

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
March 21, 2018
Meeting Minutes

OPEN SESSION

1. Call to Order and Roll Call

Vincent P. Brown, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 1:30 p.m.

Members Present: Vincent P. Brown for John Chiang, State Treasurer
Jacqueline Wong-Hernandez for Edmund G. Brown, Jr., Governor
Alan LoFaso for Betty T. Yee, State Controller

Advisory Members Present: Michael Carroll for the California Housing Finance Agency (CalHFA)
Ben Metcalf for the Department of Housing and Community Development (HCD)

2. Approval of the Minutes of the December 20, 2017 meeting (Action Item)

Alan LoFaso moved approval of the minutes for the December 20, 2017 meeting. Upon a second by Jacqueline Wong-Hernandez, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jacqueline Wong-Hernandez: Aye; Vincent P. Brown: Aye.

3. Executive Director's Report (Informational Item)

Ms. Whittall-Scherfee reported that she received many questions about whether there had been any impact to CDLAC's demand and to the projects CDLAC had been seeing. Ms. Whittall-Scherfee responded that when comparing the demand and projects from a year ago to today, staff saw similar demand in terms of the number of projects and actual dollars. That same trend was seen in the projects received March 16th for the May Allocation. Ms. Whittall-Scherfee stated that they had not seen a decrease in either the number of projects, the types of projects, or the dollar amounts that were requested.

Ms. Whittall-Scherfee reported that the trend staff noticed, starting about a year and a half ago, was more of a balance between acquisition/rehabilitation deals and new construction. It used to be two-thirds acquisition/rehabilitation for 4% deals and approximately one-third new construction. CDLAC staff noticed that it is now more of a 50/50 split between acquisition/rehabilitation and new construction.

Ms. Whittall-Scherfee further reported that CDLAC would be using the CDLAC/TCAC joint application beginning with the May Meeting which Mark Stivers would be discussing at the TCAC Board meeting.

The next item is a report back to the Board regarding process improvements, regulatory review and staff outreach efforts. For now, the item of providing some issuers with allocation is off the table; however, staff recognized that it was in the best interest of CDLAC as well as the stakeholders, that staff review CDLAC regulations and make changes by adding or deleting regulations that would not be helpful once CDLAC became competitive, or are either obsolete or out of date. Ms. Whittall-Scherfee stated staff would be holding roundtable discussions to get feedback and input to move forward with some regulatory changes. Staff will also be examining CDLAC's processes for ways that can streamline or improve delivery of allocations.

Ms. Whittall-Scherfee stated that there would be no closed session today.

Mr. Brown asked if there was a high-level timeline of how CDLAC would approach the process improvements, regulatory review and outreach efforts.

Ms. Whittall-Scherfee stated that staff's goal was to conduct meetings in the next three to four months in order to be able to gather the regulatory recommendations and bring it back to the Board in October. For clarification, CDLAC has historically brought to the Board recommendations on regulation changes in November.

Mr. Brown noted that at 1:40 p.m. Mr. Metcalf joined the Meeting.

Mr. Brown reported that Ms. Jeree Glasser-Hedrick would not be returning to the Treasurer's Office. Staff rearranged the Board meeting schedules so that Mr. Brown would be able to Chair CDLAC and TCAC meetings while continuing with his other obligations. Going forward, Mr. Brown will be the Chair until such time as he is relieved of duty.

4. 2018 Compliance Status Report (Informational Item)

Shirley Hom presented the 2018 Compliance Status Report. She stated that since March of last year, staff followed an action plan to improve the database integrity. CDLAC staff worked with staff from the Public Finance Division (PFD), and did a manual review of all records for reconciliations. CDLAC staff also worked with the California Debt Investment Advisory Commission (CIDFAC) staff to update CDLAC's database and ensure that all non-QRRP entities were included in the database. Staff completed removal of the projects from the compliance reporting status where CDLAC staff had no legal ability to enforce the reporting requirements. Lastly, to maintain the integrity of CDLAC's database, staff will run data quality reports at the end of each 2018 Board meeting. Ms. Hom introduced Felicity Wood, Compliance Analyst, to provide further insight and information.

Ms. Wood indicated that there had been a 69% decrease in non-compliant entities from March 1, 2017 to March 1, 2018. Certifications for QRRP's submitted in 2017 were 88% of what staff had expected. The number of certifications staff received in 2018 were 93% of what staff had expected.

The number of non-compliant QRRP entities in 2017 was 289 which included 47 unique issuers plus 242 project sponsors. In 2018, the number of non-compliant QRRP entities decreased to 93 which included 40 unique issuers plus 53 sponsors, meaning that in 2018, there were seven (7) less non-compliant issuers than in 2017, according to CDLAC's records, and 189 less non-compliant sponsors than the prior year.

CDLAC Resolution #17-027, which the committee approved in May of last year, removed QRRP allocations prior to the year 2000 from compliance reporting, as staff had no legal justification for requiring compliance reporting on those based on the resolutions that were written at the time. In 2017, there were 48 non-compliant non-QRRP issuers that dropped to ten (10) in 2018, a difference of 38. Much of that had to do with CDLAC resolution #17-027.

Mr. LoFaso asked if the issuers who were removed were mostly entities that were currently not active with CDLAC and did not have a lot of negative points.

Ms. Wood indicated that that was what a large portion of Resolution #17-027 addressed. The Resolution excused projects prior to 2000 for QRRP's and prior to 2012 for non-QRRP's, meaning that many of the less active applicants were removed from being required to report.

Mr. Brown stated that because he had not been involved with this report for some time, he would like to follow up on that report to get further details.

5. Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit and/or Negative Points for Various Qualified Residential Rental Projects (QRRP)
(Action Item)

Posada de Colores Apartments	17-316
Cornerstone Place Apartments	17-354
PATH Metro Villas Apartments	17-361
Maple & Main Apartments	17-373
800 Block Apartments	17-385

Ms. Hom reported that CDLAC staff had received a request for a Waiver of Forfeiture of the Performance Deposit for four (4) projects. The project sponsors provided staff with reasons that met the requirements which were unforeseen and beyond their control.

Staff recommended the Waiver of the Forfeiture of Performance Deposit and/or Negative Points for four (4) projects.

There was one (1) project, PATH Metro Villas Phase 2, which did not meet the 80% bond issuance requirement. They did not issue the full amount of the bond and they requested a partial Waiver of the Performance Deposit Forfeiture.

RECOMMENDATION:

Staff recommended the Waiver of the Forfeiture of the Performance Deposit for the Posada de Colores Apartments, Cornerstone Place Apartments, Maple & Main Apartments and 800 Block Apartments while recommending the approval of the partial Waiver of Forfeiture of the Performance Deposit for PATH Metro Villas Phase 2 Apartments.

Alan LoFaso moved approval of staff's recommendations. Upon a second by Jacqueline Wong-Hernandez, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jacqueline Wong-Hernandez: Aye; Vincent P. Brown: 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*

Sarah Lester reported there were no appeals.

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

Ms. Lester reported that the Committee received one (1) application for the Single Family Housing Mortgage Credit Certificate (MCC) Program. The applicant requested \$15 million. The applicant's 2018 fair share amount was \$10,418,399.

RECOMMENDATION:

Staff recommended that the Committee approve the applicant’s 2018 fair share amount of \$10,418,399 and also approve \$4,581,601 from the Committee’s 2018 undesignated reserve for an aggregate total of \$15 million which was the applicant’s requested amount to fund the MCC program.

Jacqueline Wong-Hernandez moved the approval of staff’s recommendation for the Single Family Housing MCC Program. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Alan LoFaso: Aye; Vincent P. Brown: Aye.

18-002	SL	County of Alameda	MCC		Alameda	\$15,000,000
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7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects (QRRP) and Awards of Allocation (Action Item)

a. Consideration of appeals*

Ms. Hom reported there were no appeals.

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

Ms. Hom reported that staff received 22 applications and recommended approval of 22 projects.

Of the Qualified Residential Rental Projects, two (2) are rural pool projects totaling \$ 9,500,000. The other twenty (20) projects are in the general pool totaling \$650,825,467. The combined total amount recommended under the Qualified Residential Rental pool is \$660,325,467.

RECOMMENDATION:

Staff recommended the approval of two (2) rural pool projects totaling \$9,500,000 and twenty (20) general pool projects totaling \$650,825,467 for an aggregate amount of \$660,325,467.

Jacqueline Wong-Hernandez moved approval of the staff recommendation for the Qualified Residential Rental Projects. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Alan LoFaso: Aye; Vincent P. Brown: Aye.

18-319	SL	California Municipal Finance Authority	Kristen Court Apartments II	Live Oak	Sutter	\$4,500,000
18-320	LE	California Municipal Finance Authority	Arroyo Del Camino II	Avenal	Kings	\$5,000,000
18-302	RB	California Public Finance Authority	Bigby Villas Apartments	Fresno	Fresno	\$24,860,000
18-303	RF	California Public Finance Authority	The Greenery Apartments	Woodland	Yolo	\$13,000,000

18-304	LE	California Public Finance Authority	Pioneer Park Plaza	San Bernardino	San Bernardino	\$22,500,000
18-305	RB	California Public Finance Authority	Westgate Gardens Apartments	Fresno	Fresno	\$11,000,000
18-306	LE	California Municipal Finance Authority	Kensington Campus	Lancaster	Los Angeles	\$13,000,000
18-316	SL	City of Los Angeles	SP7 (Site 1)	Los Angeles	Los Angeles	\$29,303,755
18-317	SL	City of Los Angeles	SP7	Los Angeles	California	\$2,704,059
18-318	RB	California Municipal Finance Authority	Sunset Creek	Fairfield	Solano	\$15,597,000
18-321	RF	Housing Authority of the City of San Diego	The Post 310	San Diego	San Diego	\$9,000,000
18-325	LE	Housing Authority of the County of Sacramento	Southwind Court Apartments	Unincorporated	Sacramento	\$10,000,000
18-326	RF	California Housing Finance Agency	Curtis Johnson Apartments (Scattered Site)	Los Angeles	Los Angeles	\$7,000,000
18-327	RB	California Public Finance Authority	Hope on Alvarado	Los Angeles	Los Angeles	\$20,000,000
18-328	RB	California Statewide Communities Development Authority	Pioneer Gardens Apartments	Santa Fe Springs	Los Angeles	\$51,038,310
18-330	SL	California Municipal Finance Authority	Blue Mountain Terrace	Winters	Yolo	\$10,500,000
18-329	RF	California Statewide Communities Development Authority	Claremont Village Apartments	Claremont	Los Angeles	\$47,322,343
18-331	RB	California Statewide Communities Development Authority	LA 78 Apartments (Scattered Site)	Los Angeles	Los Angeles	\$21,000,000
18-332	RF	California Municipal Finance Authority	Monterey Gateway Apartments	Gilroy	Santa Clara	\$22,000,000

18-333	LE	California Municipal Finance Authority	First Point Apartments I	Santa Ana	Orange	\$123,000,000
18-334	LE	California Municipal Finance Authority	First Point Apartments II	Santa Ana	Orange	\$78,000,000
18-335	RB	California Municipal Finance Authority	Villa Court Senior Apartments	Santa Ana	Orange	\$120,000,000

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

There was no closed session.

9. Public Comment

There was no public comment.

10. Adjournment

The Chairperson adjourned the meeting at 1:52 p.m.