

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 9581
September 18, 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 11:03 a.m.

Members Present: Jovan Agee for Fiona Ma, CPA, State Treasurer
Gayle Miller 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)
Zach Olmstead for the Department of Housing and Community Development (HCD)

2. Approval of the Minutes of the July 17, 2019 Meeting (Action Item)

Mr. Sertich moved approval of the minutes for the July 17, 2019 meeting. Upon a second by Ms. Miller, the minutes passed 3-0 with the following votes: Anthony Sertich: Aye; Gayle Miller: Aye; Jovan Agee: Aye.

3. Executive Director's Report (Informational Item)

Larry Flood thanked the Chair and members of the Board for their kind words both today and during the past couple of weeks. He stated that this is an exciting time for housing in the State of California and he is looking forward to being a part of it.

Mr. Flood stated he had items for discussion as well as items for informational purposes only; two of the items will be brought back at a subsequent meeting for action. CDLAC started the year with \$4.15 billion of 2019 volume cap. CDLAC also had \$1.22 billion of carryforward from prior years totaling \$5.37 billion. As of the July round, CDLAC has applied \$1.38 billion

of 2019 allocation and \$1.21 billion of prior year carryforward allocation. The remaining allocation is \$2.77 billion of 2019 allocation with approximately \$15 million of carryforward.

Of the amount that has been allocated, 90% has been allocated to QRRP projects. The other 10% is going to be split among the SFH, IDB and EXF projects.

At the request of the Chair, staff is moving the October 16, 2019 Board Meeting to 801 Capitol Mall, Room 105 at 10:00am. If there are no objections from the Board, staff will make arrangements for a meeting on that date at that time and that location.

Mr. Flood reported that Item Number 4, the approval of the CDLAC 2020 meeting calendar, was removed. It was anticipated that it would take the California Tax Credit Allocation Committee (TCAC) until January to prepare their emergency regulations for the state tax credits and that CDLAC would have a joint January round and applications for a March allocation. TCAC was able to prepare emergency regulations on a much faster schedule and announced last week that staff would be taking applications in November for the January round. Staff will bring that schedule back to the Board at the October meeting.

Mr. Flood further reported that staff has engaged Impact Brands to review CDLAC processes and work flow with an eye toward recommending process improvements. They are going to look at CDLAC'S operations and processes, and look at TCACs through the same lens. Impact Brands will then make recommendations as to how we might better share information. That is an ongoing project and staff will keep the Board up to date as things progress.

Mr. Flood stated that staff has submitted a budget change proposal (BCP) to the Department of Finance (DOF). Staff is requesting four (4) new positions: one (1) Staff Services Manager I and three (3) AGPA positions. The request is to help staff deal with the increase in the workload which is expected to occur as a result of the passage of AB101. Staff will keep the Board updated as to its progress.

Mr. Flood reported that staff is in receipt of a request from CalHFA to provide CalHFA with a \$1 billion sub-allocation to be used for individual projects that receive both an allocation of state credits and a Mixed Income Program (MIP) loan from the funds allocated to CalHFA by AB101. Staff is in discussions with CalHFA over that proposal and we plan to bring the recommendation to the Board at the October meeting.

Mr. Sertich asked if there were any plans to address CDLAC regulation changes in the coming months.

Mr. Flood responded that there is a plan. Staff determined that it was not necessary to address that this year. Unlike TCAC, CDLAC has to go through the Office of Administrative Law (OAL) process, so staff decided to keep all the regulation changes to be made in 2020 for 2021.

Mr. Sertich responded that with the growing competitiveness of the program, it is something that staff needs to keep an eye on. Along those same lines, I appreciate your staff working

together with the TCAC staff to make sure that the schedules, etc. are coordinated. Especially with the new state tax credits coming, it is a big issue, so we encourage you to keep doing that.

Ms. Miller stated that regarding the collaboration with CDLAC and CalHFA, she wanted to make sure that when it is presented to the Board, members know who is responsible for making sure that applications meet both CDLAC and CalHFA requirements if we are delegating any type of authority. How will the exchange of information be made and will there be a formal Memorandum of Understanding (MOU) between the two departments? This is because we have the Treasurer's Office and then the Governor's Office and obviously the independence of CalHFA.

