

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
July 18, 2018
Meeting Minutes

OPEN SESSION

1. Call to Order and Roll Call

Timothy Schaefer, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 1:54 p.m.

Members Present: Timothy Schaefer for John Chiang, State Treasurer
Jolie Onodera 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)
Lisa Bates for the Department of Housing and Community Development (HCD)

2. Approval of the Minutes of the February 20, 2018 Meeting (Action Item)

Alan LoFaso moved approval of the minutes, as amended by Alan LoFaso with non-substantive edits, for the February 20, 2018 meeting. Upon a second by Jolie Onodera, the minutes passed 3-0 with the following votes: Alan LoFaso: Aye; Jolie Onodera: Aye; Timothy Schaefer: Aye.

3. Executive Director's Report (Informational Item)

Shirley Hom informed the Board that Ms. Whittall-Scherfee was called away unexpectedly. As a result, Ms. Hom presented a very limited Executive Director's Report.

Ms. Hom informed the Board that the edits requested by Mr. LoFaso were incorporated into the February meeting minutes. She further reported that as a result of a demand survey sent out by CDLAC, there will be a CDLAC meeting in October and there will be no CDLAC meeting in November.

4. Consideration and Approval of Proposed CDLAC Regulations for Submittal to the Office of Administrative Law for Regular Rulemaking Consideration (Action Item)

Felicity Wood reported that the California Administrative Procedures Act allows for a couple of different means by which an entity may file regulations with the Secretary of the State. One is an emergency rulemaking and another is a regular rulemaking.

Emergency regulations are temporary, while regulations filed under a regular rulemaking are permanent. However, emergency regulations can be enacted much more quickly than a regular rulemaking. Therefore, if an entity wants regulations enacted quickly and permanently it would first file emergency regulations and follow up with a regular rulemaking to meet those regulations permanent.

The Regulations Package presented today will be submitted to the Office of Administrative Law as a regular rulemaking combining two sets of previously approved emergency regulations. Those emergency regulations were made available for public comment and were approved by Committee last year.

The two sets of emergency regulations passed in 2017 will expire on August 30 and October 7.

Ms. Wood provided a brief description of the two emergency packages. CDLAC was directed to create regulations to allow for Qualified Public Educational Facility Bonds (QPEF) in 2017. CDLAC submitted the QPEF Rules as emergency regulations to OAL. The regulations were subsequently filed with the Secretary of State in October 2017.

In November 2017, we learned that Congress was considering doing away with Private Activity Bonds as part of the Tax Cuts and Jobs Act. CDLAC, specifically Counsel Bob Hedrick, responded by swiftly drafting Emergency Regulations Section 5259 to allow for an expedited application review timeline and one last "Hail Mary" Allocation meeting on December 20th. Committee approved the regulations, staff delivered them to OAL, and the emergency regulations were filed with the Secretary of State. Two days after the Special Allocation meeting, Congress changed its mind and maintained laws for the issuance of Private Activity Bonds which is why we are all sitting here today.

Section 5259 was not the only change made to CDLAC's regulations in December. CDLAC maintains a file of suggested changes to its regulations. When CDLAC submitted its regulations to OAL to create a Special Allocation meeting in response to Congress, CDLAC also submitted a couple of other changes. These were minor changes to the review process for Qualified Residential Rental Projects (QRRP).

In preparation for making these regulations permanent, on April 16, 2018 staff asked OAL whether the Committee needed to approve the regular rulemaking as the Committee already approved the emergency rulemakings. OAL recommended that the Committee be asked to approve the permanent rulemaking.

There have been some changes from the first rounds of emergency rulemaking regulations although these are non-substantial. The main change was the removal of Section 5259 allowing for a special Expedited Allocation meeting in December. Subdivision (f) of this section states: "This section shall remain in effect until January 1, 2018 and as of that date is repealed." Pursuant to that subdivision, Section 5259 has now been repealed.

