

California Debt Limit Allocation Committee (CDLAC)

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

January 18, 2012 – Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:06 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 Claudia Cappio for Cal-HFA and Rush Schmunk for HCD.

2. Approval of the Minutes of the December 14, 2011 Meeting

There were no comments or questions. Pedro Reyes made a motion to approve the minutes of the December 14, 2011 meeting. Alan Gordon seconded the motion. The approval of the December 14, 2011 meeting minutes was unanimously approved.

3. Executive Director's Report

Sean Spear referenced the revised agenda, stating that Item 15 (Bella Vista Apartments) was removed. The project sponsor involved requested additional time to take care of items related to the project. They will be withdrawing their application and resubmitting for the March round. CDLAC staff will be proposing to waive the additional application fee. In addition to Item 15, the Bellwood Apartments is also withdrawn. CDLAC anticipates they will be coming back for the next round as well.

Mr. Spear reported that one of the main objectives for the meeting was to accept the 2012 volume cap and propose recommendations for the distribution of the cap amongst the program pools, deal with a relatively minor emergency regulation item, and then lastly, a set of new approvals that would be for our first round for 2012.

Mr. Spear noted that, regarding the status of the redevelopment agencies, the State Supreme Court upheld ABX1 26, which dealt with the elimination of the agencies, but struck ABX1 27, which dealt with their ability to continue in a form.

Mr. Spear stated that there are 15 projects that have received awards over the last couple of rounds that have some form of RDA funding or action associated with them. CDLAC contacted each of the issuers involved to confirm the status of the projects and whether or not they anticipated being able to move forward. With the exception of one, all are expected to close as originally planned for the projects.

Mr. Spear continued to report the one exception is the Broadway Villas, which is in the city of Los Angeles. The city of Los Angeles elected not to become the successor entity for the redevelopment agency. The RDA is officially in limbo as of February 1, although under ABX1 26, there is a call for a state board to possibly be created for those agencies that don't have a local successor entity identified.

After discussion with staff at the Housing Department in Los Angeles, they expect to work through the issue; whether it be actually making a modification to the DDA which is what's required for this project (and have that occur before February 1) or to look towards the successor entity to actually make that change happen. It is identified on their list of enforceable obligations, so there should be no other issue other than ultimately which entity will actually execute the revision.

Lastly, Mr. Spear referred to the Governor's budget plan, and the proposal to consolidate a number of agencies. Among them is a proposal to have CalHFA become part of Housing & Community Development, which would be

under a broader agency called the Business and Consumer Services Agency. Mr. Spear introduced Claudia Cappio to discuss further planning related to the consolidation of these agencies.

Claudia Cappio stated that the executive directors of the housing-related agencies in the state have met regularly since April, and have been anticipating a lot of opportunity for alignment and new ways to think about affordable housing and providing that service in our state. They will all continue to work in a cooperative and collaborative manner.

There were no further questions or comments.

4. 2011 Program Summary (Informational Item) – Sean Spear

Mr. Spear reports at the beginning of each year, CDLAC prepares a summary that identifies the public benefits associated with the awards that are approved in the previous year. CDLAC has drafted the 2011 Program Summary and it will be posted to the website.

In general, CDLAC continues to see impacts related to the recession and the volatility in the financial markets that occurred over the last few years. That has translated to continued difficulty, particularly for the industrial development bond and exempt facility deals, to be able to access the tax exempt markets. They continue to have trouble getting bond insurance or letters of credit from their banks.

Unfortunately, the volatility in the markets has contributed to a bit of concern from the banks in terms of issuing letters of credit for projects. Coupled with that, the rates between tax exempt and taxable, particularly on short term are really flat and close to each other. In some circumstances it's actually more advantageous for those types of projects to go to the market on a taxable basis as opposed to tax exempt.

Ultimately that translates to CDLAC having fewer applications in those two pools, and unfortunately we're probably expecting that situation to continue into this year. The bright spot has actually been related to multi-family housing where we saw a fairly dramatic increase. CDLAC nearly tripled the amount of volume that it had in comparison to last year in the QRRP pool. Much of that is attributable to three factors; the first being that there's an increasing appetite amongst the commercial banks, particularly those that are in the urban areas and where the project may count towards their Community Reinvestment Act activities.

Second, there's been a full ramp up in usage of the New Issue Bond Program, and each of the participating Issuers received a dramatic increase in the amount of Fannie and Freddie Mac forward commitments.

That translated to more activity occurring in the suburban and rural areas. We also saw a fair number of rural area projects, in areas which had really been hit hard during the deepest parts of the recession a couple years ago. While these are really great trends for us to see occurring, there's a level of concern on our part that we may not see as much volume this year going forward, in part due to the lack of subsidy resources that are expected to be available this coming year. Namely, HCD has exhausted much of their Prop 46 and Prop 1C funds, and the elimination of the redevelopment agencies and the housing set aside funds that usually come along with that. Despite these things on the horizon, all told we had a total of 165 awards this year. Which is on the higher end of our volume over the last ten years. More specifically, 145 of those deals were in the multi-family pool. This represents our third highest amount of volume in the last ten years.

