

California Debt Limit Allocation Committee (CDLAC)

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

May 16, 2012 – Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:01 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 Member present was Russ Schmunk for HCD.

2. Approval of the Minutes of the March 21, 2012 Meeting

There were no comments or questions. Pedro Reyes made a motion to approve the minutes of the March 21, 2012 meeting. Alan Gordon seconded the motion. The March 21, 2012 meeting minutes were unanimously approved.

3. Executive Director's Report

Sean Spear began his report referencing the updated list of Qualified Residential Rental Projects for item number 9 which had one project withdrawn.

Mr. Spear explained that CDLAC staff has posted an extension to one of the sets of emergency regulations that was approved by the Committee earlier in the year. CDLAC staff will be posting an additional extension within the next couple of months. All of this is leading to the packaging of three sets of emergency regulations that have been approved thus far into a new set of permanent regulations. CDLAC's goal is to have the permanent regulations approved by the end of the year. Mr. Spear continued to explain that during the July meeting staff is expecting to bring another set of emergency regulations to the Board for approval. These will be added to the permanent regulation package.

Mr. Spear informed the Committee of a joint cost containment study. The company that has been chosen is Blue Sky Consulting. They come with a background in data collection, and information analysis, and review. They have done similar cost reviews on housing, school finance, and transportation construction. Blue Sky Consulting should have the initial findings completed by the end of the year.

Mr. Spear discussed some personnel changes. Steve Spears, who was the CFO and Deputy Chief for CALHFA and also filled in as the interim Executive Director, has decided to take a position with Mercy Housing based in Denver as their new CFO.

Mr. Spear introduced CDLAC's new analyst, Narisha Bonakdar. Narisha comes from the Benningfield Group and has worked for Housing California and CalPERS in their legislative unit. She has a great deal of experience on both the policy and legislative side and dealing with housing specifically.

Mr. Spear also introduced Jonathon Gomora our student intern. Jonathan will be going through old files and pulling out resolutions and pertinent information related to previous applications and awards. This should assist with policy and legislative work going forward.

There were no questions or comments.

Claudia Cappio for Cal-HFA arrives.

4. Consideration and Approval of a Revision to Resolution 08-75 for the Bay Avenue Apartments Project (08-087) Qualified Residential Rental Project Program

Annie Ong reported following the award of allocation for the project Bay Avenue Senior Apartments, it was discovered that income data previously provided by the former owner, Salvation Army, and relied upon by First Community Housing had been incorrect. Several existing households earn incomes above the restricted levels established for the project. Some of the original over-income tenants have since moved away from the project, four over-income senior households continue to live there.

Two of the residents, an 86 year old and a 74 year old are nearly income eligible with incomes just slightly above 60 and 62 percent of AMI respectively. Another household, a married couple ages 65 and 67 is at 76 percent of AMI and has told property management that they expect to retire this summer at which point they would likely become income eligible. The fourth over-income household, a 63 year old at 87 percent of AMI is disabled.

Ms. Ong continued, based on the current rents, it will extremely difficult to find appropriate replacement housing for these four households if they cannot remain at Bay Avenue. To move into a market-rate apartment in the area, the households would face a rent increase of at least \$300 per month. Although the four over-income units are not eligible to be considered restricted rental units under CDLAC and IRS regulations, First Community Housing intends to rent these units to qualified low-income households as soon as they become vacant.

Ms. Ong explained this would be consistent with First Community Housing's original intent to operate the project as a one hundred percent low-income development. It should be noted that this allocation award was made in the non-competitive CDLAC round and the applicant's CDLAC application score would not have been impacted by this change. Based on this information, staff recommended a revision to resolution 08-75 that reflects a modified affordability requirement of 103 units at 50 percent or less of AMI and one unit at 60 percent or less of AMI and four market-rate units.

- Pedro Reyes stated he is very sympathetic to the elderly and the disabled individuals who are there, and it is not the intent to evict anybody from their homes. Mr. Reyes questioned the credibility of the data that was submitted when they reported that a hundred percent of the tenants are income eligible. Mr. Reyes asked if CDLAC had any recourse in the regulations that allows consequences for those that misrepresent the information.
- Sean Spear explained that some of the difficulty is the developers on these types of preservation deals rely on the information presented by the seller in terms of their rent roll and tenant information that they have on the site at the time. Apparently a few of these tenants may have been below income at the time that they originally purchased the property but later became above income.

Ultimately when the developer's come back with their placed in service package with TCAC and others, that's when the actual numbers are verified. If some of the households are above income, that presents a challenge and something has to be worked through. Most of the time CDLAC strongly encourages the developers to find a solution that would allow those tenants other options, such as to move to another location that the developer may have, or figure out a way to have them ultimately income certified.

