

MINUTES

April 16, 2008
(Agenda Item 2)

California Debt Limit Allocation Committee
Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

Call to Order and Roll Call (Agenda Item 1)

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:35 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Molly Arnold for Arnold Schwarzenegger, Governor
David O'Toole for John Chiang, State Controller

Advisory Members Present: Theresa Parker
California Housing Finance Agency

Lynn Jacobs
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Approval of the Minutes of the March 26, 2008 Meeting (Agenda Item 2) (Action Item)

David O'Toole moved approval of the minutes from the March 26, 2008 meeting. Upon a second, the minutes passed 3-0 with the following vote: David O'Toole: Aye; Molly Arnold: Aye; Bettina Redway: Aye.

Executive Director's Report (Agenda Item 3) (Informational Item)

Joanie Jones Kelly reported the following:

There has been an increase in demand for Qualified Residential Rental Projects (QRRP) for the May 2008 CDLAC allocation. The upcoming May 2008 allocation meeting has requests for over a billion dollars in allocation, CDLAC has not seen demand of this magnitude since calendar year 2000. The large demand brings forth opportunities as well as problems.

The opportunity resultant from the high demand is that CDLAC can provide allocation to the projects that provide the greatest public benefits to the citizens of California. Those projects that receive the greatest

number of public benefit points. The purpose of this meeting is to declare the Qualified Residential Rental Pool (QRRP) **Competitive**. By declaring the pool Competitive a higher point structure is implemented limiting the number of eligible projects. The Competitive QRRP Allocation process would begin with the July Allocation meeting.

The CDLAC problem is that there will be affordable housing projects that will not receive allocation. Therefore, affordable housing projects will not go forward because they can not work “financially” without tax-exempt bond financing and housing tax credits.

Based on the current market conditions it is important that CDLAC take a **“LEADERSHIP ROLE”** in determining which projects receive the tax-exempt bond Allocation. There are several ways to manage the allocation process without changing existing CDLAC Procedures. I have recommended two.

The first recommendation is for CDLAC to limit the amount of Allocation granted to each project. CDLAC Procedures Section 17, IV state that, “The Committee will allocate no more than \$30 million for any proposed Qualified Residential Rental Project (QRRP). Annually the Committee may adjust or waive this maximum Allocation amount if the Committee determines that the demand for Allocation for QRRP’s is such that the maximum Allocation is not warranted. An Applicant requesting an Allocation over \$30 million may request an exception based on specific factors.” Given the constraints imposed by the high demand for Allocation it is important that CDLAC enforce the \$30 million limit per project, *if possible* to expand the use of allocation. All the projects on the May Agenda that exceed the \$30 million threshold have been contacted to determine if it is reasonable to reduce their request.

The second recommendation is to grant a higher priority to General Pool (QRRP) projects compared to Mixed Income Pool (QRRP) for the July Allocation meeting. CDLAC Procedures define a Mixed Income Project, as a Qualified Residential Rental Project (QRRP) having 50% or fewer of its total units designated as restricted (affordable) rental units. The Mixed Income projects that apply to CDLAC usually have only 20% of the units restricted or affordable and the remaining 80% have market rents, which is in compliance with federal tax law. Therefore the Committee in the past has granted a higher priority to projects in the General QRRP pool compared to Mixed Income QRRP projects. The General Pool by definition requires that more than 50% of the units be restricted or affordable therefore providing a greater public benefit. The September Allocation meeting is the last Allocation meeting for 2008 therefore; ALL projects will be evaluated to determine their public benefits and granted Allocation based on availability.

RECOMMENDATION:

1. CDLAC enforce the \$30 million limit per project, *if possible*.
2. CDLAC grant a higher priority to General Pool (QRRP) projects compared to Mixed Income Pool (QRRP) for the July Allocation Meeting. The September Allocation meeting is the final allocation meeting for 2008 therefore; ALL projects will be evaluated to determine their public benefits and granted Allocation based on the availability.

The two recommendations will insure that CDLAC provide tax-exempt bond Allocation to the projects that provide the greatest public benefits. Based on the limited Allocation available for 2008 the recommendations outlined appear to be the most reasonable course of action.

Consideration and Adoption of the Qualified Residential Rental Program Competitive Application Process and Minimum Point thresholds for the July and September 2008 Allocation (Agenda Item 4)
(Action Item) Staff—Misti Armstrong

Staff recommends that the Committee approve a Competitive application process for the Qualified Residential Rental Program (QRRP) for the July and September 2008 Allocation meetings. This recommendation is made on the basis that the QRRP pools are expected to be over-subscribed for the remainder of 2008. Staff is also recommending that a maximum allocation equivalent to 50% of the remaining General Pool and Rural Pool allocations be awarded at the July CDLAC meeting. By limiting the available allocation for the July meeting, the Committee will help to ensure that both July and September projects demonstrating the highest public benefit receive an award of allocation.

Point Thresholds

Staff recommends point thresholds remain consistent with previously established Competitive thresholds. The Qualified Residential Rental Project Pool has had a Competitive minimum threshold of 70 points in the Rural and General Pools and 60 points in the Mixed Income Pool.

RECOMMENDATION:

Staff recommends approval of a Competitive application process for the Qualified Residential Rental Program. This recommendation would include approval of a limited amount of allocation for the July meeting and also approval of Competitive minimum point thresholds for the Qualified Residential Rental Program Pools.

David O'Toole moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: David O'Toole: Aye; Molly Arnold: Aye; Bettina Redway: Aye.

Public Comment (Agenda Item 5) (Action Item)

There was no public comment.

Adjournment (Agenda Item 6)

The meeting adjourned at 1:45 pm.