

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
November 15, 2017
Meeting Minutes

OPEN SESSION

1. Call to Order and Roll Call

Timothy Schaefer, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 12:51 p.m.

Members Present: Timothy Schaefer for John Chiang, State Treasurer
Eraina Ortega for Edmund G. Brown, Jr., Governor
Alan LoFaso for Betty T. Yee, State Controller

Advisory Members Present: Michael Carroll for the California Housing Finance Agency (CalHFA)
Ben Metcalf for the Department of Housing and Community Development (HCD)

~~2. Approval of the Minutes of the September 20, 2017 Meeting (Action Item)~~

Timothy Schaefer stated that there would be a change to the Agenda. The Closed Session, Item 8, would be the first item presented today.

3. Executive Director's Report (Informational Item)

Laura Whittall-Scherfee reported that she had one follow-up item to mention from the September 20, 2017 meeting. She wanted to clarify that the Compliance review that was performed by CDLAC this year was on the Qualified Residential Rental Projects (QRRP) and that the Exempt Facility Projects (EXF) in the CDLAC portfolio would be included in the 2018 review.

Ms. Whittall-Scherfee had stated that she would update the Board at each meeting regarding the amount of allocation remaining. The form in front of the Committee showed reservations by program pool amounts (in black) that were approved at the September 20 meeting. Laura stated that the new reservation amounts (in red) by program pool were moved from different pools in order to meet the allocation requested for this rounds approval by the Board.

Laura reported that for the Multifamily General Pool, Staff moved \$592,479,802 from the Difficult Development Areas (DDA) section of the Multifamily General Pool to the general portion of the pool. Also, in order to meet the demand for the \$100,000,000 of Exempt Facility allocation requested today, Staff moved \$4,000,000 from the Single Family Housing (SFH) Local Pool and

\$11,000,000 from the Industrial Development Bonds (IDB) CA Infrastructure and Economic Development Bank (IBank) Pool.

Ms. Whittall-Scherfee stated that the form under discussion showed that there were still funds remaining in the General Pool and some of the other Multifamily Pools as Staff wanted to have allocation available for the December 13, 2017 Committee meeting.

The bottom line is that CDLAC will end up with approximately \$892,000,000 in carryforward which Staff would use to allocate at the December 20, 2017 meeting in the event that the worst happened and Private Activity Bonds (PABs) were dissolved or went away on December 31, 2017.

Laura further stated that since September, the Tax Cuts and Jobs Reform Act (Act) was released by the House of Representatives on November 2, 2017. Since that Act included the dissolution of PABs, which is fundamental to what CDLAC does, Staff is proceeding along a dual track. Laura thanked the Board members for their willingness to add two (2) more Committee meetings before year end to their schedules. Staff has an estimated \$892,000,000 in funds that would not be allocated and housing that would not be built without these extra meetings to use the remaining allocation. Laura also thanked the CDLAC Staff who had worked tirelessly on this since learning about the possible impact to CDLAC.

Staff proceeded as if it were business as usual. A carryforward request was sent out to the Issuers asking that they respond by November 10th stating whether they could use the carryforward and how much they could use. After this meeting, Staff sent out a 2018 demand survey asking how much allocation various Issuers and Sponsors were considering for projects next year.

Ms. Whittall-Scherfee reported that there would be an additional meeting on Tuesday, November 21, 2017, requesting that the Committee approve CDLACs emergency regulations. Staff would then go through the process of getting the emergency regulations approved through the Office of Administrative Law (OAL) with the expectation that the new regulations would be approved December 1st.

Staff would accept applications for allocation through December 5th to be awarded on December 20th which gives Issuers a very short period of time in which to issue the bonds. At any step in the process, if PABs were removed from elimination, the various steps would then be cancelled and it would be business as usual accepting applications in January for an allocation round in March.

Staff would award the carryforward for 2017 according to a percentage based formula that Staff will be working on in the next week or so. The expectation is that any allocation occurring as a result of the December 20th meeting would have issued bonds by December 31st. If bonds are not issued to projects that have received those awards, the awards will revert to carryforward. Staff will not entertain requests for extensions. Staff would ask that those projects come back as a January application for a March award.

Ms. Whittall-Scherfee reported that there was one (1) high cost project, Sycamore Street Commons & La Playa Residential Apartments, located in Santa Cruz. That project was subject to some of the same high costs that were being experienced in the Bay area; the cost of construction and the cost of contractors. In addition, this project assumed several existing loans, home loans, HCD loans and city loans, which added to the costs. While the cost per unit exceeds \$500,000, it does not exceed the allocation costs that are in the CDLAC regulations; therefore, this was a project that was recommended for allocation.

Ms. Whittall-Scherfee informed the Board that she would like to speak before the Public Comment item on the Agenda.

Alan LoFaso wished to commend Staff for their efforts while Congress sorts out the Act.

Mr. LoFaso would like to better understand the delegation made at the September meeting. Did the Board give the Executive Director authority through the balance of 2017?

Ms. Whittall-Scherfee replied in the affirmative. As of 2018, it will be back to business as usual.

Mr. LoFaso thanked Ms. Whittall-Scherfee.

