

## **California Debt Limit Allocation Committee**

Jesse Unruh Building  
Room 587  
915 Capitol Mall  
Sacramento, CA 9581  
**May 15, 2019**  
Meeting Minutes

### **OPEN SESSION**

#### **1. Call to Order and Roll Call**

Jovan Agee, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 1:31 p.m.

Members Present: Jovan Agee for Fiona Ma, CPA, State Treasurer  
Jolie Onodera for Gavin Newsom, Governor  
Anthony Sertich for Betty T. Yee, State Controller

Advisory Members Present: Tia Boatman Patterson for the California Housing Finance Agency (CalHFA)  
Mark Stivers for the Department of Housing and Community Development (HCD)

#### **2. Approval of the Minutes of the March 20, 2019 Meeting (Action Item)**

Jolie Onodera moved approval of the minutes for the March 20, 2019 meeting. Upon a second by Anthony Sertich, the minutes passed 3-0 with the following votes: Jolie Onodera: Aye; Anthony Sertich: Aye; Jovan Agee: Aye

#### **3. Executive Director's Report (Informational Item)**

Mr. Brown introduced Muri Bartkovsky, CDLAC's new Manager I, who started approximately three (3) weeks ago. CDLAC staff is glad to have her on board.

Mr. Stivers commented that she was stolen fair and square from HCD. Mr. Brown stated that he was going to mention that along with the fact that she also brings a lot to the table with her housing background. Ms. Bartkovsky thanked Mr. Brown and stated that she was very happy to be joining CDLAC. Chair Agee also welcomed Ms. Bartkovsky.

Mr. Brown stated that the State Treasurer's Office (STO) is actively searching for Executive Director's for both CDLAC and the California Tax Credit Allocation Committee (TCAC) via a posting as well as outreach by a number of individuals.

Mr. Brown reported that staff has allocated about \$894 million in bond allocation out of CDLAC's \$14.2 billion. He further reported that approximately \$489 million of the \$1.2 billion lump sum carry forward has been allocated.

**4. California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) Strategic Plan Consulting Services—Housing and Economic Development/Small Business Option Solicitation (Informational Item)**

Vincent Brown reported that at the last meeting he indicated that staff was going out with a solicitation for a consultant to conduct a strategic plan for CDLAC and TCAC. Staff has gone through the process and there were four (4) bids submitted and Impact Brands, Inc. received the winning bid. Mr. Brown has executed the contract along with Impact Brands, Inc. The contract is with the Department of General Services (DGS) for approval.

Just a note for new members, by Board resolution Mr. Brown is authorized to sign contracts under \$300,000. The Impact Brands, Inc. contract is for \$250,000. Staff is hoping to get moving on this project as soon as possible.

The Board was provided with a high-level information memo. Underneath that, staff is going to look at the regulations and policies to determine if we can make changes to improve both the process and how quickly we can get housing through both of those Committees.

The Board should have a draft plan in November. Mr. Brown is hopeful that that would come before the Board for information purposes so they may see where the Committees are going. The final deliverable is due in December.

Staff will be reaching out to stakeholders including members that sit on both TCAC and CDLAC Boards. The consultant will have to put together a project plan within ten (10) working days after DGS approval. Mr. Brown stated that there will be updates as staff goes through this process.

Staff will be talking with all the stakeholders in the housing community as it relates to this process, and will be monitoring the approval of the budget and the trailer bill so that staff is in sync with the direction from the discussions. After having spoken with Ms. Boatman Patterson, Mr. Brown's understanding is that that trailer bill will be passed along with the Governor's Budget.

Mr. Sertich commented that he thought the scope in the original Request for Proposal (RFP) was a little vague in terms of what the specific deliverables were and the actions that were being taken. Was the contract more specific in terms of the scope of work that you put together or was it taken from the RFP?

Mr. Brown replied that it provides the higher level. He deferred to Mark Paxson, General Counsel, regarding that question, but stated that there is a little bit more detail in the actual contract. Mr. Paxson stated that the scope of work from the RFP is essentially the scope of work for the contract. He would have to double check but the scope of work in an RFP is generally the scope of work that finds its way into the contract. Mr. Sertich responded okay.

