

California Debt Limit Allocation Committee (CDLAC)

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

March 16, 2011 - Meeting Minutes

1. Call to Order and Roll Call

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee meeting to order at 11:03 a.m.

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

Advisory Member present was Elliott Mandell for HCD. Cal-HFA did not have a representative present.

2. Approval of the Minutes of the January 26, 2011, Meeting (Action Item)

There were no comments or questions and Cindy Aronberg moved for approval of the minutes of the January 26, 2011, meeting. Pedro Reyes seconded the motion. Cindy Aronberg and Bettina Redway voted for approval; Pedro Reyes abstained. The minutes were approved on a 2-0 vote with 1 abstention.

3. Executive Director's Report

Sean Spear reported that the State budget will be voted upon later today. Part of that potential approval package calls for the elimination of Redevelopment Agencies. CDLAC has had RDAs as applicants on many projects. Currently, there are two recently awarded affordable housing projects and two more under consideration today that have RDAs as issuers. If the budget passes as proposed, these RDAs would no longer have the ability to issue the bonds for these projects. Staff has proposed having a Special April 26th Committee Meeting to allow the projects to replace their respective RDA issuers with an eligible applicant/issuer such as their local city, county or a joint-powers authority. Applications will be taken on April 12th for this April 26th Meeting.

Mr. Spear also stated that CDLAC continues to move forward with the approval process for the Permanent Regulations. Following the January 26th meeting, CDLAC opened a 15-day public comment period for the final revisions to the permanent regulations draft prior to its submission to OAL for final approval. There were no additional comments and CDLAC submitted the package to OAL on February 14th. Mr. Spear anticipates meeting with OAL on Friday to review their comments and questions. CDLAC hopes for the approval of the final package by the deadline of March 30th. If that occurs, then applications taken in May for the July Round will be the first group fully subject to the new permanent regulations. That concluded Mr. Spear's report.

There were no comments or questions.

4. Consideration and Approval of an Issuance Date Extension for La Vida at Campus Pointe Apartments (10-044) - Qualified Residential Rental Project Program, and the California Department of Veteran Affairs Single Family Housing Program (10-084) - Single Family Housing Program (Action Item)

Richard Fischer reported on issuance date extensions requested for the following two (2) awards:

La Vida at Campus Pointe Apartments Project (10-044)

Mr. Fischer stated that due to delays in the financing, the Project was not able to close by the deadline of March 16, 2011. The Project site is located on land leased from the California State University system and there was a requirement to finalize the lease before the appraisal was ordered. Those terms have since been met and it is anticipated that the project will close the week of April 25th.

Allowing an extension to the issuance date to May 18, 2011, will ensure the completion of the lease processing and the issuance of the bonds for the Project.

California Department of Veteran Affairs MRB Program (10-084)

Mr. Fischer continued that Cal-Vet has unexpectedly run into several difficult financial market issues. Long term interest rates have increased dramatically since the initial allocation date and are well above the market rate for mortgages. Long term rates have increased by as much as 90 basis points in the fourth quarter of 2010 alone. In addition, Fitch Rating Agency's "new" loss scenarios prevented the Department from structuring the transaction with lower short-term market rates without incurring a possible ratings reduction. Lastly, competitive mortgage interest rates have remained low. Cal-Vet is concerned that the loan demand would be light, and thus the speed by which Cal-Vet would draw down the bond proceeds would be slow. The rate on Cal-Vet's short-term cash fund at this time is well below the anticipated rate on the bonds; which would cause immediate negative arbitrage on the unused bond proceeds.

Approval of the extension to June 14, 2011, will enable the Department to continue assisting California Veterans with home loans.

Mr. Fischer noted that the CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend the 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. Both the Project and the Program are otherwise in full compliance and eligible for an extension under the CDLAC Regulations.

Mr. Fischer advised that the CDLAC Staff recommends the approval of the following issuance date extensions:

10-044 La Vida at Campus Pointe Apartments	May 18, 2011
10-084 California Veterans Affairs MRB Program	June 14, 2011

There were no questions or comments. Pedro Reyes moved for approval. Cindy Aronberg seconded the motion and the motion was unanimously approved to extend the issuance date for 10-044 La Vida at Campus Pointe Apartments to May 18, 2011, and 10-084 California Veterans Affairs MRB Program to June 14, 2011.

5. Consideration of a Request to Release Walnut Tree Apartments (01-229) From the Terms and Conditions of Resolution 01-200 - Qualified Residential Rental Project Program

Misti Armstrong reported that on December 19, 2001, CDLAC adopted Resolution No. 01-200 awarding \$6,226,910 of the 2001 State Ceiling of Qualified Private Activity Bonds to the Walnut Tree Apartments Project. Although bonds were issued by the California Statewide Community Development Authority ("CSCDA"), the Project was not developed due to developer-related issues. The property remains vacant.