Ms. Miller stated that she is interested in how we can keep track of checking the boxes and doing the checks that these departments normally do with each other; perhaps you would bring this back to the Board, Mr. Flood, in October.

Mr. Flood responded in the affirmative.

4. ~~2020 CDLAC Meeting Calendar~~ (Action Item)

Item was stricken and Chair Agee move on to Item Number Five (5).

5. Modification of July 17, 2019 Committee Conditional Allocation to Firmin Court (Action Item)

Muri Bartkovsky reported that at the July 17, 2019 Committee meeting the City of Los Angeles requested that an application that was in the process of acquiring proof of a HUD forward commitment application submittal, and a HUD acknowledgement letter, be conditionally approved by the Committee.

The Committee did approve the request under the condition that the project, Firmin Court Apartments, submit documentation by July 26, 2019. CDLAC received the requested HUD documentation on August 14, 2019.

RECOMMENDATION:

Staff recommended approval of the Modification of the July 17, 2019 Conditional Allocation to Firmin Court.

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

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

Vista Las Flores Apartments	18-392
SiONEER Stockton, LLC	19-010
Gateway Terrace II Apartments	19-416

Mountain View Village Apartments	19-417
Heavenly Vision Apartments	19-435
Eastern Park Apartments	19-450

Ms. Bartkovsky reported that there were six (6) requests for a waiver of the forfeiture of the performance deposit for various projects. All six (6) of these projects have requested extensions to their bond issuance expiration date. There are no requests for Waivers of Negative Points.

RECOMMENDATION:

Staff recommended approval of the Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit for Various Projects.

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

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. The Housing Authority of the City of San Diego requested \$9,398,580 and the Housing Authority of the County of Marin requested \$1,735,776 for an aggregate amount of \$11,134,356.

Ms. Boatman Patterson asked if these were from past allocation or carryforward. Ms. Lester replied that it was their 2019 Fair Share.

Ms. Boatman Patterson asked Mr. Flood how much carryforward CDLAC had remaining. Did you say approximately \$15 million? Mr. Flood replied in the affirmative.

Ms. Boatman Patterson asked if instead of giving SFH 2019 allocation, why not provide carryforward to convert mortgage credit certificates. Does that not work? Mr. Flood stated that carryforward has already been allocated to specific issuers.

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.

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

19-020	Housing Authority of the City of San Diego	San Diego	San Diego	\$9,398,580	\$9,398,580
19-021	Housing Authority of the County of Marin	Various	Marin	\$1,735,776	\$1,735,776

8. Consideration of Appeal and Application for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Award of Allocation for an Exempt Facility (Waste Management) (Action Item)

a. Consideration of appeal*

Richard Fischer stated that there were no appeals.

b. Consideration of application – Waste Management

Mr. Fischer stated the Committee received one (1) application for the exempt facility program from California Municipal Finance Authority (CMFA). The project sponsor, Waste Management Incorporated, is requesting an allocation of \$75 million.

RECOMMENDATION:

Staff recommended approval of the Consideration of Appeal and Application for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Award of Allocation for an Exempt Facility.

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

8.1	19-022	RF	California Municipal Finance Authority	Waste Management	Various	Various	\$75,000,000
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9. Consideration of Appeal and Application for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Award of Allocation for an Exempt Facility (XpressWest) (Action Item)

a. Consideration of appeal*

Richard Fischer stated that there were no appeals.

b. Consideration of application – XpressWest Expansion

Mr. Fischer reported the Committee received one application for the exempt facility program from the California Infrastructure and Economic Development Bank (I-Bank). I-Bank will issue the tax-exempt bonds to fund the construction of a high-speed inner city rail service between the Victor Valley, California area and Las Vegas, Nevada.