Mr. Brown stated that part of it is that the consultant is coming back with a more detailed project plan on how to meet all these deliverables in the time allotted.

Mr. Sertich inquired that as these changes come up, does staff plan on bringing it back to the Board regularly or is it going to be something that we do not hear about until later on?

Mr. Brown stated that he believes that whomever is sitting in the Executive Director's seat will update the Board on the progress in meeting the deliverables and delivering the overall strategic plan in the Executive Director's report.

Obviously, this is one of Treasurer Ma's key goals that she wants to achieve. This is high visibility and we are going to be very transparent with what is going on. Additionally, we may ask them to come in and present as well.

Mr. Sertich stated that one of the things that Mr. Brown mentioned was looking at the organization of the two entities. I know there has been a lot of talk, both in meetings as well as elsewhere, about possibly merging the two (2) committees. Is that still on the table as an option?

Mr. Brown replied that he may defer to the Chair on this. Given the fact that we are going up for two (2) Executive Directors, I am not sure that that is one of the top priorities at this point.

Mr. Sertich commented that it is looking more and more likely that there will be a significant expansion of the tax credit as you mentioned in the Governor's Budget, the trailer bills. Is TCAC ready to implement a new program as proposed by the Governor or the Legislature?

Mr. Brown replied that staff have been working with the Administration and the Department of Finance in regards to necessary resources to administer that portion of the program. There was a Budget Change Proposal (BCP) that went in late in the process. We have had a number of discussions with our Administrative Shop with both programs, particularly with TCAC as to the need for resources.

Mr. Sertich asked Mr. Brown if the scope of the contract would interfere with the implementation of any programs coming. Mr. Brown replied that there are a number of layers. There is the strategic plan, the Governor's initiative, and a potential for making regulatory changes or policy changes before that to align, if necessary. That is all under discussion. Obviously, it is a short timeframe, but from the standpoint of realistically implementing this, it is probably going to happen next year as opposed to in this year on a calendar year basis. Mr. Sertich replied that that made sense and thanked Mr. Brown.

Ms. Onodera wanted to confirm that if there were any recommendations or actions coming out of the plan, those would all come before the Committee for its consideration, review and approval.

Mr. Brown stated that, specifically, regulatory changes do come before this Board. If there were significant program or policy changes, depending on what the underlying statutes say in regard to what we can do independently of the Board, that would be a part of the conversation. Generally, this is the body that is going to be working with the changes in the program, so we would keep you informed. If there are decisions that we require of this Board, they will be brought before you. Ms. Onodera thanked Mr. Brown.

#### **5. Setting the State Ceiling for Qualified Public Educational Facility (QPEF) Bond Allocation and Reservation for California School Finance Authority (CSFA) (Action Item)**

Mr. Kass reported that the State Ceiling for QPEFs is determined using the IRS-prescribed formula of \$10 per capita. It should be noted that the QPEF State Ceiling is separate and distinct from the CDLAC State Ceiling that was set on January 16, 2019.

The latest state census as per what was reported back in January is 39,557,045. Therefore, the 2009 State Ceiling for the QPEF bonds is calculated at \$395,570,450. CSFA staff requested a reservation of

\$150 million out of the QPEF State Ceiling for anticipated 2019 projects and is included as part of this request for Board approval.

Staff requested Board approval of the 2019 QPEF State Ceiling of \$395,570,450 inclusive of the \$150 million reservation for CSFA.

Ms. Onodera asked if it would be possible to split the request into two separate votes; one for the State Ceiling and one for the Reservation.

Mr. Kass replied in the affirmative. Ms. Onodera thanked him.

Mr. Brown stated that he would like to underscore that it is a separate allocation that does not come out of the primary allocation for CDLAC. He wanted to make that very clear for those that are not familiar with the process.

**RECOMMENDATION:**

Staff recommended approval of the State Ceiling for a Qualified Public Educational Facility (QPEF) Bond Allocation.

Jolie Onodera moved approval of staff's recommendation for setting the State Ceiling. Upon a second by Anthony Sertich, the motion passed 3-0 with the following votes: Jolie Onodera: Aye; Anthony Sertich: Aye; Jovan Agee: Aye.

