

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

**January 16, 2019**

**CONSIDERATION AND ADOPTION OF THE APPORTIONMENT OF THE 2019 STATE  
CEILING AMONG THE STATE CEILING POOLS**

**(Agenda Item No. 5)**

**ACTION:**

Establish the amounts for each of the State Ceiling Pools for the 2019 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 39,557,045 resulting in a State Ceiling of \$4,153,489,725 for 2019.

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 Attachment A for past year results.

**DISCUSSION:**

In making recommendations for the 2019 pool amounts, staff surveyed the entire development community with more specific outreach to the Issuers to determine estimated demand. Additionally, in an effort to protect the ability of the expiring DDA/QCT applications to secure funding allocation this year, CDLAC has maintained a separate pool for these projects. Staff has reserved 20% of the 2019 allocation as "undesigned". This reservation will provide staff the flexibility to allocate additional volume cap to various program pools on an "as needed" basis. The following list estimates demand and provides a recommendation for each program pool.

- CDLAC typically sees the largest allocation activity coming from **Qualified Residential Rental Projects (QRRP)**. The majority (80%) of the 2018 carryforward awarded in the December 12, 2018 meeting has been awarded to these type of projects. Whenever possible, the 2018 carryforward allocation will be applied before 2019 State Ceiling.

For QRRP, staff recommends allocation of \$2,450,328,285 for the General Pool, \$237,258,380 for the Mixed Income Pool and \$18,673,113 for the Rural Project Pool. The General Pool will further sub-allocate \$2,100,328,285 million for 2019 general pool projects, \$200,000,000 for 2017 and 2018 Expiring DDA/QCT projects, and \$150,000,000 for the California Housing Finance Agency (CalHFA). The separate pooling for the 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 continues support of CalHFA's conduit and lending programs.

- Staff recommends setting the **Single Family Program (SFH) Pool** at \$313,620,422. The pool amount allocated entirely for local program administrators will be \$263,620,433 million. Please see Attachment B for the local administrator (County and City) Fair Share amounts. In addition, two Local Issuers have requested more than the amount available under the fair share basis limit; therefore, CDLAC is proposing to allocate \$50,000,000 under the Single Family Housing Bonus Pool to cover these requests.
- 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 is funded with tax-exempt bond proceeds or, more currently, the first loan is securitized and becomes part of CalHFA's 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 (JPAs) may issue MCCs or MRBs to back below market interest rate loans. No demand has been requested for HIRB and we are, therefore, not recommending a separate allocation for this program. The MCCs or MRBs are rolled up in the Single Family Program allocation based on demand.
- With the dissolution of the California Industrial Development Financing Advisory Commission (CIDFAC) in AB-1547, the **Industrial Development Bond (IDB)** program will be administered directly under CDLAC. Although infrequent, there was some IDB allocation activity in 2018. Therefore \$10,000,000 of the 2019 Ceiling will go toward IDB projects.
- In 2018, the **Exempt Facility Pool (EXF)** allocations totaled \$300 million in bond authority. The California Pollution Control Financing Authority (CPCFA) staff have indicated that they expect demand for bond authority in 2019 of approximately \$400 million. Accordingly, staff is recommending \$292,911,580 of allocation be pooled for CPCFA EXF projects. The demand will be satisfied when combined with the awarded 2018 Carryforward allocation.
- For 2019, there is no Issuer interest anticipated for the **Beginning Farmer Program**. As a result, staff does not recommend a 2019 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 2019 (please see Attachment A for more detailed information):

<b>State Ceiling Pool</b>	<b>Reservation</b>	<b>Percent of Ceiling*</b>
<b>General Project Pool</b>	\$2,450,328,285	58.99%
- <b>General</b>	\$2,100,328,285	50.57%
- <b>DDA</b>	\$200,000,000	4.82%
- <b>CalHFA</b>	\$150,000,000	3.61%
<b>Mixed Income Pool</b>	\$237,258,380	5.71%
- <b>General</b>	\$237,258,380	5.71%
- <b>DDA</b>	\$ 0	0%
<b>Rural Project Pool</b>	\$18,673,113	0.45%
- <b>General</b>	\$18,673,113	0.45%
- <b>DDA</b>	\$0	0.0%
<i>Sub-Total – Multifamily Projects</i>	<b>\$2,706,259,778</b>	<b>65.16%</b>
<b>Single-Family Housing</b>	\$0	0%
<b>Single-Family Housing-Locals</b>	\$263,620,422	6.35%
<b>Single-Family Housing Program Bonus Pool</b>	\$50,000,000	1.20%
<i>Sub-Total – Single-Family Programs</i>	<b>\$313,620,422</b>	<b>7.55%</b>
<b>Extra Credit Teacher Home Purchase Program Pool</b>	\$0	0.00%
<b>Single-Family Home Improvement and Rehabilitation Program</b>	\$0	<b>0.00%</b>
<i>Housing Total</i>	<b>\$3,019,880,200</b>	<b>72.71%</b>
<b>Beginning Farmer Project Pool</b>	\$0	0.00%
<b>Small-Issue Industrial Development Project Pool</b>	\$10,000,000	0.24%
<b>Exempt Facility Project Pool-CPCFA</b>	\$292,911,580	7.05%
<i>Non-Housing Total</i>	<b>\$302,911,580</b>	<b>7.29%</b>
<b>Allocation on Hold (undesignated reserve)</b>	\$830,697,945	20.00%
<b>GRAND TOTAL</b>	<b>\$4,153,489,725</b>	<b>100.00%</b>

\*Percentages are rounded.