The content of the Regulations Package is generally noncontroversial. For highlights: 1) the addition of Chapter 13, the QPEF Program. 2) clarifying that the inspection for a Capital Needs Assessment of an Acquisition and Rehabilitation Project be carried out within the 180 days prior to an application. 3) Modification of a subsection with regard to the California Utility Allowance Calculator (CUAC). CUAC is a tool used to establish utility allowances, and prior to December 2017 CDLAC regulations restricted use of the CUAC to certain projects. The regulation change expands the universe of projects that may use the CUAC. Allowing these projects to use the

CUAC will facilitate greater energy efficiency and more closely align CDLACs Application Standards with TCACs. 4) Modify a subsection to streamline the scattered site application requirements in alignment with TCAC regulations. CDLAC regulations define a scattered site project as having multiple applications, meaning one application might be for a handful of apartment buildings near each other and meeting certain criteria. This subsection proposed that change which is that project sites within a Scattered Site Application are no longer required to be reviewed as individual project sites.

Those are the four main topics of this Regulation Package. CDLAC opened the current package up for public comment on June 8, 2018 and to date, staff had received no public comments.

The purpose of today's presentation was to request that the Committee approve the proposed regulations to make these expiring regulations permanent.

Mr. LoFaso asked if this was the same CUAC rule he previously discussed with TCAC.

Mr. Wood replied that this was to bring CDLACs regulations in alignment with the TCAC regulations.

At 2:04 p.m., Treasurer John Chiang began chairing the meeting.

RECOMMENDATION:

Staff recommended approval of the Proposed CDLAC Regulations for Submittal to the Office of Administrative Law for Regular Rulemaking Consideration.

Alan LoFaso moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Alan LoFaso Aye; Jolie Onodera, Aye; John Chiang, Aye.

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

Shirley Hom reported that there were seven (7) projects requesting waivers. Five (5) projects requested a 90-day extension, one (1) project requested a 30-day extension and one (1) project, 2675 Folsom Street Apartments, was unable to issue and requested to return the allocation and receive a Waiver of Negative Points.

The projects all submitted reasons for the delay in bond issuance. The reasons presented to staff met both CDLAC requirements that the issues preventing the issuance were both unforeseen and outside of the control of the sponsor and development team.

Staff is recommending the approval of these waivers as listed.

Posada De Colores Apartments	17-316
Cottages at Mission Trail Apartments	17-378
Rise Apartments	17-409
Step Up On Second Apartments	17-417
2675 Folsom Street Apartments	17-420
Market Street Apartments	17-426
Hunter Street Apartments	17-431

RECOMMENDATION:

Staff recommended approval of Requests for a Waiver of the Forfeiture of Performance Deposit and/or Negative Points for seven (7) Qualified Residential Rental Projects (QRRP).

Alan LoFaso moved approval of staff’s recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jolie Onodera: Aye; John Chiang: Aye.

6. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Programs and Awards of Allocation (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**

Richard Fischer reported that there were two (2) exempt facility projects from the California Pollution Control Financing Authority (CPCFA) requesting a total of \$134,000,000.

RECOMMENDATION:

Staff recommended approval of \$134,000,000 to fund two (2) projects in the Exempt Facility Pool for the Viridis Fuels, LLC Project and the Recology, Incorporated Project.

Alan LoFaso moved approval of staff’s recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jolie Onodera: Aye; John Chiang: Aye.

6.1	18-011	RF	California Pollution Control Financing Authority	Viridis Fuels, LLC	Oakland	Alameda	\$34,000,000
6.2	18-005	RF	California Pollution Control Financing Authority	Recology, Inc. Project	Various Cities	Various Counties	\$100,000,000

7. 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 stated that there were no appeals.

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

Ms. Lester reported that there were two (2) single family projects requesting an aggregate total of \$200,000,000: \$50 million for the County of Los Angeles and \$150 million for Golden State Finance Authority.

The County of L.A.'s 2018 Fair Share Amount was \$39,318,392 leaving a balance of \$10,681,608.

The 2018 Fair Share Amount for 44 counties and two (2) cities which assigned Fair Share allocations to the Golden State Finance Authority was \$87,675,991 leaving a balance of \$62,324,009.

The Committee's 2018 Allocation on whole was over a billion dollars for the Undesignated Reserve. Staff recommended that the Committee approve the County of L.A.'s 2018 Fair Share amount of \$39,318,992, and the Golden State Financing Authority's calculated 2018 Fair Share Amount of \$87,675,991 while also approving \$73,005,617 for the Committee's 2018 Undesignated Reserve for an aggregate amount of \$200 million to fund both MCC programs.

RECOMMENDATION:

Staff recommended approval of \$200,000,000 to fund two (2) projects in the Single Family Pool.

Alan LoFaso moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jolie Onodera: Aye; John Chiang: Aye.