**RECOMMENDATION:**

Staff recommended approval of a \$150 million Bond Allocation Reservation for CSFA.

Anthony Sertich moved approval of staff's recommendation for the CSFA Bond Allocation Reservation. Upon a second by Jovan Agee, the motion passed 2-1-0 with the following votes: Anthony Sertich: Aye; Jovan Agee: Aye; Jolie Onodera: Abstain.

**6. Financing Structure Change to CDLAC Resolution 19-029 – St. Regis Park Apartments  
(Action Item)**

Mr. Kass reported that, at the previous Board meeting on March 20th, a total allocation of \$20,400,000 was awarded to the City of Chula Vista for the St. Regis Park Apartments Project. The private placement purchaser is Citibank and the intent was to apply all of the proceeds to construction costs.

The issuer would like to change the financing structure to keep \$11,135,000 for private placement with Citibank and then subordinate \$10,265,000 as a cash flow bond to go toward the seller's carry back loan.

This is considered a material change per Section 5081 of CDLAC regulations. Staff believed there were no significant risks and staff has received the seller's commitment for the cash flow bond.

**RECOMMENDATION:**

Staff recommended approval of a Financing Structure Change to CDLAC Resolution 19-029 – St. Regis Park Apartments.

Anthony Sertich moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Anthony Sertich: Aye; Jolie Onodera: Aye; Jovan Agee: Aye

**7. Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit for Various Projects (Action Item)**

Truckee Artist Lofts	17-427
Sierra Heights Apartments	18-395
North San Pedro Apartments	18-405
Dino Papavero Senior Centre Apartments	18-417
Sands Apartments	18-428
Aqua Apartments	18-429
1717 S Street Apartments	18-447

Muri Bartkovsky reported that there were seven (7) projects that requested a waiver of the performance deposits. Six (6) of these projects requested extensions to the bond issuance expiration date. One (1) project, Truckee Artist Lofts, returned the full amount, \$25,181,216, of the project allocation. There were no waiver requests for negative points.

Ms. Boatman Patterson stated that more and more often projects are not quite ready for private activity bonds and 4% tax credit issuances. It is becoming a concern to CalHFA staff and some of its stakeholder partners in the returning of this issuance.

She further commented that under the 9% tax credit there is a requirement that projects be closer to shovel ready and able to start construction within 180 days from the award. As we get closer and closer to using these very valuable resources, perhaps some consideration of staff thinking about some CDLAC requirements to ensure these projects are more shovel ready would be appropriate.

Ms. Boatman Patterson and Mr. Kass have had conversations about some of staff's concerns about these projects not being quite ready when they are coming forward. Over the last year and a half it seems to be more and more common, so I would like to have us take a look at ways in which we can ensure these projects are actually ready, and not returning those allocations.

Chair Agee thanked Ms. Boatman Patterson for highlighting that issue. We have had those conversations as well. It is definitely something to consider as we are looking at the program's performance in its entirety.

**RECOMMENDATION:**

Staff recommended approval of seven (7) Requests for a Waiver of the Forfeiture of Performance Deposit for Various Projects.

Jolie Onodera moved approval of staff's recommendation. Upon a second by Anthony Sertich, the motion passed 3-0 with the following votes: Jolie Onodera: Aye; Anthony Sertich: Aye; Jovan Agee: Aye.

**8 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\***

Evan Kass stated that there were no appeals.

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

Mr. Kass reported that there were two (2) exempt facility projects requesting an allocation totaling \$48,650,000.

SiONEER Stockton, which this Committee has seen before as deferred, involves construction of a new recycling facility that will produce specialty sand and concrete additives. It requested allocation in the amount of \$16,650,000.

Alameda County Industries requested \$32 million to add to its \$22,075,000 in refunded bonds. The total bond issuance would be \$54,075,000. Alameda County Industries engages in the collection, recycling, transportation and disposal of solid waste.

**RECOMMENDATION:**

Staff recommended approval of the 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 for an aggregate amount of \$48,650,000.

Anthony Sertich moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Anthony Sertich: Aye; Jolie Onodera: Aye; Jovan Agee: Aye

19-010	RF	California Pollution Control Financing Authority	SiONEER Stockton, LLC	Stockton	San Joaquin	\$16,650,000
19-013	RF	California Pollution Control Financing Authority	Alameda County Industries	San Leandro	Alameda	\$32,000,000

**9. 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\***

Ruben Barcelo stated that there were no appeals.

