

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

January 16, 2013

**CONSIDERATION AND ADOPTION OF THE APPORTIONMENT OF THE 2013 STATE
CEILING AMONG THE STATE CEILING POOLS**

(Agenda Item No. 7)

ACTION:

Establish the amounts for each of the State Ceiling Pools for the 2013 program year in accordance with Section 5010 of the Committee's Regulations Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds.

BACKGROUND:

California's population as recently reported by the U.S. Census Bureau is 38,041,430 resulting in a State Ceiling for 2013 of **\$3,613,935,850**.

In accordance with the Regulations, at the beginning of each calendar year the Committee must establish and announce the amounts the Committee expects to be apportioned to each of the State Ceiling Pools for the program year. In establishing the amounts for the pools, the Committee may consider the past year's results and legislative priorities.

The Committee continues to have legislative priorities intended to:

1. Promote housing for lower income families and individuals; and
2. Preserve and rehabilitate existing governmental assisted housing for lower income families and individuals.

Please see attached Attachment A for past year results.

DISCUSSION:

In making recommendations for the 2013 pool amounts, staff surveyed key issuers to determine their estimated demand. However, due to uncertain financial market trends, it is difficult to project allocation usage for 2013. As a result, staff has reserved an estimated 36.4% of the 2013 allocation as "undesignated". This reservation will provide staff the flexibility to allocate additional volume cap to various program pools on an "as needed" basis. The following list estimates demand and provides a recommendation for each program pool:

Although staff has spoken with the major issuers for **Qualified Residential Rental Projects (QRRP)**, it is difficult to determine the pipeline of demand for multi-family housing projects at this time. As a result, staff has reserved 2013 allocation amounts generally consistent with the actual usage amounts for projects approved in 2012. In addition, QRRP applicants have access to over \$3.8 billion in unused carryforward allocation that was granted to high volume QRRP issuers in 2010, 2011 and 2012. This allocation may be utilized until exhausted through December 31, 2013, December 31, 2014 and December 31, 2015 respectively.

For QRRP, Staff recommends for the General Pool \$850 million; \$250 million for the Mixed Income Pool, and \$150 million for the Rural Project Pool.

Staff recommends setting the **Single Family Program (SFH) Pool** at \$500 million. The pool amount will be split evenly between statewide administrators and local program administrators. Potential statewide applicants include the California Housing Finance Agency (CalHFA) and the California Department of Veteran Affairs (Cal-Vet). Please see ATTACHMENT B for the local administrator (County) Fair Share amounts. In addition to the reservation for the regular SFH Pool, \$250 million will be set aside for the SFH Bonus Pool.

Historically, the **Extra Credit Teacher Program (ECTP)** involved a combination of a first mortgage funded with tax exempt bond proceeds and a subordinate loan funded with Proposition 46 funds; administered by CalHFA. For a time, Proposition 46 proceeds were not available; however, CalHFA has recently secured some savings, which they intend to deploy alongside their existing allocation of mortgage credit certificates. Though it is uncertain at this time, CalHFA may request additional MCC authority through the ECTP at a later date if it is needed. As a result, staff does not recommend a 2013 reservation for this program at this time. Should CalHFA or another issuing agency request allocation, then the needed volume cap may be requested from the Undesignated/Reserve Allocation Pool.

In 2013, the **Single Family Home Improvement and Rehabilitation Program (HIRP)** was developed to assist low- to moderate-income households with securing qualified home improvement or qualified rehabilitation loans. State and local government agencies and joint powers authorities may issue MCCs or MRBs to back below market interest rate loans. Based on anticipated demand, staff is recommending \$250 million in allocation for the HIRP Pool.

In 2012, **Industrial Development Bond (IDB)** allocations totaled over \$12.7 million. The California Industrial Development Financing Advisory Commission (CIDFAC) has indicated that for 2013, IDB demand shall be a minimum of \$50 million. Therefore, staff is recommending \$50 million in allocation for the IDB program pool. Should IDB demand exceed this amount, CIDFAC will return to the Committee with a request for additional allocation, which can be transferred from the Undesignated/Reserve Allocation Pool.

In 2012, the **Exempt Facility Pool** allocations totaled over \$840 million in bond authority. However, the California Pollution Control Financing Authority (CPCFA) staff and financial advisors working on Exempt Facility projects have indicated that they expect a lower level of usage of bond authority in 2013. As such, staff does not recommend a 2013 reservation for the Exempt Facility Program Pool at this time since CPCFA currently has a balance of \$1.9 billion in unused 2010 and 2011 carryforward allocation and was recently awarded \$1 billion in 2012 carryforward allocation for the Exempt Facility Program. The carryforward allocations are available for CPCFA's use through December 31, 2013, December 31, 2014 and December 31, 2015, respectively. Should staff receive a request for allocation from an issuer other than CPCFA in the program year, then allocation may be requested from the Undesignated/Reserve Allocation Pool.

In 2012, the **Student Loan Program Pool** received no applications. Currently, no demand is anticipated for 2013. As a result, staff does not recommend a 2013 reservation for the Student Loan Program Pool at this time. Should staff receive a request for allocation later in the program year, then allocation may be requested from the Undesignated/Reserve Allocation Pool.

RECOMMENDATIONS:**Reservation amounts for the State Ceiling Pools:**

Staff recommends reservation amounts that reflect the statutory emphasis on affordable housing. Staff recommends the following amounts for each of the State Ceiling Pools for 2013 (please see ATTACHMENT A for more detailed information):

<u>State Ceiling Pool</u>	<u>Reservation</u>	<u>Percent of Ceiling*</u>
Qualified Residential Rental Project Pool	\$ 850,000,000	23.7%
Mixed Income Pool	250,000,000	7.0%
Rural Project Pool	150,000,000	4.2%
<i>Sub-Total – Multifamily Projects</i>	<i>\$1,250,000,000</i>	<i>34.6 %</i>
Single-Family Housing Program Pool	\$ 500,000,000	14.0%
Single-Family Housing Program Bonus Pool	250,000,000	7.0%
<i>Sub-Total – Single-Family Programs</i>	<i>\$750,000,000</i>	<i>20.8%</i>
Extra Credit Teacher Home Purchase Program Pool	\$0	0%
Single-Family Home Improvement and Rehabilitation Program	\$250,000,000	6.9%
<i>Housing Total</i>	<i>\$2,250,000,000</i>	<i>62.3%</i>
Small-Issue Industrial Development Project Pool	\$ 50,000,000	1.4%
Exempt Facility Project Pool	\$0	0%
Student Loan Program Pool	\$0	0%
<i>Non-Housing Total</i>	<i>\$ 50,000,000</i>	<i>1.4%</i>
Allocation on Hold (undesignated reserve)	<i>\$1,530,731,640</i>	<i>36.4%</i>
GRAND TOTAL	<i>\$3,613,935,850</i>	<i>100.0%</i>

*Percentages are rounded.