

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 9581
July 17, 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 pm.

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: Larry Flood for the California Housing Finance Agency (CalHFA)
Jennifer Seeger for the Department of Housing and Community Development (HCD)

2. Approval of the Minutes of the May 15, 2019 Meeting (Action Item)

Jolie Onodera moved approval of the minutes for the May 15, 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 stated that he thinks some of the Board members, particularly from Housing and Community Development (HCD) and California Housing Finance Agency (CalHFA), recall last week that I testified before the CalHFA Board in regard to the regulations to implement the Governor's Housing Program. I am going to speak to those in more detail when we get to the Tax Credit Allocation Committee (TCAC) meeting since those comments affect TCAC more than they do CDLAC.

However, one (1) issue I did point out to the CalHFA Board was in regards to resources for the CDLAC staff. Fortunately, the TCAC staff received additional resources to implement its Housing Program. On the other side, CDLAC has not received resources to address the increased workload that will be associated with the housing initiatives.

Additionally, we are currently having a serious workload crunch with CDLAC staff which is requiring staff to process the applications in a variety of different ways to make sure we can manage the workload. I am going to have Evan speak to that in a little bit. The bottom line is CDLAC staff is working with our budget staff here as well as with our friends at the Department of Finance (DOF) to put together a Budget Change Proposal (BCP). However, as we all know the BCP will not be for the current fiscal year. It will be for the 2020-2021 fiscal year, so staff needs to manage our resources as we go forward.

Jovan has convened a working group with both TCAC and CDLAC and we are looking at all options to determine how we are going to manage this workload. Having said this I will give the meeting to Evan Kass for more detail before getting back to the end of my report.

Mr. Kass stated that he wanted to give the Board some statistics on the magnitude of the workload increase with the new Administration. In July 2018, CDLAC received 28 applications and this was with five analysts. In July 2019, CDLAC had 40 applications also with five analysts. Looking at the year to date numbers in 2018, it was 86 total applications. For 2019, year to date, it is 121 applications, again with the same five analysts. The applications all receive a full review, full analysis, and full reporting with each analyst previously processing five to six applications. Presently, the analysts are tasked to process nine to thirteen applications each round. Furthermore, two of the analysts are relatively new to their assignments.

Staff has greatly reduced its analysis per application while still needing considerable overtime. CDLAC is definitely in a crunch mode in terms of resources. With the new bills and regulations coming out, this problem will increase.

Mr. Brown thanked Evan. Vince wanted to make sure that the Committee was made aware of these facts, because at some point, given the workload, staff is going to receive some complaints about the efficiency and effectiveness of getting through the applications.

Finally, just a quick update on where CDLAC is with the volume cap for 2019. The starting balance is about \$4.1 billion. Thus far, staff has allocated, approximately \$1.3 billion and, after this meeting, the balance will be about \$2.7 billion remaining. We started the year with \$1.2 billion in carryforward allocation. The carryforward balance is about \$15,000,000, (less than 1% remaining).

Mr. Sertich stated that he had a quick question about the volume cap. I know there was a discussion about our becoming a competitive program at some point, and that there is probably some softness in the allocation process at this point. One of the goals at the Controller's Office is to make sure to maximize the resources available. This means leveraging as many 4% tax credits as possible. Staff should evaluate all of the programs that are receiving bonds whether it is single family, multifamily, Industrial Development Bonds (IDB) or otherwise. In addition, some of the allocations on the multifamily projects were near 100% of basis which is not required to receive the 4% credits. Has there been any thought given to limiting the amount of a percentage of basis that any project could receive as part of the allocation process?

Mr. Brown replied that, thus far, this has not been taken into consideration. Going forward, staff is probably going to have to come back with options. This will be a policy call of this Committee based on what the regulations require. In addition, some of the regulations that staff is going to be implementing on an emergency basis are going forward in the fall. At this point, there has not been this kind of a conversation.

