

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

October 21, 2015

**Consideration and Approval of Issuance Date Extensions
for Various Qualified Residential Rental Projects
(Agenda Item No. 5)**

ACTION:

Approve Issuance Date Extensions for Various Qualified Residential Rental Projects as noted.

BACKGROUND:

Camino Esperanza Apartments (15-015)

The Camino Esperanza Apartments Project (“Project”) received an initial allocation award through the California Municipal Finance Authority (“Applicant”) on May 21, 2015. The Project Sponsor is Cabrillo Economic Development Corporation (Project Sponsor). The Project received allocation on May 21, 2014 with a closing deadline of August 29, 2014. The Project Sponsor then received a staff level extension to September 22, 2014 and a CDLAC Board approved extension to December 12, 2014. Later, a Carryforward extension was approved, extending the close date to April 1, 2015. A supplemental application was submitted (Resolution No. 15-57) and received allocation on July 15, 2015 which recently extended the issuance deadline to October 21, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to January 19, 2016. The developer has been unable to close due to a predevelopment loan secured from the Ventura County Housing Trust Fund (VCHTF). When the VCHTF recorded various loan documents prior to completion of the NEPA environmental clearance, this inadvertently committed a regulatory technical violation of HUD 24 CFR Part 58.22. As a result, commitment and/or use of HOME funds (or any other federal funds subject to Part 58) was prohibited. Because this is a regulatory technical violation, the only option available was to request a waiver of HUD’s regulations. The developer was unaware that this chain of events would cause a technical violation with HUD. The developer recently received the 58.22 waiver from HUD.

Allowing an extension of the issuance deadline to January 19, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Simi Valley will lose the opportunity to build thirty (30) affordable senior/special needs housing units.

Canoas Terrace Apartments (15-360)

The Canoas Terrace Apartments Project (“Project”) received an allocation award through the City of San Jose (“Applicant”) on July 15, 2015. The Project Sponsor is ISG Canoas Terrace, L.P. The Project’s initial deadline was October 13, 2015 which the Executive Director extended to the Committee meeting date of October 21, 2015.

The Applicant is now requesting a 25-day extension of the allocation expiration date to November 15, 2015. The reason for this request is due to a potential unexpected delay in the tax credit investor, Boston Financial Investment Management, L.P. (“Boston Financial”), executing the partnership agreement and funding the Project’s first equity installment by October 13, 2015. The delay arises from Boston Financial’s completion of due diligence items, including obtaining investor sign-off on an updated market study supportive of a potentially larger permanent loan. Although the Applicant anticipates that the closing will occur before October 30, 2015, they are requesting an extension to November 15, 2015 in order to provide a cushion in the event that the due diligence items are not resolved and the Project’s closing must occur at a later date.

Allowing an extension of the issuance deadline to November 15, 2015 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of San Jose will lose the opportunity to rehabilitate 111 affordable family housing units.

The Duarte Manor Apartments (15-367)

The Duarte Manor Apartments Project (“Project”) received an allocation award through the California Statewide Communities Development Authority (“Applicant”) on July 15, 2015. The Project Sponsor is Preservation Duarte Manor II, LP (“Sponsor”). The Project’s initial deadline was October 13, 2015 which the Executive Director extended to the Committee meeting date of October 21, 2015.

The Applicant is now requesting an extension of the allocation expiration date to December 31, 2015. According to the Applicant, the Lender (Citibank) and the Investor (AEGON) require more time to complete due diligence and plan/cost review for the Project. The Applicant further states that the Sponsor is also awaiting HUD approvals that are taking longer than anticipated.

Allowing an extension of the issuance deadline to December 31, 2015 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Duarte will lose the opportunity to rehabilitate and retain 41 federally assisted at-risk family housing units.

The Lodge at Eureka Apartments (15-378)

The Lodge at Eureka Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on July 15, 2015. The Project Sponsor is Eureka 8th Street LP. The Project’s initial deadline was October 13, 2015 which the Executive Director extended to the Committee meeting date of October 21, 2015.

The Applicant is now requesting an extension of the allocation expiration date to January 11, 2016. According to the Applicant, there has been a delay in closing due to the delays in the City of Eureka drafting the HOME loan documents. The Applicant states that the delay in review and award of the HOME loan contract has also delayed final lender and equity approval that is required to close. Although the Applicant anticipates closing occurring by October 28, 2015, it is requesting a 90-day extension to January 11, 2016 in order to provide a cushion in the event that the review and award process is not resolved and the Project’s closing needs to be pushed back to a later date.

Allowing an extension of the issuance deadline to January 11, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Eureka will lose the opportunity to construct forty-nine (49) new affordable senior housing units.

DISCUSSION:

The CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend a Project or Program’s expiration date up to the next regularly scheduled meeting at which time the Committee may elect to grant an additional extension up to ninety (90) days. The Projects below are otherwise in full compliance and eligible for an issuance deadline extension under the CDLAC Regulations.

- 15-015 Camino Esperanza Apartments**
- 15-360 Canoas Terrace Apartments**
- 15-367 Duarte Manor Apartments**
- 15-378 The Lodge at Eureka Apartments**

- January 19, 2016**
- November 15, 2015**
- December 31, 2015**
- January 11, 2016**

RECOMMENDATION:

Staff recommends the approval of extensions of the issuance deadlines, up to ninety days, for all Projects noted above.

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