7.1	18-012	SL	Community Development Commission of the County of Los Angeles	MCC		Los Angeles	\$50,000,000
7.2	18-013	SL	Golden State Finance Authority	MCC		Various	\$150,000,000

8. 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)

Shirley Hom reported that there were two (2) projects that were withdrawn and may be resubmitted in September-October; application 18-373, Gramercy Place and application 18-383 the Pointe on Vermont. Those were struck and are listed on your revised sheets.

Ms. Hom stated that there were two (2) mixed income projects requesting a total of \$207,250,000, two (2) rural pool projects requesting a total of \$18,459,808, and nineteen (19) QRRP projects requesting a total of \$895,767,917 with an aggregate amount of \$1,121,477,725 for twenty-three projects.

RECOMMENDATION:

Staff recommended approval of an aggregate amount of \$1,121,477,725 to fund twenty-three projects in the QRRP Pools.

Alan LoFaso moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jolie Onodera: Aye; John Chiang: Aye.

8.1	18-347	RF	California Municipal Finance Authority	The Pearl Apartments	Solana Beach	San Diego	\$7,250,000
8.2	18-370	RB	City of Los Angeles	Grand Avenue Parcel Q Apartments	Los Angeles	Los Angeles	\$200,000,000

8.3	18-391	RB	California Municipal Finance Authority	Sequoia Commons Apartments	Goshen	Tulare	\$11,459,808
8.4	18-395	SL	California Statewide Communities Development Authority	Sierra Heights Apartments	Oroville	Butte	\$7,000,000
8.5	18-308	SL	California Municipal Finance Authority	Charles Apartments & Cypress Gardens Apartments (Scattered Site)	Marina	Monterey	\$53,913,973
8.6	18-338	SL	California Municipal Finance Authority	Brooklyn Basin Family Housing Project 1 Apartments	Oakland	Alameda	\$27,540,000
8.7	18-369	RB	City of San Jose	El Rancho Verde Apartments	San Jose	Santa Clara	\$318,000,000
8.8	18-371	RF	City of Los Angeles	Casa de Rosas Apartments	Los Angeles	Los Angeles	\$10,771,000
8.10	18-374	RF	City of Los Angeles	West Third Apartments	Los Angeles	Los Angeles	\$23,000,000
8.11	18-375	FW	City of Los Angeles	Western Avenue Apartments	Los Angeles	Los Angeles	\$5,800,000
8.12	18-376	RB	City of Los Angeles	Aria Apartments (fka Cambria Apartments)	Los Angeles	Los Angeles	\$14,500,000
8.13	18-377	SL	City of Los Angeles	FLOR 401 Lofts Apartments	Los Angeles	Los Angeles	\$30,776,298
8.14	18-378	RF	City and County of San Francisco	490 South Van Ness Apartments	San Francisco	San Francisco	\$35,172,500
8.15	18-379	SL	California Housing Finance Agency	Senator Apartments	Los Angeles	Los Angeles	\$13,800,000
8.17	18-384	SL	California Municipal Finance Authority	Oakland International Apartments	Oakland	Alameda	\$98,000,000
8.18	18-385	SL	California Housing Finance Agency	Parkside at Vast Oak Apartments	Rohnert Park	Sonoma	\$71,500,000
8.19	18-386	RF	City and County of San Francisco	1950 Mission Street Apartments	San Francisco	San Francisco	\$60,488,962
8.20	18-387	SL	California Municipal Finance Authority	Madison Park Apartments	Oakland	Alameda	\$24,356,503
8.21	18-388	RB	City and County of San Francisco	2060 Folsom Housing Apartments	San Francisco	San Francisco	\$50,639,862
8.22	18-389	RF	California Housing Finance Agency	Leigh Avenue Senior Apartments	San Jose	Santa Clara	\$26,907,500
8.23	18-393	RB	Housing Authority of the City of San Diego	Regency Centre Apartments	San Diego	San Diego	\$15,951,319
8.24	18-396	RB	California Municipal Finance Authority	Kensington II Apartments	Lancaster	Los Angeles	\$8,000,000
8.25	18-397	RF	Housing Authority of the City of Chula Vista/City of Chula Vista	Cordova Trolley Rehabs Apartments (Scattered Site)	Chula Vista	San Diego	\$6,650,000

9. Public Comment

There was no public comment.

10. Adjournment

The Chairperson adjourned the meeting at 2:11 p.m.