Mr. Sertich replied that a similar idea would be to make sure things work in setting up the Multifamily Bond Recycling Program so that staff can leverage those resources as much as possible. Working with our friends at CalHFA would be a logical pairing

Mr. Sertich wanted to thank Mr. Brown for his great service with the state. I think this is your final meeting with CDLAC? Mr. Brown replied in the affirmative.

Mr. Sertich expressed congratulations and best of luck in retirement wishes to Mr. Brown. Is there a plan moving forward for someone to be acting in the role of Executive Director for CDLAC? Or if not, is there someone in line to take over permanently?

Mr. Brown deferred to the Chair on those questions.

Chair Agee responded that they are in the process of reviewing applications. We have a candidate that we believe could potentially fill a slot. Not, necessarily for this body, perhaps for the one that will come before us next meeting. We still have an open solicitation to try to fill these slots. We are looking for someone that can come in and get us prepared for where we need to go in terms of current need as well as future needs.

Ms. Onodera also wished to add her thanks and appreciation to Mr. Brown. It has really been a pleasure to work with you, so congratulations and best wishes to you.

4. Transfer of Lump Sum Carryforward and 2019 State Ceiling Allocation to California Pollution Control Financing Authority (CPCFA) (Action Item)

Mr. Kass reported that in order to streamline their processes, ease communications, better maintain relationships with stakeholders, the California Pollution Control Financing Authority has requested a lump sum of allocation from the 2019 State Ceiling and remaining carryforward with the authority to sub-allocate to individual projects under their processes. In the spirit of the BCAs working together, CDLAC staff would like to assist CPCFA staff in streamlining their processes with a One-Stop shop by recommending their ability to sub-allocate a lump sum allocation award.

CPCFA staff also stated that they do not plan to use the full \$293,000,000 initially apportioned from the 2019 State Ceiling. They are requesting \$125,000,000 which would free up \$168,000,000 in 2019 State Ceiling Allocation for this year. CDLAC staff is still accountable to manage the balance and usage of the State Ceiling and carryforward. Therefore, CDLAC staff and CPCFA staff have agreed to a set of requirements that foster frequent communication, both verbally, in report form as projects receive allocation with accuracy, and reconcile bond issuances.

The CDLAC Board will receive updates on the CPCFA allocation usage and availability. Staff is therefore requesting Board approval for Resolution No. 19-073 to award a lump sum allocation of the remaining 2018 carryforward balance of \$124,350,000 and 2019 State Ceiling Allocation of \$125,000,000 to CPCFA under the conditions set forth in the resolution.

Mr. Brown would like to provide a little context for the Board Members and the audience. Staff had this same conversation during the Chiang Administration. We got to the final phase of his tenure and we agreed that it was more appropriate to defer a decision about a sub-allocation to CPCFA until the new Treasurer assumed office. This is consistent with Treasurer Ma's direction to simplify things, make the process much more efficient and allows staff to work more closely with our sister authority. I think we have achieved that by the staff coming together and coming up with a good plan on how to be very transparent, and how to ensure that it is an effective utilization of the allocation.

RECOMMENDATION:

Staff recommended approval of the transfer of a lump sum carryforward and 2019 State ceiling allocation to CPCFA.

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.

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

North Fork Community Power	18-025
Miramar Tower	18-380
Placer Village Apartments	18-413
Oak Grove North and Oak Grove South Apartments	18-457
Bernal Gateway Apartments	19-413

Muri Bartkovsky reported that five (5) projects requested a Waiver of the Forfeiture of Performance Deposits. All five (5) of these projects have also requested extensions to their bond issuance expiration dates. There are no requests for waivers of negative points. Staff recommends approval of the requests for a Waiver of the Forfeiture of Performance Deposit for the various projects.

RECOMMENDATION:

Staff recommended approval of the requests for a waiver of the forfeiture of the performance deposit for five (5) 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.

6. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Small Industrial Development Bond 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**

Mr. Fischer reported that there was one (1) application for \$9,000,000 that was submitted by the California Enterprises Development Authority (CEDA) for the Nanosyn Project series.