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

Mr. Barcelo reported that staff received two (2) applications for allocation to the single family housing which is a Mortgage Credit Certificate Program.

One (1) application was received from the City and County of San Francisco requesting an allocation in the amount of \$5,875,018 which is the entirety of its 2019 fair share allotment.

Staff also received an application from the County of Alameda requesting \$11,600,640 of allocation which also represents the entirety of their 2019 fair share allotment.

**RECOMMENDATION:**

Staff recommended approval of the 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 for two (2) projects for an aggregate amount of \$17,475,658.

Anthony Sertich moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Anthony Sertich: Aye; Jolie Onodera: Aye; Jovan Agee: Aye

19-011	RB	City and County of San Francisco			San Francisco	\$5,875,018
19-012	RB	County of Alameda			Alameda	\$11,006,640

**10. 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\***

Muri Bartkovsky stated that there were no appeals.

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

Ms. Bartkovsky reported that there were two (2) rural pool projects requesting an allocation in the amount of \$21,107,525 and 17 general pool projects requesting a total allocation of \$412,507,236. There were seven (7) high-cost-per-unit projects this round for various reasons. Los Angeles adopted a new project labor agreement. Another project location was on a hillside.

**RECOMMENDATION:**

Staff recommended approval of the 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.

Anthony Sertich moved approval of staff's recommendation. Upon a second by Jolie Onodera, the motion passed 3-0 with the following votes: Anthony Sertich: Aye; Jolie Onodera: Aye; Jovan Agee: Aye

19-456	RF	California Municipal Finance Authority	Stonegate Village I	Patterson	Stanislaus	\$16,607,525
19-460	RF	California Statewide Communities Development Authority	Courtyards at Penn Valley	Penn Valley	Nevada	\$4,500,000
19-014	RB	City of Los Angeles	Missouri Place Apartments (Supplemental)	Los Angeles	Los Angeles	\$4,687,500
19-420	RF	California Municipal Finance Authority	Hollywood El Centro Apartments	Los Angeles	Los Angeles	\$19,010,475
19-424	RB	City of Los Angeles (DDA)	Summit View Apartments	Sylmar	Los Angeles	\$19,960,000
19-430	RF	County of Los Angeles (DDA)	Whittier & Downey NW	Los Angeles	Los Angeles	\$17,357,500

19-457	RB	City of Los Angeles	Emerson	Los Angeles	Los Angeles	\$15,742,500
19-458	CTY	County of Los Angeles	Ashley Willowbrook	Los Angeles	Los Angeles	\$11,000,000
19-459	RB	City of San Jose	Markham Plaza 1	San Jose	Santa Clara	\$23,000,000
19-461	RF	California Public Finance Authority	St. Anton Tasman Apartments	Santa Clara	Santa Clara	\$70,000,000
19-462	CTY	City of San Jose	Lenzen Square	San Jose	Santa Clara	\$23,000,000
19-463	RF	California Housing Finance Agency	Blackstone & McKinley TOD	Fresno	Fresno	\$29,050,000
19-464	CTY	City of San Jose	Palm Court	San Jose	Santa Clara	\$16,000,000
19-465	RB	City of San Jose	Vista Park I	San Jose	Santa Clara	\$18,150,896
19-466	RB	Housing Authority of the County of Los Angeles	Firestone Phoenix	Los Angeles	Los Angeles	\$12,000,000
19-467	RB	Housing Authority of the County of Los Angeles	Palm View Apartments	West Hollywood	Los Angeles	\$8,000,000
19-468	RF	California Municipal Finance Authority	Bennett House	Fairfax	Marin	\$25,297,840
19-469	RB	City of Los Angeles	Isla de Los Angeles	Los Angeles	Los Angeles	\$15,000,000
19-473	RF	California Municipal Finance Authority	Park Western Apartments	Los Angeles	Los Angeles	\$64,143,000

#### 11. Public Comment

There was no public comment.

#### 12. Adjournment

The Chairperson adjourned the meeting at 1:58 pm.