We are expecting to continue to market the allocation as much as possible, and particularly reach out with some of our sister agencies in terms of looking at water projects and other types of activities that are eligible for tax exempt bond allocation. By doing so, we hope to counter-balance some of the expected drop in the housing side that we'll probably see over the course of 2012.

Bettina Redway states she had heard from another conference – a national conference, that California and New York are about the only states that have active multi-family housing markets right now, so nobody else is building.

There were no further comments or questions.

Pedro Reyes moved for a COLLECTIVE VOTE of the following items: 5, 7, 9, 10, 11, 12 and 13:

5. Consideration and Approval of Proposed Emergency CDLAC Regulations for Submittal to the Office of Administrative Law

7. Consideration and Approval of an Award Revision to Various Qualified Residential Rental Project and Exempt Facility Project Resolutions – Qualified Residential Rental Project Program and Exempt Facility Program

09-142	Palmdale TOD Apartments	\$23,000,000	\$21,500,000
11-076	Santa Monica & La Brea Apartments	\$62,000,000	\$59,900,000
11-074	Fame Senior Apartments	\$9,367,458	\$8,700,000
11-098	Avila Avenue Apartments	\$5,366,021	\$5,250,000
11-121	RPI Fuel Cell, LLC & UTS SJ1-LLC	\$25,200,000	\$23,330,000
11-110	Satellite Central & Don On Yuen Apartments	\$18,445,197	\$18,410,929
11-111	Glennbrook Terrace Apartments	\$6,331,185	\$6,331,000
11-044	Keller Plaza Apartments	\$17,310,508	\$15,883,000
11-134	Park Place Apartments	\$5,000,000	\$4,803,095
11-145	Natoma Family Apartments	\$17,260,000	\$16,890,000
11-148	Crossing at North Loop Apartments	\$11,000,000	\$8,500,000
11-153	Portola Terrace Apartments	\$7,393,772	\$7,390,000

9. Consideration and Approval of a Revision to Resolution 10-88 for El Centro Apartments – Qualified Residential Rental Project Program

10. Determination and Adoption of the 2012 State Ceiling on Qualified Private Activity Bonds

11. Consideration and Adoption of the Apportionment of the 2012 State Ceiling among the State Ceiling Pools

12. Consideration of an Award of Allocation for the California Industrial Development Financing Advisory Commission for the Small-Issue Industrial Development Bond Program

13. 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

There were no comments or questions. Pedro Reyes moved for approval. Alan Gordon seconded the motion. Mr. Reyes, Mr. Gordon, and Ms. Redway all voted aye; the motion was unanimously approved.

6. Consideration and Approval of an Issuance Date Extension for Various Qualified Residential Rental Program Projects – Qualified Residential Rental Program:

Annie Ong reported that staff recommends the approval of the following allocation carry forward and issuance date extensions. These are all for the year 2012: Eucalyptus Village Apartments, April 17th; Heritage Common Apartments, April 2nd; Los Robles Apartments, April 17th; Morgan Hill Retirement Apartments, March 19th; St. Josephs Family Apartments, April 17th; Elena Gardens Apartments, April 17th; San Fernando Community Housing Apartments, March 13th; The Courtyard at La Brea Apartments, March 13th; and Mid-Celis Apartments, March 13th.

Pedro Reyes moved for approval with the exception of Heritage Common Apartments (11-138), and St. Josephs Family Apartments (11-081). Alan Gordon seconded the motion. The motion of an Issuance Date Extension for Qualified Residential Rental Program Projects was passed unanimously approved.

11-060	Los Robles Apartments	April 17, 2012
11-061	Elena Gardens Apartments	April 17, 2012
11-135	Eucalyptus Village II Apartments	April 17, 2012
11-105	Morgan Hill Retirement Apartments	March 19, 2012
11-109	San Fernando Community Apartments	March 13, 2012
11-113	Mid-Celis Apartments	March 13, 2012
11-112	Courtyard at La Brea Apartments	March 13, 2012

Alan Gordon moved for approval of Heritage Common Apartments (11-138), and St. Josephs Family Apartments (11-081). Bettina Redway seconded the motion. Mr. Gordon and Ms. Redway voted aye; Pedro Reyes abstained. The motion was passed 2-0-1 for issuance date extensions for the following projects:

11-138 Heritage Commons Apartments
11-081 St. Joseph Family Apartments

April 2, 2012
April 17, 2012

8. Consideration of Requests for a Waiver of Penalties for the Gateway Terrace Apartments Project (11-096), First and Rosemary Family Apartments (11-046), and Harbor Park Apartments Project (11-100) – Qualified Residential Rental Projects Program

Richard Fischer stated that an applicant bears the risk of forfeiting all or part of their performance deposit if the allocation is not used in accordance with the conditions and time frames set forth in the Committee Resolution. For a waiver to be approved, the CDLAC executive director subjects the request to two tests: was the issue or event that prevented the issuance of bonds unforeseen, two, was the issue or event wholly outside the control of the applicant and project sponsor. A request must pass both tests.

