Legal Counsel Regarding Pending Litigation (San Regis, LLC v. City of Los Angeles, et al., Los Angeles County Superior Ct. Case No. BC637630)

No action was taken by the Board.

9. Public Comment

There was no public comment.

10. Adjournment

The Chairperson adjourned the meeting at 12:12pm.