RECOMMENDATION:

Staff recommended approval of the consideration of appeals and applications for an allocation of the state ceiling on qualified private activity bonds for Small Industrial Development Bond (IDB) Programs 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

19-015	RF	California Enterprise Development Authority	Nanosyn Project Series 2019	Hayward	Alameda	\$9,000,000
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7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing (SFH) 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 the committee received two (2) applications for the Single Family Housing Mortgage Credit Certificate Program. There is an aggregate amount requested of \$96,837,860. The County of Los Angeles is requesting \$70,000,000 and the City of Los Angeles is requesting \$26,837,860.

Staff recommends that the Committee approve a reduced amount of \$41,202,285 for the County of Los Angeles which is the applicant's 2019 Single Family Housing fair share amount. Staff also recommends that the Committee approve the City of Los Angeles' requested amount of \$26,837,860 which is the applicant's 2019 Single Family Housing Mortgage Credit Certificate fair share amount for an aggregate total of \$68,040,145.

Mr. Sertich thinks this is something that the Board should review, as the program becomes more competitive, when there is a request of over \$350,000 per expected homebuyer for this allocation. It seems that staff could leverage 4% credits and make the projects go further if staff did affordable housing. That being said I would still move to approve this allocation based on the current regulation structure.

RECOMMENDATION:

Staff recommends approval 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.

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.

19-016	SL	County of Los Angeles	MCC	Various	Los Angeles	\$41,202,285
19-017	SL	City of Los Angeles	MCC	Los Angeles	Los Angeles	\$26,837,860

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)

a. Consideration of appeals**

Muri Bartkovsky stated that there were no appeals.

Ms. Bartkovsky commented that she will walk the Board through a few specifics for each sub-item and share staff recommendations.

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

Ms. Bartkovsky stated that there is one (1) rural pool project in Nevada County requesting an allocation for \$18,000,000 and one (1) mixed income project in Placer County requesting an allocation of \$47,000,000.

There are 26 general pool projects requesting a total allocation of \$812,042,593. July's total QRRP allocation will be just over \$877,000,000. Staff recommends approval of the Consideration of Appeals and Applications for an allocation of the State Ceiling. One (1) of these items is a conditional approval and that brings us to Item 8C.

c. Conditional allocation per proof of HUD Firm Commitment Application Submittal and HUD Development Acknowledgement Letter Submission – Firmin Court

Ms. Bartkovsky reported that CDLAC sent out Firmin Courts forward commitment letter and requested the HUD acknowledgement letter later rather than sooner in the process of application reviews. CDLAC regulations allow for 30 days for the applicant to show proof of the application submittal to HUD and that date is July 26. The HUD Development acknowledgement letter may also be submitted by July 26. Staff recommends that the Committee approve the allocation today and to process Resolution #19-011 upon receipt of Firmin Courts proof of HUD forward commitment application submittal and a HUD acknowledgement letter.

d. Transfer of reverted carryforward allocation to another approved project by the same Issuer

Ms. Bartkovsky reported that CalHFA is requesting approval for California Housing Finance Agency to retain the private activity bond applications for 800 Block Apartments, Truckee Artist Loft Apartments and Bernal Dwelling Apartments for approximately \$130,000,000. Staff would like to transfer the allocation to three (3) July round projects: Noble Towers, Culture and Comments, and Longshore Co. Staff recommends the Committee approve the transfer of the allocation to the three (3) July round QRRP projects mentioned.

TRANSFER FROM:	TRANSFER TO	TOTAL AMOUNT
800 Block Apartments Truckee Artist Loft Apts. Bernal Dwelling Apartments	Noble Towers Coldstream Commons Longshore Cove	\$130,000,000 (approx.)

Mr. Sertich commented that it seems like withdrawing an application and then reapplying will add to staffs' workload. Mr. Brown replied in the affirmative.

Mr. Sertich commented that staff should look at something in the regulations to deal with that going forward to manage that process. Tony also noticed that all those that withdrew have the same applicant. Is this a coincidence or is something going on of concern.