RECOMMENDATION:

Staff recommended approval of \$300 million in 2019 bond allocation and \$300 million in 2020 bond allocation to the I-Bank for Consideration of Appeal and Application for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Award of Allocation for the XpressWest Exempt Facility Project

Mr. Sertich asked if the 2020 allocation would be forward committed. Mr. Kass replied that it would be a separate allocation. Ms. Boatman Patterson asked if there would be a separate application for the 2020 allocation. Mr. Flood responded in the affirmative. Mr. Olmstead asked if it would be obligated once the Board approves it. Chair Agee stated that it does not. Ms. Boatman Patterson asked if the project would be able to start within the 180 day timeframe if the project is allocated today. Mr. Kass stated that there is an opportunity to request an extension. There are two (2) conditions associated with this approval.

Staff further recommended that the award of \$300 million of the 2019 bond allocation be conditioned upon receipt of an economic development plan that outlines their goals in the areas of housing, jobs and a workforce development to the satisfaction of the Chair and the Executive Director. Mr. Kass added that the National Environmental Policy Act (NEPA) status for the environmental needs to be done as well.

Chair Agee stated that there were representatives from Virgin Trains present to give some highlights of the project before beginning further public discussion.

Patrick Goddard, President of Virgin Trains, stated they are seeking the first \$300 million in allocation of private activity bonds from the state's tax-exempt bond cap. The bond proceeds will be invested in a station and infrastructure in San Bernardino County. The project involves 170 miles of rail, 135 miles of which are in California. The corridor would be connecting over 50 million people from Southern California and Las Vegas, Nevada. They are operating the first privately funded passenger rail system in the country in Florida and the premise of their business is to operate a private passenger rail system between highly populated city centers that are too short to fly or too long to drive.

Mr. Goddard stated that the station in Victor Valley will bring a much needed economic boost to the right region of the state. This project will bring at minimum 1,250 workforce housing units to the area.

Mr. Goddard introduced his colleague, Husein Cumber, who gave a slide presentation. Mr. Cumber stated that they are on track to break ground in 2020 and launch operations by the end of 2023. Ms. Miller asked if the \$1.2 billion leverage would come from the private markets or from the I-Bank. Mr. Cumber replied that it would come from the private markets. With the

\$300 million requested today along with the second \$300 million that will be requested in June 2020, would give \$2.4 billion in bonds.

Mr. Olmstead commented about possibly not seeing housing until 2025-26.

Chair Agee addressed Mr. Olmstead's concerns by stating that this is a train project. While understanding the sensitivities and demands of the state, there is that need for them to do a greater partnership with those who can help execute upon those goals.

Ms. Boatman Patterson asked Mr. Kass to state the contingencies required and how it demonstrated that housing was a priority. She also understood that I-Bank would be the issuer, so it would be working closely with those working on economic development and larger scale planning.

Ms. Miller stated that I-Banks debt capacity was still unclear to her. Ms. Nancee Robles, Acting Executive Director of I-Bank, assured the committee that the bank has the debt limit capacity to entertain the application that will be presented to I-Bank on October 23rd. She also clarified that the statutory limit is only for public development facilities and applies as a conduit issuer.

Steve Hofbauer, Mayor of the City of Palmdale, Board Member of the High Desert Corridor JPA, a SCAG Regional Council and a transportation representative, stated that, on behalf of the City of Palmdale, he is in support of the Virgin Train project and the approval of tax exempt bonds for the privately funded rail corridor between Las Vegas and Southern California. Mr. Hofbauer addressed housing by stating that they have developed an 860-acre specific plan area around the proposed station that will serve all comers: Metrolink, Brightline, Virgin Trains, California High-Speed Rail and our regional bus systems future shuttles to the Palmdale Regional Airport which is anticipated to open in 2023.

James Purtee, Palmdale City Manager, reported he has 28 housing tracts and 3,100 homes approved and ready to go that could pull building permits tomorrow. He stated the economic stimulus is needed to get the developers to recommit to the Antelope Valley because of the losses they took in the recession. Palmdale has 2,000 multifamily housing units in the pipeline. The Council just approved a 300-unit apartment project that really is specifically set for the engineers that are coming to work at Plant 42 where the B-21 Bomber is going to be built.

