

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

January 18, 2017

**CONSIDERATION AND ADOPTION OF THE APPORTIONMENT OF THE 2017 STATE
CEILING AMONG THE STATE CEILING POOLS**

(Agenda Item No. 5)

ACTION:

Establish the amounts for each of the State Ceiling Pools for the 2017 program year in accordance with Section 5010 of the Committee's Regulations Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds.

BACKGROUND:

California's population as recently reported by the U.S. Census Bureau is 39,250,017 resulting in a State Ceiling for 2017 of \$3,925,001,700.

In accordance with the Regulations, at the beginning of each calendar year the Committee must establish and announce the amounts the Committee expects to be apportioned to each of the State Ceiling Pools for the program year. In establishing the amounts for the pools, the Committee may consider the past year's results and legislative priorities.

The Committee continues to have legislative priorities intended to:

1. Promote housing for lower income families and individuals; and
2. Preserve and rehabilitate existing governmental assisted housing for lower income families and individuals.

Please see attached Attachment A for past year results.

DISCUSSION:

In making recommendations for the 2017 pool amounts, staff surveyed the entire development community with more specific outreach to the issuers to determine estimated demand. The feedback solidified robust demand for multifamily allocation in 2017. As a result, staff has eliminated all 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. Additionally, in an effort to protect that ability of the expiring 2015 DDA/QCT application to secure funding allocation this year, CDLAC has set up separate pools for these projects. The following list estimates demand and provides a recommendation for each program pool:

- As indicated above, demand for multifamily resources next year is robust. Accounting for the carryforward that will exist, demand is estimated at approximately \$4.4 billion of which \$3.3 billion is proposed to be funded with 2017 allocation and the remaining to be funded with past year carryforward. This allocation may be utilized until exhausted through December 31, 2017 and December 31, 2019 respectively.

For QRRP, staff recommends \$2.145 billion for the General Pool; \$825 million for the Mixed Income Pool and \$330 million for the Rural Project Pool. The General Pool will further sub-allocate \$584 million for 2017 general pool projects, \$1.4 billion for 2015 Expiring DDA/QCT projects and the California Housing Finance Agency (CalHFA) will be assigned a direct general pool reservation of \$150 million. The Mixed Income Pool will further sub-allocate \$300 million for general mixed income projects and \$524 million for 2015 Expiring DDA/QCT projects. Finally, the Rural Pool will further sub-allocate \$305

million for 2017 rural pool projects and \$25 million for 2015 Expiring DDA/QCT projects. The separate pooling for the 2015 Expiring DDA/QCT projects seeks to ensure these projects are funded given the potential of losing the federal tax credit basis bump. 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.

- Staff recommends setting the **Single Family Program (SFH) Pool** at \$500 million which is a \$300 million reduction from 2016. The pool amount will be split between statewide administrators and local program administrators. Potential statewide applicants include CalHFA and the California Department of Veteran Affairs (Cal-Vet). Please see Attachment B for the local administrator (County) Fair Share amounts. In addition, if the Committee has determined that any portion of the Single Family Housing Program Pool is remaining by the final meeting of the year, this amount will be made available to Local Issuers under the Single Family Housing Bonus Pool regardless of their initial Fair Share Basis limit or amount of Allocation awarded in the current year.
- Historically, the **Extra Credit Teacher Program (ECTP)**, solely administered by CalHFA, involved a combination of a first mortgage and a subordinate loan. The first mortgage was funded with tax-exempt bond proceeds or, more currently, the first loan is securitized and becomes part of CalHFA's To Be Announced (TBA) delivery program which does not require the issuance of tax-exempt bonds. For this reason, no reservation will be set aside for the ECTP Program at this time. .
- In 2013, the **Single Family Home Improvement and Rehabilitation Bond Program (HIRB)** was developed to assist low-to-moderate-income households with securing qualified home improvement or qualified rehabilitation loans. State and local government agencies and joint powers authorities may issue MCCs or MRBs to back below market interest rate loans. Based on anticipated demand, staff is not recommending any allocation for the HIRB Pool for 2017.
- In 2016, **Industrial Development Bond (IDB)** allocations totaled over \$6,225,000. The California Industrial Development Financing Advisory Commission (CIDFAC) has indicated that for 2017, IDB demand shall be approximately \$25 million. Therefore, staff is recommending \$25 million in allocation for the IDB program pool. Should IDB demand exceed this amount, CIDFAC will return to the Committee with a request for additional allocation.
- In 2016, the **Exempt Facility Pool (EXF)** allocations totaled over \$8,315,000 in bond authority. The California Pollution Control Financing Authority (CPCFA) staff and other Issuers working on Exempt Facility projects have indicated that they do expect a higher level of usage of bond authority in 2017. Accordingly, \$89 million of allocation will be pooled for exempt family projects. Additionally, CPCFA currently has a balance of over \$1 billion in unused 2014 carryforward allocation. The carryforward allocation is available for CPCFA's use through December 31, 2017, respectively.
- In 2016, the **Student Loan Program Pool** received no applications. Currently, no demand is anticipated for 2017. As a result, staff does not recommend a 2017 reservation for the Student Loan Program Pool at this time.
- For 2017, there is no Issuer interest anticipated for the **Beginning Farmer Program**. As a result, staff does not recommend a 2017 reservation for the Program at this time.

RECOMMENDATION:

Reservation amounts for the State Ceiling Pools:

Staff recommends reservation amounts that reflect the statutory emphasis on affordable housing. Staff recommends the following amounts for each of the State Ceiling Pools for 2017 (please see Attachment A for more detailed information):

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.