

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 23, 2008**

***REQUEST APPROVAL OF PROPOSED REVISIONS TO THE CDLAC PROCEDURES***

*Prepared by Joanie Jones Kelly.*

**I. ACTION:**

Approve proposed Procedures of the California Debt Limit Allocation Committee (CDLAC) as presented to the Committee at the December 5, 2007 meeting.

**II. BACKGROUND:**

CDLAC received several comments regarding sections of the CDLAC Procedures that were not included in the proposed changes presented to the Committee at the December meeting; staff does not have the legal authority to act on those changes at this time. However all recommendations will be reviewed by staff to be considered in future Procedure revisions.

A Public hearing was held on January 10, 2008, at the Treasurer's office. The following individuals listed below provided verbal and written public comments regarding the proposed changes to the CDLAC Procedures. The comments of each individual have been incorporated into the Committee's Public comment matrix (attached).

James Hamill representing California Statewide Communities Development Authority (CSCDA)  
John Stoecker representing California Municipal Finance Agency (CMFA)  
Greg Norton representing CRHMFA Homebuyers Fund (CHF)  
Lorna Henri representing California Statewide communities Development Authority (CSCDA)  
Paula Conners representing California Enterprise Development Authority (CEDA)  
Marc Aprea representing Republic Services, Inc.

This staff report provides a summary and analysis of those items that received comments that were either incorporated into the proposed Procedures, or required a staff explanation, and/or were rejected for technical reasons or because they could not be reasonably implemented at this time. Attached for review is a matrix of all comments received including a staff analysis of each comment.

**III. EVALUATION OF PROPOSED CHANGES:**

**A. Scattered Site Project – Changes CDLAC Procedures to conform to the TCAC regulations, Page 10 CDLAC Procedures.**

Comments: There was one (1) support letter and one (1) opposition letter received. The concern identified was that CDLAC and TCAC procedures differ. The rationale for the difference is that TCAC scattered site policy is used as an evaluation criteria only for their 9% tax credit applications, the TCAC 9% Program is a competitive program and limited to affordable multifamily projects only. CDLAC has limited the scattered site projects to a mile radius or projects within the same zip code to ensure there is no reduction in public benefits based on the CDLAC guidelines.

Staff Recommendation: CDLAC will prorate public benefits for scattered site projects to be consistent with TCAC; however CDLAC will maintain the existing distance guidelines for scattered site projects.

**B. First Tier Business – Changes CDLAC Exempt Facility language to conform to the California Pollution Control Authority (CPCFA) regulations, Page 5 CDLAC Procedures.**

Comments: There was one (1) support letter and seven (7) letters of opposition received regarding the proposal to change the Exempt Facility First Tier definition. The opposition letters identified the difference of how the definition is used for CPCFA projects compared to CDLAC. CPCFA uses the small business definition to determine whether or not a business qualifies for a Small Business subsidy whereas CDLAC uses the definition to determine allocation priority.

Staff Recommendation: CDLAC not change the Exempt Facility First Tier definition to the CPCFA definition but maintain the existing CDLAC First Tier definition for Exempt Facilities for the purpose of CDLAC allocation.

**C. Section 12 (I) (II). Transfers of Allocation**

**Transfer of Allocation – Clarification of the role of the Joint Power Authority (JPA) in the Single Family Housing Program, Page 21-22 CDLAC Procedures.**

Comments: Three letters of opposition were received from CRHMFA and two rural counties. The major issue identified is the ability of joint power agencies (JPA) to request allocation independent of a local government agency. The CDLAC Procedures require that a JPA must act on behalf of a local government agency. The JPA provides CDLAC a delegation letter from the local authority granting the JPA their Fair Share housing Allocation. The benefit to the local agency is that the JPA is able to pool their allocation authority to issue bonds for several local agencies providing a cost savings to the participants. The issue of conflict if the local agency maintains their Fair Share allocation for their program; then is it fair for that agency to access the JPA program receiving more than their Fair Share allocation.

CRHMFA has offered a compromise to their delegation issue and is now requesting that CDLAC allow the JPA 90-days after the issuance of bonds, if the proceeds have not been used by the local agencies providing the delegation authority, to offer bond financing to all members of the JPA whether or not they provided their Fair Share allocation. Staff response is that when an Application is submitted to CDLAC the Project Sponsor identifies a pipeline of demand for the allocation being requested. If the allocation can not be used within the 90-day period it can be assumed the Project Sponsor requested more allocation than needed. CDLAC's goal is to insure that the allocation is used to provide the greatest public benefits therefore given the limited supply of allocation it is important that allocation not be awarded until the Project Sponsor can guarantee its use.

Staff Recommendation: The proposed Procedure change be approved as submitted thus ensuring that all local issuers adhere to the same rules.

**D. Section 20. Allocation System for Small-Issue Industrial Development Bond Projects**

**Allocation System for Industrial Development Bond (IDB) projects – Allows the Committee to award an Industrial Development Bond allocation to the California Industrial Development Financing Advisory Commission (CIDFAC) for the purpose of allocating portions of the award to Project Sponsors for purposes of issuing bonds. Page 43 CDLAC Procedures.**

Comments: Two (2) letters of support were received and no letters of opposition. The rationale for providing the Small Issue Industrial Development Bond award of allocation is to allow Borrowers to receive their allocation and financing approval simultaneously to expedite the approval process.

Staff Recommendation: The proposed Procedure change be approved as submitted to provide the Small Issue Industrial Development Bond award of allocation to CIDFAC.

**E. Section 21. Allocation System for Exempt Facility Projects**

**Allocation System for Exempt Facility Projects – Allows the Committee to award an Exempt Facility allocation to the California Pollution Control Financing Authority (CPCFA) for the purpose of allocating portions of the award to Project Sponsors for purposes of issuing bonds. Page 51 CDLAC Procedures.**

Comments: A total of eight (8) support letters were received and four (4) letters of opposition for this proposal. The rationale for this proposal is twofold; first to allow Borrowers to receive their allocation and financing approval simultaneously to expedite the approval process, and secondly to allow for a policy that is environmentally friendly regarding Exempt Facility projects. Currently when Exempt Facility projects introduce new technology CPCFA is the agency designated by CDLAC to provide a policy review to ensure all issuers are adhering to the same guidelines. CPCFA because of staff expertise is the more appropriate agency to provide that guidance.

The major concern identified by those opposed to CPCFA receiving an Exempt Facility award of allocation is the method of distribution of the allocation. Staff is proposing development of a “Process Plan” which will detail how CPCFA will award the Exempt Facility allocation. Staff proposes to present the plan to this Committee for approval at the February CDLAC meeting. As with any staff proposal the staff report will be posted for review by interested parties prior to the February meeting to allow for comments.

Staff Recommendation: Staff recommends immediate approval to allow CPCFA to receive an award of Exempt Facility allocation; and that the “Process Plan” for providing that allocation be presented to the Committee for approval at the February CDLAC meeting.

**IV. RECOMMENDATION:**

Approve the proposed Procedures as outlined and recommended by staff in this summary.