Ms. Armstrong continued that in September of 2010, AMCAL entered into a purchase & sale agreement to acquire the Project. AMCAL proposes to develop the site as a 9% LIHTC development with soft financing from the Community Redevelopment Agency of Los Angeles. AMCAL proposes a 39-unit affordable housing development for families earning between 30% and 60% AMI. The CRA/LA has indicated that removal of the Regulatory Agreement and all associated CDLAC terms and conditions as a condition to closing on their funds. AMCAL has committed to provide affordability at levels lower than those previously committed to under the existing Regulatory Agreement and CDLAC resolution (see attached Resolution 01-200).

CDLAC and CSCDA are third party beneficiaries of the Walnut Tree Apartments Project and as a result, must approve the removal of the Project's Regulatory Agreement and CDLAC Resolution. CSCDA fully supports the removal of the existing Regulatory Agreement and the terms and conditions assigned with CDLAC Resolution 01-200 and plans to formally approve the release at its March 16th meeting.

Ms. Armstrong advised that conditioned upon a formal Regulatory Agreement release from CSCDA and a written commitment from AMCAL to develop a project with new affordability requirements at income levels equal to or lower than those found in the current Regulatory Agreement, staff recommends an approval to release Walnut Tree Apartments Project from the terms and conditions of CDLAC Resolution 01-200 (Application No. 01-229).

Bettina Redway asked what happens if this proposed deal does not go forward. Misti Armstrong responded that based on the request that Staff made to AMCAL to provide a letter committing to ongoing affordability,

so long as they own the property that commitment would still remain in-place even if the CRA funds do not come to fruition.

There were no other comments or questions. Cindy Aronberg moved for approval. Pedro Reyes seconded the motion. The motion to release Walnut Tree Apartments (01-229) From the Terms and Conditions of Resolution 01-200 - Qualified Residential Rental Project Program was unanimously approved.

6. Consideration and Approval of a Revision to CDLAC Resolution ARRA-49 for the Yuba Community College Photovoltaic Project – Qualified Energy Conservation Bond Program

Richard Fischer reported that on January 26, 2011, CDLAC approved a resolution which granted an award of available allocation to CAEATFA for the Yuba Community College Photovoltaic Project in the amount of \$7,028,208.

Mr. Fischer continued that in addition to the Project, the Yuba Community College District is currently party to two other projects that intend to issue bonds via a planned public sale. On January 26th, 2011, the District received an allocation of QECB's from CDLAC to finance certain energy efficiency improvements at its Marysville campus. In addition, the District holds an allocation of approximately \$1.5 million in Clean Renewable Energy Bonds which cannot be transferred without the consent of the IRS. It has been determined that it is in the District's best interest to consolidate these three allocations of bonds under one issuer so that the financing for the project can be executed in a coordinated fashion with a single set of bonds. As a result, CAEATFA has agreed to relinquish their role as Issuer for the Photovoltaic Project and fully supports CDLAC's revisions to CDLAC Resolution ARRA-49, which designates the District as the Issuer of the bonds for the Project.

CAEATFA approved the change at its February 22nd board meeting and supports CDLAC's revisions to CDLAC Resolution.

Mr. Fischer advised that the Staff recommends approval of a revision to CDLAC Resolution ARRA-49 for the purpose of designating Yuba Community College District as the Issuer of the bonds for the Yuba Community College District Project.

There were no comments or questions. Pedro Reyes moved for approval. Cindy Aronberg seconded the motion. The motion for a revision to CDLAC Resolution ARRA-49 for the Yuba Community College Photovoltaic Project – Qualified Energy Conservation Bond Program was unanimously approved.

7. Consideration and Approval of an Award Revision to Qualified Residential Rental Project Resolution 09-74 for the Vendome Palms Apartments Project (09-033) to a Revised Resolution Amount of \$6,260,000

Richard Fischer reported that 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 Resolution for the Vendome Palms Apartments to reflect the actual amount used.

Mr. Fischer advised that the Staff recommends approval of a revision to CDLAC Resolution 09-74 for the Vendome Palms Apartments, revising the resolution amount to \$6,260,000.

Pedro Reyes asked if CDLAC will be looking into the regulations, so issues like this can be addressed through the regulatory process so there does not have to be a revision. Mr. Spear responded that CDLAC is pursuing a change in statute and regulations to accommodate similar situations. A change in statute is required first so that a change in regulations can then occur.

