

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
April 18, 2018

Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit
For a Qualified Residential Rental Project (QRRP)
(Agenda Item No. 3)

ACTION:

Consider the approval of a Waiver of the Forfeiture of Performance Deposit for a Qualified Residential Rental Project (QRRP).

BACKGROUND:

Approval of a Carryforward extension requires forfeiture of a project's performance deposit. Using less than 80% of the allocation requires a pro-rata forfeiture of a portion of the performance deposit. In addition, the full reversion of an award of allocation requires both the forfeiture of the project's performance deposit and the assessment of negative points against the Project Sponsor. The Committee may grant a waiver of each upon a satisfactory showing that: (1) the issue or event that prevented the issuance of the bonds was unforeseen; and (2) the issue or event was wholly outside the control of the Project Sponsor and development team. A waiver request must meet both parts of the test.

Jordan Downs Phase 1B Apartments, Application No. 17-383

The Jordan Downs Phase 1B Apartments ("Project") received an allocation on September 20, 2017 with a bond issuance expiration date of March 26, 2018. Thereafter, upon the Applicant's request, the Executive Director granted an issuance extension to June 18, 2018, and the performance deposit in support of the project was forfeited to the Committee in accordance with Section 5052 of the Committee's Regulations.

The delay was due to a financing deficit caused by an 11.7% increase in construction costs from the time of the application in July 2017 to December 2017. In order to alleviate the financing deficit, additional time was needed to restructure the financing from a private placement with Bank of America to a public sale using a Fannie Mae Multifamily Tax Exempt Mortgage Backed Bond. Additionally, the Project is supported by HUD Rental Assistance Demonstration (RAD) vouchers. HUD's review of the Project occurs when the financing structure is in place, all of which contributed to the need for an extension. The Project is expected to close by the end of April 2018.

The Applicant requests a waiver of the performance deposit forfeiture, based on the above factors, resulting in unforeseen delays that were outside of the Applicant's and Sponsor's control.

RECOMMENDATION:

In light of the circumstances described above, staff recommends the approval of the Waiver of Forfeiture of the Performance Deposit for the Jordan Downs Phase 1B Apartments.