

California Debt Limit Allocation Committee (CDLAC)

**Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814**

September 28, 2011 - Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:02 a.m.

Members present were Alan Gordon for State Controller John Chiang, Pedro Reyes for Governor Edmund G Brown, Jr., and Bettina Redway for State Treasurer Bill Lockyer.

Advisory Members present were Maziar Movassaghi for HCD and Claudia Cappio for Cal-HFA.

2. Approval of the Minutes of the July 20, 2011 Meeting

There were no comments or questions and Alan Gordon moved for approval of the minutes of the July 20, 2011, meeting. Pedro Reyes seconded the motion. The approval of the July 20, 2011, minutes was unanimously approved.

3. Executive Director's Report

Sean Spear reported that the first agenda item (item four) features some revisions to the package of new draft emergency regulations that was presented at the last meeting; Agenda item eight, High Place Apartments, has been removed as that project did close; and Agenda item eleven, the Oakridge project, has withdrawn.

Mr. Spear continued that there is a fairly large amount of remaining allocation because most of those transactions have been taking advantage of the existing carry forward that was available from 2009 and somewhat into 2010. This translated into fewer projects that actually affected this year's cap. Staff will start the process to come up with some recommendations for the remaining allocation that will be left at the end of the year, and CDLAC will bring that recommendation to the Committee for the December meeting.

Mr. Spear noted that last week he traveled to Washington D.C. with a group from the California Housing Consortium for the purpose of talking to both Congressional and administrative staff around issues on housing. There were specific discussions around tax reform and the potential impacts for tax-exempt bonds and low-income housing tax credits. While there has been a lot of discussion about the potential future of these housing tools, there has been nothing definitive. CDLAC will continue to monitor the situation as it progresses.

In addition, Mr. Spear mentioned the redevelopment agencies through their association filed a lawsuit challenging the two laws that were passed at the end of June and the State Supreme Court issued a Stay; freezing all new activity for the RDAs. CDLAC is advising those applicants to contact CDLAC Staff to advise us if the project is anticipating a delay in its closing as a result of the Stay. Mr. Spear wanted to emphasize that for any potential future RDA-related projects, depending on what happens with the court decision in January, that if a project has RDA financing and is not able to ultimately close as a result of whatever court action may take place related to the RDAs, that CDLAC will not be waiving the forfeiture of the performance deposit related to those projects.

Lastly, Mr. Spear stated that CDIAC sponsored a one-day workshop on private activity bonds on September 7th in Los Angeles. The workshop covered a diverse set of topics for a sold-out, diverse audience focusing on market trends, deal structuring and new tools, operational practices and the current regulatory and legislative view from Washington DC. There was some very good feedback from the attendees and even calls to repeat the workshop at some point in the future.

There were no further comments or questions.

4. Consideration and Approval of Proposed CDLAC Regulations for Public Comment and Submittal to the Office of Administrative Law for Emergency and Regular Rulemaking Consideration

Annie Ong reported that during the last several months while CDLAC was pursuing the initial approval of its regulations, staff determined that there were a number of revision items that would need to be incorporated into those regulations once approved.

Ms. Ong continued that on July 20th, 2011, staff recommended various revisions to the approved July 1st regulations. A 15-day public comment period was held, and as a result, changes were made to the proposed Annual Applicant Public Benefits and On-Going Compliance Self Certification Form. Additionally, recent actions by the Internal Revenue Service ("IRS"), the California Industrial Development Financing Advisory Commission ("CIDFAC"), and the California Tax Credit

Allocation Committee ("TCAC") have made other provisions of the current CDLAC regulations out-of-date or obsolete. The following are the proposed revisions not previously considered by the Committee members:

1. Removal of Drawdown Bond-Related Language

Section 5133 of the CDLAC Regulations was originally added to accommodate new IRS requirements on drawdown bonds, as detailed in IRS Notice 2010-81. However, the IRS released supplemental guidance, via IRS Notice 2011-63 issued on August 4th, 2011, rescinding the applicability of IRS Notice 2010-81 to private activity bond issuances.

2. Non-Technical Revisions to IDB-Related Regulations

CDLAC is now seeking to update our current regulations and forms accordingly. It should be noted that these final CIDFAC-approved revisions were approved at a publicly-held CIDFAC meeting on February 25, 2009.

3. Revision of CDLAC regulations for Site and Service Amenities

Staff proposes changes to Section 5230 for the QRRP evaluation criteria, in alignment with a set of similar regulation revisions approved by TCAC on March 16th, 2011.

4. Annual Applicant Public Benefits and On-going Compliance Self Certification

Staff proposes changes to the July 20th Annual Applicant Public Benefits and On-going Compliance Self Certification to accommodate revisions to the questionnaire. In response to public comments, the proposed revisions include new instructions and revised question language clarifying applicability of the Form; a CDLAC acknowledgement of reliance on the responding issuer's internal procedures and knowledge of the project at the time of submission of the Self Certification; and an update to the list of service amenities as proposed (See attached Public Comment matrix).