There were no other comments or questions. Cindy Aronberg moved for approval. Pedro Reyes seconded the motion. The motion of an Award Revision to Qualified Residential Rental Project Resolution 09-74 for the Vendome Palms Apartments Project (09-033) to a Revised Resolution Amount of \$6,260,000 was unanimously approved.

8. Consideration of an Award of Allocation for Peralta Senior Housing Apartments (10-025) \$15,263,000 - Qualified Residential Rental Project Program

Sarah Lester reported that on May 26, 2010, the Peralta Senior Housing Apartments Project received \$15,318,000 in 2008 Housing Act Volume Cap and was authorized to use \$2,682,000 of the County's unused 2008 carryforward Allocation. From this award, the County of Alameda issued only a minimal draw down bond amount with the intent of issuing future draws as needed in the coming months.

The Project issued its initial draw prior to the publication of IRS Notice 2010-81, and was unaware at the time that any undrawn Allocation would be subject to expiration at the end of the year as a result of the Notice. The Project's undrawn Allocation expired on December 31, 2010.

Ms. Lester continued that to now ensure the completion of the Project and accommodate future drawdown transactions (unless provided with further IRS Guidance making the replacement unnecessary), staff recommends that the Committee approve a replacement of the unused expired allocation with current 2011 volume cap. If the approval is not granted, the Project will not have the ability to continue to fund the development costs and the County of Alameda will lose the ability to create 97 new units of affordable senior housing.

Under our current regulations, carryforward can only be awarded in very limited circumstances, essentially only at the last meeting of each calendar year. On January 26th, the Committee approved revised proposed permanent regulations that were subsequently submitted to the Office of Administrative Law (OAL), which included a provision allowing for carryforward to be awarded to projects in these circumstances. Upon OAL's approval of the proposed regulations, staff will likely return to the Committee for authorization to award carryforward allocation to the Project. This will allow for future year drawdowns for the Project, and for future drawdown transactions.

Ms. Lester advised that the Staff recommends the approval of \$15,263,000 in 2011 tax-exempt bond allocation for the Peralta Senior Housing Apartments Project.

There were no comments or questions. Cindy Aronberg moved for approval. Pedro Reyes seconded the motion and the motion for an Award of Allocation for Peralta Senior Housing Apartments (10-025) \$15,263,000 - Qualified Residential Rental Project Program was unanimously approved.

9. 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 one (1) application requesting their 2011 Fair Share Single Family Housing allocations for a total of \$20,000,000 for the issuance of Mortgage Credit Certificates under their Mortgage Credit Certificate Program.

Ms. Lester advised that the Staff recommends approval of \$10,187,159, which is applicant's 2011 fair share amount.

There were no comments or questions. Pedro Reyes moved for approval. Cindy Aronberg seconded the motion and the motion to approve \$10,187,159 to fund one program in the Single Family Housing Program was unanimously approved.

11-021	County of Alameda	Single Family MCC Program	\$10,187,159
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10. 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

Crystal Alvarez reported that there are no appeals; The Rural Pool received one (1) application for a project requesting an allocation of \$6,100,000; The General Pool received thirteen (13) complete applications for projects requesting a total allocation of \$109,442,669.

Ms. Alvarez reported that the Staff recommends the approval of \$6,100,000 to fund one project in the Rural Pool and the approval of \$109,442,669 to fund thirteen projects in the General Pool.

Pedro Reyes moved that items 11-028, the CRA of the City of L.A., and 11-016 Yucaipa Redevelopment Agency be pulled from this list and reviewed at next month's meeting by which time the redevelopment proposal from the Governor should be resolved. These two projects are proposing to issue through redevelopment agencies and the Governor has proposed eliminating redevelopment agencies. Mr. Reyes continued that to provide for debt issuance to agencies that will be eliminated does not make sense. Mr. Reyes would be supportive of providing for that capacity to the sponsoring entities such as the city of Yucaipa, which would be the successor agency to the redevelopment agency or to the city of L.A. or the Housing Authority in L.A., whoever is going to assume those responsibilities from the redevelopment agencies.

Bettina Redway responded that the question is whether it is more appropriate to approve the applications to prevent delaying the housing project and if legislation is passed that does not provide for the agency's ability to issue or their successor entity to issue, then the project would have to return CDLAC.

Mr. Reyes responded that successor agencies would not be authorized to issue debt.

Ms. Redway continued that if successor agencies were not authorized to issue debt, then they would have to return to CDLAC. However, if they are authorized to issue debt, then they could move forward without having to return to CDLAC. Ms. Redway felt that the Committee would be giving them the ability to move forward if there is no legislation or if the successor entity is able to issue. If the successor entity or if legislation is passed and the successor entity is not able to issue, they would have to come back to CDLAC.

Mr. Reyes asked is the ability to issue debt transferable?