Ms. Bartkovsky replied that they are going to provide us more details. Staff will have a phone conversation with them next week, but they did have to withdraw the seven (7) applications. It is \$218.5 million, so it made a difference. It will be added work for staff because when the application comes back they still have to check everything again.

Mr. Paxson stated that before a motion to approve he just wanted to mention that the Path Villas Hollywood Application is included in this.

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 and awards of allocation for an aggregate amount.

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

19-492	IC	California Housing Finance Agency	Coldstream Commons	Truckee	Nevada	\$18,000,000
19-502	RF	California Statewide Communities Development Authority	Campus Oaks Apartments Phase 2	Roseville	Placer	\$47,000,000
19-422	CTY	Housing Authority of the County of Los Angeles	Carson Terrace Senior Apartments	Carson	Los Angeles	\$7,500,000
19-434	RF	Housing Authority of the County of Los Angeles	Whittier Place Apartments Phase II (DDA)	Unincorporated East LA	Los Angeles	\$13,550,000
19-478	RF	City and County of San Francisco	Hamlin Hotel	San Francisco	San Francisco	\$26,967,500
19-483	SL	City of Los Angeles	Colorado East	Los Angeles	Los Angeles	\$13,376,067
19-484	CTY	California Public Finance Authority	Lakeview Terrace	Pacoima	Los Angeles	\$35,000,000
19-485	RF	California Statewide Communities Development Authority	Pavilion Court Apartments	Pico Rivera	Los Angeles	\$26,000,000
19-486	SL	California Housing Finance Agency	Noble Tower	Oakland	Alameda	\$74,000,000
19-487	SL	Housing Authority of the City of San Diego	14C VHHP	San Diego	San Diego	\$22,000,000

19-488	SL	Housing Authority of the City of San Diego	14th & Commercial	San Diego	San Diego	\$101,000,000
19-489	SL	Housing Authority of the City of San Diego	Wesley Terrace	San Diego	San Diego	\$22,000,000
19-490	IC	California Statewide Communities Development Authority	Kimberly Park Apartments	Victorville	San Bernardino	\$8,600,000
19-495	CTY	California Municipal Finance Authority	Coliseum Place	Oakland	Alameda	\$27,000,000
19-496	CTY	California Public Finance Authority	River Park Manor	Napa	Napa	\$18,500,000
19-497	IC	California Housing Finance Agency	Bermuda Gardens	San Leandro	Alameda	\$22,500,000
19-498	IC	California Housing Finance Agency	Longshore Cove Apartments	Vallejo	Solano	\$44,000,000
19-499	RF	California Statewide Communities Development Authority	Cameron Park Apartments	West Covina	Los Angeles	\$55,400,000
19-500	IC	California Housing Finance Agency	Woodlake Terrace	Woodlake	Tulare	\$8,600,000
19-501	SL	City of Los Angeles	PATH Villas Hollywood	Los Angeles	Los Angeles	\$24,440,000
19-503	CTY	Housing Authority of the City of San Buenaventura	Willett Ranch	Ventura	Ventura	\$21,110,000
19-504	RF	California Statewide Communities Development Authority	Charter Oaks Apartments	Napa	Napa	\$42,100,000
19-505	CTY	City of San Jose	Quetzal Gardens	San Jose	Santa Clara	\$32,207,500

19-506	SL	City of Los Angeles	PATH Villas Montclair-Gramercy (Site 2)	Los Angeles	Los Angeles	\$5,525,000
19-507	SL	City of Los Angeles	PATH Villas Montclair-Gramercy (Site 1)	Los Angeles	Los Angeles	\$17,890,000
19-509	CTY	City and County of San Francisco	Sunnydale HOPE SF Block 6	San Francisco	San Francisco	\$76,680,000
19-511	CTY	California Municipal Finance Authority	Corvin Apartments	Santa Clara	Santa Clara	\$39,017,000
19-510	SL	City of Los Angeles	Firmin Court	Los Angeles	Los Angeles	\$27,079,526

9. Public Comment

There was no public comment.

10. Adjournment

The Chairperson adjourned the meeting at 1:56 pm.