Ms. Ong advised that should the Committee approve these revisions, staff plans to then submit the emergency rulemaking package to OAL immediately thereafter. A 5-day public comment period will commence on the day of submittal, with possible enactment within 10 days thereafter. Staff will later follow up with a regular rulemaking filing necessary to permanently adopt the proposed changes. During the permanent rulemaking period, the public will have an additional 45-day public comment period opportunity.

There were no questions or comments and Alan Gordon moved for approval. Pedro Reyes seconded the motion and the proposed CDLAC regulations for submittal to the OAL for emergency and regular rulemaking consideration was unanimously approved.

5. Consideration and Approval of a Revised Resolution 08-235 for Nihonmachi Terrace Apartments Project (08-238) - Qualified Residential Rental Program

Misti Armstrong reported that on December 3, 2008, the Nihonmachi Terrace Apartments project received \$26 million in allocation from CDLAC. While the project sponsor had conducted an informal income survey of the residence prior to applying to CDLAC, it wasn't until the formal income verification process that the project sponsor discovered that there were 13 over-income households at the property.

Ms. Armstrong continued that the project sponsor has indicated that they applied to CDLAC as a 100% affordable housing project assuming that all over-income households would accept a relocation package and voluntarily relocate. During the formal income verification process, however, only two of the 13 over-income households agreed to move out. The project sponsor believes that two of the key demographic factors were one, the families were likely to have a difficult time finding come comparable-sized units in the city of San Francisco, and secondly that the other households were elderly tenants who had aged in place. While the project sponsors assumption that they would be able to voluntarily relocate all over-income households was clearly incorrect, they still plan to transition these units to income qualified households as over-income households leave the property over time. This plan is specifically addressed and detailed in the SFRA regulatory agreement for the property.

While IRS, CDLAC and TCAC Regulations do not accommodate such a transitional strategy, staff believes that the ultimate policy goal of having all of the units at this housing development eventually serve low-income families will be achieved through the SFRA Regulatory Agreement. Also, this allocation award was made in a non-competitive CDLAC round, and the Applicant's CDLAC application score would not have been impacted by this change. Based on this information, staff recommends a revision to Resolution 08-235 that reflects a modified affordability requirement from 100% to 95% affordability. This would be a total unit count from 244 units down to 233 units.

Ms. Armstrong then introduced Marc Slutzkin of the John Stewart Company, 1388 Sutter St, San Francisco, CA, who is the co-general partner on Nihonmachi Terrace. He commented his organization assumed the amount of over-income tenants that lived in the building was lower than the actual amount, and that their relocation incentive program would incentivize more households to move out. Mr. Slutzkin continued that as those tenants move out, the company will move in an income qualified household, making the building 100% percent affordable.

Pedro Reyes asked Mr. Slutzkin if there were provisions so that the apartments were not subleased or transferred to the tenant's children. Mr. Slutzkin responded that the leases state the apartment cannot be subleased.

There were no other questions or comments and Pedro Reyes moved for approval. Alan Gordon seconded the motion and revision to CDLAC Resolution 08-235 for the Nihonmachi Terrace Apartments Projects was unanimously approved.

- 6. Consideration and Approval of an Issuance Date Extension and a Revised Resolution 11-97 for the County of Santa Clara Energy Efficient Lighting Project (ARRA-85) - Qualified Energy Conservation Bond Program**
 Misti Armstrong reported that on July 20, 2011, the Santa Clara County Energy Efficient Lighting Project ("Project") received a Qualified Energy Conservation Bond (QECB) award of allocation of \$3,639,000 during a non-competitive QECB allocation round. The Project involves the improvement of multiple Santa Clara County ("County") owned facilities with energy efficient lighting controls, retro-fittings and upgrades.

Ms. Armstrong continued that under the QECB Program, the minimum energy conservation qualification for a "Publicly Owned Building" designation is an increase in facility efficiencies of at least 20%. The County has stated that the information provided in its application was mistakenly calculated based on each facility's lighting total efficiencies, not the overall efficiency of the entire facility as required. To meet the minimum requirement, the Applicant is now requesting to expand the scope of the Project, increasing efficiencies at several sites, while removing other sites from the initial scope completely. The proposed LED lighting retrofits and upgrades involve higher upfront expense costs, but lead to far more efficient lighting use. As a result, the new project scope will be limited to fewer facilities than those listed in the original application.

The County has also requested a thirty (30) day issuance extension to November 18, 2011. The extension is necessary to achieve full financing and to complete the bond sale. Ms. Armstrong stated that the Staff recommends approval of an issuance date extension and revision to Resolution 11-97 for the County of Santa Clara Energy Efficient Lighting Project.