The following three projects are requesting approval of a waiver from the forfeiture of their performance deposit and negative points if applicable: Harbor Park Apartments, First and Rosemary Family Apartments, Gateway Terrace Apartments. Given the facts associated with these waiver requests, staff recommends an approval of all three waivers of the performance deposit forfeiture. Staff recommends that approval of the waiver, performance deposit and assessment of negative points where applicable for the Harbor Park Apartments, First and Rosemary Family Apartments and Gateway Terrace Apartments.

Pedro Reyes moved for approval with the exception of First and Rosemary Family Apartments (11-046), Alan Gordon seconded. The Waiver of Penalties for Qualified Residential Rental Program Projects was passed unanimously for Harbor Park Apartments (11-100) and Gateway Terrace (11-096).

Alan Gordon moved for approval of the Waiver of Penalties for First and Rosemary Family Apartments (11-046). Bettina Redway seconded the motion. Mr. Gordon and Ms. Redway voted aye; and Pedro Reyes abstained. The motion was passed 2-0-1.

14. 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.

Staff recommends a waiver of the \$30 million cap for First and Rosemary Family Apartments (12-014) and First and Rosemary Senior Apartments (12-015), and approval of the following projects.

Staff recommends approval of the following project of the mixed income pool:

12-011	Encanto Apartment Homes	\$20,500,000
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Staff recommends approval of \$161,956,301 to fund ten projects in the general pool:

12-007	Mayfair Court Apartments (fka McCreery Courtyards)	\$22,000,000
12-004	San Clemente Senior Apartments	\$1,600,000
12-002	The Crossing at Cherry Orchard Apartments	\$12,500,000
12-005	Fickett Towers Apartments	\$15,500,000
12-006	Vista Angelina Family Apartments	\$11,831,301
12-009	Piedmont Apartments	\$26,200,000
12-010	2525 El Camino Senior Apartments	\$7,500,000
12-012	Oak Center Apartments	\$13,825,000
12-014	1st and Rosemary Family Apartments	\$35,500,000
12-015	1st and Rosemary Senior Apartments	\$15,500,000

Alan Gordon moved to waive the \$30 million cap for First and Rosemary Family Apartments (12-014), and First and Rosemary Senior Apartments (12-015). Bettina Redway seconded the motion. Mr. Gordon and Ms. Redway voted aye; and Pedro Reyes abstained. The motion was passed 2-0-1.

Alan Gordon moved for approval of allocation for Mayfair Court Apartments (12-007), First and Rosemary Senior Apartments (12-015), First and Rosemary Family Apartments (12-014), Bettina Redway seconded the motion. Mr. Gordon and Ms. Redway voted aye; and Pedro Reyes abstained. The motion was passed 2-0-1.

Pedro Reyes moved to approve allocation of the remaining applications.

Alan Gordon seconded the motion. Mr. Gordon, Ms. Redway and Mr. Reyes all voted aye. The motion was unanimously approved.

15. WITHDRAWN FROM CONSIDERATION

16. Public Comment

Lydia Grant and Edmund Novy of the Sunland Tujunga Neighborhood Council provided public comment before the Committee to oppose the Samoa Avenue Apartment project (11-042) that was granted allocation during the May 18, 2011 meeting.

Lydia Grant spoke to the Committee pointing out several safety issues. These include the lack of parking, public transportation, and the remote location of the project in relation to social services available. She presented several handouts including maps of the area, and pictures. In addition, the Sunland Tujunga neighborhood council is appealing this project at the city level.

Ms. Grant reports the small community is located between two mountain ranges. This hillside community has very high rainfall leading to street flooding during the rainy season. The street where the project is being built has no sidewalks, gutters, or sewers. An elementary school is located approximately 300 feet on Samoa Avenue. Children must walk on this street to get to school. Street widening and installing sidewalks would not be an option as the setbacks are so close to the street.

Edmund Novy spoke about his desire for CDLAC to rescind the allocation for the Samoa project. He went on to note that the council is not against affordable housing, referencing their support for a 40 unit homeless housing project they voted in favor of. Mr. Novy noted that the Samoa project would put 250 people in an area that does not have the infrastructure or services to support such a large influx of habitants at once.

Alan Gordon asked Mr. Spear if there was an opportunity for the Committee to revisit the resolution decision.

Mr. Spear advised that while in theory the Committee could elect to rescind an existing resolution, it would be an unprecedented act, and is generally only contemplated where fraud was involved.

Mr. Gordon noted that that the Controller's Office was concerned about the information the Council just presented.

Bettina Redway then advised that while the Committee is allowed to receive information, they are not authorized to have to a discussion that might influence the decision making process for a non-agenda item.

Mr. Spear and Mr. Gordon then agreed that the two offices would have future correspondence regarding the Council's concerns.

Bettina Redway asked if there are any further comments from the public.

Bob Feyer from Orrick asked for clarification regarding the allocation amounts for items listed on the agenda.

Sean Spear explained all staff reports and allocation amounts are posted on the website.

17. Adjournment

The Chairperson adjourned the meeting at 11:44 a.m.