Robert Lovingood, San Bernardino County First District Supervisor, stated this is a critical pathway of connectedness in creating a multifaceted corridor that could provide power, economic benefits and also relief. He reported that is peer from Los Angeles County, Kathryn Barger, is as fully supportive of the project as San Bernardino County.

Sophie Smith, Deputy City Manager for the City of Victorville, on behalf of Mayor Jorge Garcia and City Manager Keith Metzler, is here to show support for the XpressWest expansion project now known as the Virgin Trains Project that will run from Victorville, California to Las Vegas, Nevada.

Combined with the surrounding cities, nearly 11,000 lots are primed for development in this valley. Ms. Smith explained that Victorville and the Victor Valley are definite equations in solving the state's housing affordability crisis. The city has 35 tract maps recorded with approximately 3,000 lots ready to be developed. There are tens of thousands of units with approved zoning and approved specific plans. They are not only planned, but attainable. For example, the Desert Gateway Specific Plan in Victorville was approved in 2010. The Virgin Trains Project lies within this specific plan area. Nearly 4,000 of the 10,000 acres are zoned for single family, mixed use and multifamily

Doug Robertson, Apple Valley Town Manager, Victor Valley Chamber of Commerce Board Member and Vice President of Economic Enhancement, stated that the Victor Valley Chamber of Commerce voted unanimously to support the project and the use of the private activity bonds due to local positive impact to the local economy right there in Victor Valley.

Mr. Robertson brought letters of support from several groups: the Associated General Contractors (AGC), of California; Board of Supervisors for the County of Los Angeles, Kathryn Barger, specifically; State Senator Scott Wilk; Assemblyman Jay Obernolte; Mayor of Los Angeles, Eric Garcetti; Karen J. Hedlund, High Speed Rail consultant and Kiana L. Valentine, Executive Director, Transportation California

Art Bishop of the Apple Valley Town Council stated lots have been zoned, approved and graded. Developer are waiting in line to build. On behalf of all the elected officials from the high desert, we want to thank you for your time and your efforts today and your consideration.

Jose Mejia, California State Council of Laborers, stated their support of the project.

Chris Micheli, on behalf of the Los Angeles County Metropolitan Transportation Authority, stated that the Metro Board is supportive of investments that will improve mobility in Southern California.

Robbie Hunter, State Building and Construction Trades Council, consisting of 450,000 workers and 63,000 apprentices stated that the Council is in favor of the project.

Faith Conley, on behalf of the LA County Board of Supervisors, represented Supervisor Kathryn Barger who strongly supports this project.

Robert Dugan, Vice President of Advocacy and Public Affairs for the Associated General Contractors, is here to offer our support for the project.

Teresa Trujillo, on behalf of Assemblyman Jay Obernolte, 33rd Assembly District, which covers the high desert region is in strong support of this project.

Junay Gardner, on behalf of Senator Scott Wilk, 21st Senate District in the high desert, is in strong support of this project.

Kevin Haboian representing HNTB, and as a Board Member for the Orange County Business Council, expressed support of the project on behalf of both entities.

Steve Agor for Skanska, a large contractor here in California, supports the project and the allocation.

Chair Agee stated that is the last of the speakers.

RECOMMENDATION:

Evan Kass clarified that the recommendation is for \$300 million in tax exempt bond allocation from the 2019 state ceiling, contingent upon a full economic development plan covering housing, workforce development, employment, and a NEPA status for the environmental review to the satisfaction of the Chair and the Executive Director for CDLAC.

Anthony Sertich moved approval of this project. Upon a second by Gayle Miller, the motion passed 3-0 with the following votes: Anthony Sertich: Aye; Gayle Miller: Aye; Jovan Agee: Aye.

9.1	19-019	RF	California Infrastructure and Economic Development Bank (I-Bank)	XpressWest
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10. Public Comment

There was no public comment.

11. Adjournment

The Chairperson adjourned the meeting at 12:49 p.m.