- Pedro Reyes asked what is the frequency that this type of thing happens.
- Sean Spear responded that it is very rare. Normally the developers work hard to get a clear sense of the households and their relative income levels. At times they may relocate them, if necessary, in order to make sure the whole property complies. This was a unique situation. Displacing the elderly population there would ultimately create a real negative impact on them.
- Pedro Reyes expressed his support for the extension, adding if it were not a senior citizens complex he would have a strong concern with the Developer not complying with the hundred percent low income requirements. Mr. Reyes stated he appreciates the Developer's diligence in abiding by the one hundred percent low income regulation when the property becomes available. Mr. Reyes continued if it were any other population he would not be in a position to support this.
- Alan Gordon reiterated the comments made by Mr. Reyes. Mr. Gordon is prepared to vote for this, but wants to make it really clear that in the view of the Controller, this is not precedential. The Board is going to look at these with high skepticism in the future. Mr. Gordon states that this does seem to be a unique situation.

- Bettina Redway agreed with both Mr. Reyes and Mr. Gordon. Ms. Redway continued explaining she appreciates the staff and everyone taking the time to really scrutinize this and come to the right conclusion in this situation. She then asked if there any further comments from the Board or the public.

Public Comment

- Shelly Ratay with First Community Housing, the Developer, spoke. She was there to reassure the Board that they are in the business of providing one hundred percent affordable housing to low-income families, and this was an exception. It was not something that could have been anticipated. They try to foresee all possibilities and this was a unique circumstance. The Developer is committed to leasing these units to low-income households as soon as they become vacant.

Pedro Reyes made a motion to Approve a Revision to the Resolution 08-75 for Bay Avenue Apartments Project (08-087). Alan Gordon seconded the motion. The motion to Approve the Revision was unanimously approved.

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

Crystal Alvarez reported that staff recommends approval of the following requests for issuance date extensions on eleven (11) projects.

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| Taylor Yard Apartments (11-127) | August 14, 2012 |
| Oakridge Family Home Projects (11-050) | August 14, 2012 |
| Aspen at South Lake Tahoe Apartments (11-177) | August 14, 2012 |
| Shelter Hill Apartments (11-173) | August 14, 2012 |
| San Clemente Senior Apartments (11-117&12-004) | August 14, 2012 |
| Linda Vista Apartments (11-159) | August 14, 2012 |
| Ramona Park Senior Apartments (11-137) | August 14, 2012 |
| Fickett Tower Apartments (12-005) | August 14, 2012 |
| 1180 Fourth Street Apartments (11-163) | June 29, 2012 |
| 2525 El Camino Senior Apartments (12-010) | June 15, 2012 |
| The Oak Ridge Center Apartments (12-012) | July 16, 2012 |
| The Crossing at Cherry Orchard Apartments (12-002) | August 10, 2012 |

Alan Gordon moved to Approve Date Extensions on the following projects Oak Ridge Family Homes Apartments (11-050), Oak Center Apartments (12-012), Taylor Yard Apartments (11-127), San Clemente Senior Apartments (11-117 & 12-004), 2525 El Camino Apartments (12-010), Linda Vista Apartments (11-159), Fickett Tower Apartments (12-005), Shelter Hills Apartments (11-173). Pedro Reyes seconded the motion. The motion was unanimously passed.

Alan Gordon moved to Approve the Date Extension on Ramona Park Senior Apartments (11-137). Bettina Redway seconded the motion. Mr. Gordon, Ms. Redway voted aye, Pedro Reyes voted nay. The motion was passed 2-1-0.

Alan Gordon moved to Approve the Date Extension on The Crossing at Cherry Orchard (12-002), 1180 Fourth Street (11-163), and Aspens at South Lake Tahoe (11-177). Bettina Redway seconded motion. Mr. Gordon and Ms. Redway voted aye and Mr. Reyes abstained. The motion was passed 2-0-1.

6. Consideration of Requests for a Waiver of Penalties for the Casa Rita Apartments Project (11-129) – Qualified Residential Rental Project Program

Misti Armstrong reported the project sponsor entered into a purchase and sell agreement in good faith with an individual who was no longer part of the ownership entity. Thus the project sponsor was essentially misled into believing that they had a valid purchase and sell agreement for the property and as a result of the discovery, the project is no longer moving forward. Staff considered this event to be unforeseen and outside of the control of the project sponsor, and recommends approval of a waiver of all penalties, this includes the performance deposit forfeiture and the assessment of negative points for Casa Rita Apartments.

There were no other questions or comments. Pedro Reyes moved for the approval and Alan Gordon seconded the motion. The motion for the Approval of a Waiver of Penalties for the Casa Rita Apartments (11-129) was passed unanimously.

7. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation

Richard Fischer reported the Committee received one application from the San Francisco Public Utilities Commission requesting an allocation for a total of \$58,700,000. The approval of this application for the water system improvement program will require the Committee to first transfer the \$58,700,000 in allocation from the undesignated reserve pool into the exempt facility pool. Staff recommends approval of the \$58,700,000 to fund the application in the exempt facility program.

There were no questions or comments. Pedro Reyes moved for approval. Alan Gordon seconded the motion. The motion was unanimously approved for an Allocation of the \$58,700,000 of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Project for the San Francisco Public Utilities Commission.

8. 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.

Misti Armstrong reported that the Committee received three (3) applications requesting 2012 Fair Share Single-family housing allocation. Staff recommends approval of an aggregate total of \$16,440,281 to fund all three (3) programs for their respective MCC Programs.

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| 12-039 | Housing Authority of the City of San Diego | \$9,155,293 |
| 12-041 | County of Ventura | \$5,523,188 |
| 12-042 | Housing Authority of County of Santa Cruz | \$1,761,800 |

There were no questions or comments. Pedro Reyes moved for the Approval of Allocation for Housing Authority of the City of San Diego (12-039), County of Ventura (12-041), Housing Authority of County of Santa Cruz (12-042), Alan Gordon seconded the motion. The motion to Approve Allocation for all three (3) applications for a total of \$16,440,281 was unanimously approved.

9. 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.

Richard Fischer reported there were no appeals, and the rural pool received one application for the project requesting a total allocation of \$6,440,463. The general pool received 15 complete applications for projects requesting a total allocation of \$193,519,361, and staff recommends approval of both.

Bettina Redway asked if there are any questions or comments.

- Sean Spear responded with an explanation for the Madonna Road Apartment Project. The project involved a project sponsor who is actually a multi-state development firm. They had a recent default and foreclosure in Arizona, which they did disclose in their application to CDLAC.

CDLAC staff went through the process of speaking with the Issuer and allocating agency in Arizona about the situation and what led to that default. In CDLAC's judgment, this situation was a unique circumstance, and would not merit additional condition of approval for this project. CDLAC wanted to be on the record as being very clear if the Committee should approve it today, as the project moves forward through its construction and ultimate lease process, staff will carefully monitor the situation for this project.

- Pedro Reyes noted there are three projects that involve redevelopment money, Coral Mountain, Paradise Arms and Lafayette Senior. It was Mr. Reyes understanding that the Coral Mountain project has already had their Recognized Obligation Payment Schedule (ROPS) approved by the Department of Finance. It was further understood that the Paradise Arms involves an assignment assumption of an existing loan and therefore is not going to show up in the ROPS, and that Lafayette Senior had its enforceable obligation payment schedule recognized by finance, but the ROPS still under review.

Mr. Reyes continued that he will support all these projects but with the understanding that this does not commit finance to recognizing the ROPS, that it's just a timing issue, and they still have to go through the hurdle of getting approval from finance.

There were no questions or comments. Pedro Reyes moved for approval. Alan Gordon seconded the motion. The motion was unanimously approved for an Allocation of the \$199,959,854 of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects.

| Rural Pool | | |
|------------|----------------------------|-------------|
| 12-053 | Viscaya Gardens Apartments | \$6,440,463 |

| General Pool | | |
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| 12-038 | Ridgeview Terrace Apartments | \$17,000,000 |
| 12-040 | Vista Angelina Apartments | \$468,699 |
| 12-044 | 499 Humboldt Apartments | \$6,400,000 |
| 12-045 | Fargo Senior Center Apartments | \$13,799,000 |
| 12-047 | Madonna Road Apartments | \$15,000,000 |
| 12-048 | Coral Mountain Apartments | \$22,573,037 |
| 12-049 | Westlake Christian Terrace East Apartments | \$26,770,662 |
| 12-050 | Lafayette Senior Housing Apartments | \$12,777,000 |
| 12-051 | Madera Family Apartments | \$5,250,000 |
| 12-054 | Paradise Arms Apartments | \$6,300,000 |
| 12-055 | High Place East Apartments | \$12,000,000 |
| 12-056 | Villa Robles Apartments | \$4,984,000 |
| 12-057 | Casa Velasco Apartments | \$9,000,000 |
| 12-059 | Fred Young Farmworker Apartments – Phase 1 | \$14,000,000 |
| 12-060 | 121 Golden Gate Avenue Apartments | \$25,370,000 |

10. Public Comment
No public comment.

11. Adjournment
The Chairperson adjourned the meeting at 11:22 a.m.