

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
June 20, 2018

**Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit
And/or Negative Points for Various Qualified Residential Rental Projects (QRRP)**
(Agenda Item No. 3)

ACTION:

Consider the approval of a Waiver of the Forfeiture of Performance Deposit and/or Negative Points for various Qualified Residential Rental Projects (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 the development team. A waiver request must meet both parts of the test.

Sycamore Street Commons & La Playa Residential Apartments, Application No. 17-402

The Sycamore Street Commons & La Playa Residential Apartments ("Project") received an allocation on November 15, 2017 with a bond issuance expiration date of May 29, 2018. Upon the Applicant's request, the Executive Director granted a 90 day extension to August 27, 2018, and the performance deposit in support of the project will be forfeited to the Committee in accordance with Section 5052 of the Committee's Regulations.

The delay is due to the delayed approval of California Housing and Community Development (HCD) Loan Restructure Program by the U.S. Department of Housing and Urban Development (HUD). HCD has not previously requested from HUD an assignment of an existing HOME loan and did not anticipate the extended approval process of HUD due to its protocols and processes. Additionally, the La Playa Project has a Grant from HUD Department of Health and Human Services (DHHS) which DHHS was unable to locate or provide guidance for assignment procedures. DHHS has been provided with a copy of the Grant and their approval is expected to take 4-6 weeks, through the end of June. Additionally, a Supplemental Application for additional bond allocation for this project was submitted to CDLAC on April 20, 2018 due to increased construction costs. The sponsor is expecting the Supplemental Allocation to be awarded by CDLAC at the June 20, 2018 meeting.

The Applicant requests a waiver of the performance deposit forfeiture, based upon the factors above, resulting in unforeseen delays that were outside the control of the Project Sponsor and the development team.

Cottage Village Senior Apartments, Application No. 17-423

Cottage Village Senior Apartments (“Project”) received an allocation on December 13, 2017 with an expiration date of June 11, 2018. Upon the Applicant’s request, the Executive Director granted a 90-day extension to September 10, 2018, and the performance deposit in support of the project will be forfeited to the Committee in accordance with Section 5052 of the Committee’s Regulations.

The Project was delayed in closing due to an unexpected change to the budget requiring additional review time by HUD and TCAC. The HUD subsidy layering review is required due to the Project’s project-based Section 8 rental assistance. The Project’s budget was final when submitted to TCAC and CDLAC in December 2017; however, in January and March 2018, the City of Manteca increased the development impact fees citywide, resulting in an increase of \$400,000 in fees and a revised budget for TCAC staff to review. The review by TCAC and final review by HUD is expected to be completed in time for the Project to close in July 2018.

The Applicant requests a waiver of the performance deposit forfeiture, based upon the factors noted above, resulting in unforeseen delays that were outside the control of the Project Sponsor and the development team.

Truckee Artist Lofts Apartments, Application No. 17-427

The Truckee Artist Lofts Apartments (“Project”) received an allocation on December 13, 2017 with a bond issuance expiration date of June 25, 2018. Upon the Applicant’s request, the Executive Director granted a 90-day extension to September 24, 2018, and the performance deposit in support of the project will be forfeited to the Committee in accordance with Section 5052 of the Committee’s Regulations.

The Project closing was delayed due to a pending HCD Infill Infrastructure Grant (IIG) which is still being processed. The IIG funds are needed to finish some of the crucial infrastructure work for the Project site including installation of utilities. Until that is accomplished, the final map for the master plan development cannot be recorded and the separate 1-acre parcel for the Project cannot be created. Without the separate parcel for the Project established, escrow cannot close for the construction loan. The housing developer, CFY Development, submitted final working construction drawings to the Town of Truckee in April and expects to receive approval in early June. The Project anticipates closing in July 2018.

The Applicant requests a waiver of the performance deposit forfeiture based upon the factors noted above resulting in the unforeseen delays that were outside the control of the Project Sponsor and the development team.

RECOMMENDATION:

In light of the circumstances described above, staff recommends the approval of the Waiver of Forfeiture of the Performance Deposit and/or Negative Points for the three (3) projects noted above: Sycamore Street Commons & La Playa Residential Apartments, Cottage Village Senior Apartments and Truckee Artist Lofts Apartments.

Prepared by Shirley Hom