Bob Hedrick, Treasurer Senior Staff Counsel, responded that his understanding is that in pre-issuance if you are changing the entity that would be the issuer, they would need to come back and have the Committee approve the transfer of the allocation from Issuer A to Issuer B even if the legislation provided passed because CDLAC would have still given the allocation to this entity and only this entity. Mr. Hedrick continued that post-issuance, the successor provision would take care of it automatically without needing to come back to the Committee. If there was an allocation residing with an issuer and the issuer ceased to exist, the obligations and benefits under the agreements relative to the issuance would automatically transfer to the successor entity without this Committee having to do anything, but pre-issuance would require the entity to come back.

Ms. Redway asked if one of these projects got allocation today issued and then legislation passed, a successor entity would assume the obligations?

Mr. Hedrick confirmed that they would automatically assume the obligations because of the contract.

Mr. Reyes advised that the way the legislation is drafted is that the State wants to make sure that it protects that debt and so that's the purpose of the successor agency, to assume responsibilities for debt issues. They are not transferring the authority to issue debt from the redevelopment agency to somebody else.

Cindy Aronberg asked if a motion could be made that if the Committee approves this today but provided that the redevelopment agency doesn't exist, then the Committee approves whichever issuer the project finds.

Mr. Hedrick responded that that would require a change in the resolution language to accommodate a successor entity.

Ms. Redway mentioned that since there is no actual legislation, the Committee can approve the allocation.

Geoffrey Graybill of the State Attorney General's Office commented that the Attorney General's office hasn't been consulted on this matter so they are not expressing an opinion by abstinence on this matter.

Mr. Reyes commented that his preference would be to just pull these two items and provide the opportunity for the sponsor agencies of the redevelopment agencies to come forward and ask for that debt limit. Mr. Reyes also suggested holding a special hearing.

Ms. Aronberg asked how quickly the project sponsors could get a new issuer. Would it be quick enough to review at the interim meeting?

Sean Spear responded the assumption in setting up the April meeting was to provide them the opportunity to have a different issuer be identified for those projects. Mr. Spear continued that part of Staff's consideration in continuing to recommend approval for these items was that CDLAC did not know the exact timing for the budget approval and it would be conceivable that the projects would be able to issue before the budget approval. Mr. Spear felt that CDLAC wanted to provide for that opportunity, keeping in mind CDLAC is also providing for the opportunity for these projects to apply in April with an eligible issuer that could move the project forward.

Ms. Redway asked how long these projects had been in the pipeline.

Ms. Alvarez responded with sixty days.

Ms. Redway stated that she was inclined to approve these two projects, but also to go on notice that any future projects that came before the Committee, while there is still legislation pending, that an RDA issuer would probably not be approved per Department of Finance's position. Ms. Redway continued that because these projects have been in the pipeline for 60 days or more, she is inclined to go ahead to see what happens and if legislation passes in the next two days, the projects are going to have to come back in April.

Ms. Aronberg commented that she was interested in getting the affordable housing built now, as soon as possible, and not having it delayed. Ms. Aronberg felt that Ms. Redway's idea would lessen any delay.

There were no other comments or questions. Bettina Redway moved for approval. Cindy Aronberg seconded the motion. Bettina Redway voted yes; Cindy Aronberg voted yes; Pedro Reyes voted no. The motion was approved by 2-1.

11-023	Tulare Portfolio Apartments	Orosi	\$6,100,000
11-016	Yucaipa Senior Terrace Apartments	Yucaipa	\$6,500,000
11-018	Canby Woods Senior Housing Apartments	Los Angeles	\$13,000,000
11-019	Sorrento Tower Apartments	San Diego	\$14,500,000
11-020	Mission Apartments	San Diego	\$13,297,355
11-026	Alma Plaza Apartments	Palo Alto	\$4,000,000
11-027	The Ridge Apartments	Elk Grove	\$18,330,000
11-028	The Montecito Apartments	Los Angeles	\$8,075,000
11-029	Sunnyslope Apartments	Yucca Valley	\$2,000,000
11-031	Windham Village Apartments	Santa Rosa	\$4,680,000
11-032	Pioneer Towers Apartments	Sacramento	\$14,000,000
11-033	Sun West Villa Apartments	Yucca Valley	\$4,800,000
11-034	Silsby Gardens Apartments	Blythe	\$4,750,000
11-035	Red Star (Supplemental)	Oakland	\$1,510,314
11-036	Peralta Senior Housing Apartments (Original Application 10-25 Carryforward Allocation)	Howard	\$15,263,000

11. Public Comment

There were no public comments or questions.

12. Adjournment

The meeting was adjourned at 11:33 a.m.