There were no questions or comments and Pedro Reyes moved for approved. Alan Gordon seconded the motion. The issuance date extension and revision to Resolution 11-97 for the County of Santa Clara Energy Efficient Lighting Project was unanimously approved.

- 7. Consideration and Approval of an Award Revision to Various Qualified Residential Rental Project Resolutions:**
 Crystal Alvarez reported that under Section 8869.84(e) of the California Government Code, for any awarded allocation amount not issued, a proportional share of the applicant/issuer's performance deposit shall be subject to forfeiture to CDLAC.

Projects often encounter justifiable reasons for issuing bonds in amounts slightly less than the original awarded allocation amounts from CDLAC. To avoid a forfeit, staff recommends revising the current CDLAC Resolutions for the Projects, listed below, to reflect the actual amount used.

Ms. Alvarez stated that Staff recommends approval of a revision to the CDLAC Resolutions for all nine (9) projects listed below:

<u>Reso. #</u>	<u>App.#</u>	<u>Project Name</u>	<u>Original Award</u>	<u>Revised Award</u>
10-89	10-096	Red Star Apartments	\$11,489,686	\$10,754,686
11-25	11-029	Sunnyslope Apartments	\$2,000,000	\$1,990,529
11-61	11-063	Amanda Park Apartments	\$31,550,000	\$30,850,000
11-58	11-058	Florida Street Apartments	\$16,833,000	\$14,588,000
11-59	11-059	Terramar Apartments	\$4,000,000	\$3,963,000
11-42	11-071	Hillview Ridge Apartments	\$8,000,000	\$7,800,000
11-43	11-072	Washington Court Apartments	\$7,000,000	\$6,900,000
11-67	11-077	Regent Square Apartments	\$25,000,000	\$23,000,000
11-88	11-094	Warner Creek Senior Housing Apts.	\$14,834,808	\$14,630,000

There were no comments or questions and Pedro Reyes moved for approval. Alan Gordon seconded the motion. The motion for an award revision to the above stated projects was unanimously approved.

- 8. Consideration and Approval of an Issuance Date Extension for the Following Projects: Ivanhoe Family Apartments, Dunbar Village Apartments, Casa Griffin Apartments, Shasta Court Apartments, Woodbridge Apartments, Yucaipa Senior Terrace Apartments, First and Rosemary Family Apartments, Monarch Santa Monica & La Brea Apartments, FAME Santa Monica Apartments, Aspens at South Lake Tahoe Apartments and High Place West Apartments – Qualified Residential Rental Program**
 Crystal Alvarez reported that Staff is recommending an issuance date extension for the following projects:

Ivanhoe Family Apartments project. The project involves a number of federal, state, and local dollar sources which each own their separate timelines and delays. The project is requesting an extension to December 27.

Dunbar Village Apartments is awaiting the Los Angeles City Building Department's final drawing approval for the project. The project is requesting an extension to December 27. Casa Griffin Apartments is experiencing HUD financing approval delays. The project is requesting an extension to October 31.

Shasta Court Apartments involves a number of federal, state, and local dollar sources with each their own separate timelines and delays. The project is requesting an extension to December 27.

Woodbridge Place Apartments is awaiting the Merced City Council's approval of the finalized interest rate on the subordinate debt for the project. The project is requesting an extension to December 27.

Yucaipa Senior Terrace Apartments is experiencing home fund financing approval delays. The project is requesting an extension to December 27.

First and Rosemary Family Project is experiencing public funds financing approval delays and requesting an extension to December 27.

Monarch Santa Monica and La Brea Apartments Project. Due to changing lenders, the project is experiencing review delays. The project is requesting an extension to December 27th.

FAME Santa Monica Senior Apartments is experiencing public funds financing approval delays and is requesting an extension to December 27th.

Aspens at South Lake Tahoe is experiencing public funds financing approval delays, and is requesting an extension to December 27th.

High Place West Apartments has withdrawn their request as they have issued their bonds.

Misti Armstrong identified 5 projects that were RDA related: Ivanhoe Family Apartments, Shasta Court Apartments, First and Rosemary Family Apartments, FAME Santa Monica Apartments, and Aspens at South Lake Tahoe Apartments.

Alan Gordon moved for approval for an extension for the previously mentioned 5 projects. Bettina Redway seconded the motion and the motion was approved to an issuance date extension by a 2-0-1 vote, with Pedro Reyes abstaining.

Alan Gordon moved for approval for an extension for Dunbar Village Apartments, Casa Griffin Apartments, Yucaipa Senior Terrace Apartments, and Monarch Santa Monica & La Brea Apartments. Pedro Reyes seconded the motion and the issuance date extension for those projects was unanimously approved.

9. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for an Exempt Facility Bond Project and an Award of Allocation

Sarah Lester reported that the Committee received one application from the California Municipal Finance Authority requesting \$25,200,000 for an exempt facility project. Ms. Lester advised that the Staff recommends approval of the request to fund the project under the exempt facility program.

Alan Gordon moved for approval. Pedro Reyes seconded the motion. The motion to approve the application from the California Municipal Finance Authority for \$25,200,000 was approved on a 2-0-1 vote, with Bettina Redway abstaining.

10. 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

Sarah Lester reported that the Committee received two (2) applications, both requesting 2011 Single Family Housing Bonus Pool allocation, for a total of \$51,771,321 for the issuance of Mortgage Credit Certificates under their respective Mortgage Credit Certificate Programs. Ms. Lester advised that the Staff recommends approval of \$51,771,321 to fund two (2) programs in the Single Family Housing Program.

Alan Gordon moved for approval and Pedro Reyes seconded the motion. The motion to approve the applications for the County of Los Angeles for \$41 million and the County of San Diego for \$10,771,321 was unanimously approved.

11. 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 (Action Item) – Crystal Alvarez

Crystal Alvarez reported that there were no appeals and the Rural Pool received six applications for \$23,525,000; The General Pool received twenty-six applications for projects requesting a total allocation of \$317,178,232; four of which were later withdrawn. In addition, another previously-submitted project which was being considered for FHA financing will now proceed as a standard private placement transaction.

Ms. Alvarez stated that the Staff recommends approval of \$23,525,000 to fund six projects in the Rural Pool; and approval of \$317,178,232 to fund twenty-six projects in the General Pool.

Misti Armstrong commented that there is also a waiver of the \$30 million cap for Village Santa Monica site B Apartments that is recommended for approval.

Alan Gordon moved for approval of the waiver of the \$30 million cap. Pedro Reyes seconded the motion. The motion to approve the waiver of the \$30 million cap for Village Santa Monica site B Apartments was unanimously approved.

Alan Gordon moved for approval of the projects. Pedro Reyes seconded the motion. The approval of the applications was unanimously approved.

11-119	Hallmark Apartments	Lamont	\$2,600,000
11-120	Paradise Community Village Apartments, Phase I	Paradise	\$5,200,000

11-125	Paso Manor & Rose Valley Apartments	Wasco	\$4,220,000
11-132	Bear Mountain & Weed Patch Country	Arvin/Lamont	\$3,170,000
11-133	California Terrace	California	\$1,335,000
11-138	Heritage Commons Apartments	Dixon	\$7,000,000
11-060	Los Robles Apartments	Union City	\$15,186,500
11-061	Elena Gardens Apartments	San Jose	\$22,760,000
11-067	Hudson Townhouse Manor Apartments	Antioch	\$12,500,000
11-081	St. Joseph's Family Apartments	Oakland	\$19,114,911
11-091	Temple Art Lofts	Vallejo	\$6,250,000
11-105	Morgan Hill Retirement Residence Apartments	Morgan Hill	\$16,309,539
11-108	Slauson Station Apartments	Los Angeles	\$6,850,000
11-109	San Fernando Community Housing	San Fernando	\$9,000,000
11-110	Satellite Central and Doh On Yuen	Oakland	\$18,445,197
11-111	Glenbrook Terrace	Oakland	\$6,331,185
11-112	The Courtyard at La Brea Apartments	West Hollywood	\$7,800,000
11-113	Mid Celis Apartments	San Fernando	\$4,400,000
11-114	Las Villas de Paseo Nuevo	Oxnard	\$15,000,000
11-116	De Anza II Apartments	Calexico	\$5,000,000
11-117	SC Senior Apartments	San Clemente	\$16,000,000
11-118	Stuart Pratt Manor	Berkeley	\$4,411,994
11-124	3rd Street Residential Development Apartments	San Jose	\$7,298,412
11-126	Chinatown Metro Apartments	Los Angeles	\$23,000,000
11-128	Forester Square Apartments	Santee	\$6,930,732
11-129	Casa Rita Apartments	Huntington Park	\$10,500,000
11-134	Park Place Apartments	Rialto	\$5,000,000
11-135	Eucalyptus Village II	Bakersfield	\$6,000,000
11-136	Dolores Lia Apartments	Millbrae	\$6,000,000
11-139	The Village Santa Monica Apartments (Site B)	Santa Monica	\$45,134,720
11-140	Park Boulevard Apartments	Oakland	\$4,644,534
11-044	Keller Plaza Apartments	Oakland	\$17,310,508

12. Public Comment (Action Item)

There were no questions or comments from the public.

13. Adjournment

The Chair adjourned the meeting at 11:34am.