4. Consideration of Requests for a Waiver of the Forfeiture of Performance Deposit and/or Negative Points for Various Qualified Residential Rental Projects (QRRP) (Action Item)

Posada De Colores Apartments	17-316
EE Cleveland Manor Apartments	17-310
Fruitvale Transit Village II-A Apartments	17-348
North San Pedro Apartments	17-342

Shirley Hom reported that approval of a Carryforward extension requires forfeiture of a project's performance deposit. In addition, the full reversion of an award of allocation requires both the forfeiture of the project's performance deposit and the assessment of negative points against the Project Sponsor. The Committee may grant a waiver of each upon a satisfactory showing that: (1) the issue or event that prevented the issuance of the bonds was unforeseen; and (2) the issue or event was wholly outside the control of the Applicant and Project Sponsor. A waiver request must meet both parts of the test.

Four (4) projects requested a Waiver of Forfeiture of the Performance Deposit and/or Negative Points due to unforeseen circumstances beyond the control of the Applicant and the Project Sponsor.

North San Pedro Apartments was struck from the Agenda which was reflected on the revised Agenda.

RECOMMENDATION:

In light of the circumstances, Staff recommended approval of the Waiver of Forfeiture of the Performance Deposit and/or Negative Points for three (3) of the projects noted above:

Alan LoFaso moved approval of Staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Eraina Ortega: Aye; Timothy Schaefer: Aye.

~~**5. Consideration of Staff's Recommendation to Transfer Unused 2017 Allocation To and From Various Program Pool Reservations (Action Item)**~~

This Item was struck from the Agenda as Ms. Whittall-Scherfee included the information in her Executive Directors report.

6. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Programs and Awards of Allocation (Action Item)

a. Consideration of appeals*

Richard Fischer stated that there were no appeals.

b. Consideration of applications – See Exhibit A for a list of Applications**

Richard Fischer reported that there was one (1) project in the Exempt Facility Pool requesting allocation in the amount of \$100,000,000.

RECOMMENDATION:

Staff recommended approval of \$100,000,000 to fund one (1) previously reviewed project in the Exempt Facility Pool.

Mr. LoFaso inquired as to what was normally the size of the Exempt Facility Pool.

Mr. Fischer stated that he would have to defer to Ms. Armstrong and Ms. Hom for that answer.

Misti Armstrong stated that it varies from year to year. The Board may recall that the California Pollution Control Financing Authority (CPCFA) had a significant amount of previous year carryforward that it was utilizing for many exempt facilities. CDLAC has maintained a small pool, between \$50 to a \$100 million, for exempt facility projects that came in through other Issuers. Those are the only projects that would come to CDLAC at this time.

Mr. LoFaso stated that part of his issue is that it didn't go to CPCFA. He recalled that about \$50 million per year was allocated to CPCFA before it slowed down due to CPCFAs carryforward. Is this twice what was being allocated in a prior year?

Ms. Armstrong stated that prior to giving CPCFA direct allocation, the pools were around \$300 to \$500 million.

Mr. LoFaso replied that he must have missed a zero in his memory and thanked Ms. Armstrong for her clarification. He then asked what the allocation paid for and where was the project located.

Mr. Fischer responded that there were representatives in the audience to answer any questions relating to the project.

John Stoecker, Financial Advisor to the California Municipal Finance Authority, stated that the project was in multiple California locations. The project consisted of financing solid waste disposal and recycling facilities including improvements to existing landfill facilities. In Alameda County there is a large, state of the art recycling facility that is three stories with approximately 20 million plus square feet that will sort out the solid waste.

Mr. Stoecker stated that public hearings were held in the counties of Alameda, Shasta, Santa Clara, Kern, Ventura and the City of Palmdale.

Mr. Schaefer added construction of new land fill cells and associated projects to Mr. Stoecker's list.

Mr. Stoecker replied in the affirmative.

Mr. LoFaso stated that he does not represent the Controller on the CPCFA Board nor the California Industrial Development Financing Advisory Commission (CIDFAC) Board. He would like to have a better understanding and hoped that Ms. Ortega would be able to enlighten him.

Ms. Ortega stated that these projects were completely consistent with what the Board would see at CPCFA. The amounts do vary and this was a rather large size project, but the actual projects were exactly what comes regularly before CPCFA.

Mr. LoFaso thanked Ms. Ortega for her input.

Mr. Stoecker stated that the Board had approved similar projects for CMFA and Waste Management in the past.

Eraina Ortega moved approval of staff’s recommendation. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: Aye; Timothy Schaefer: Aye.

6.1	17-033	RF	California Municipal Finance Authority	Waste Management, Inc.	Various	Various	\$100,000,000
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7. 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 (Action Item)

a. Consideration of appeals*

Sarah Lester stated that there were no appeals.

b. Consideration of applications – See Exhibit A for a list of Applications**

Ms. Lester reported that there were four (4) projects that requested an aggregate total of \$466,677,283 in the Single Family Housing Program.

RECOMMENDATION:

Staff recommended approval of \$466,677,283 to fund four (4) projects in the Single Family Pool. Alan LoFaso moved approval of staff’s recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Eraina Ortega: Aye; Timothy Schaefer: Aye

7.1	17-027	SL	Sacramento Housing and Redevelopment Agency on Behalf of the County of Sacramento	MCC		Sacramento	\$9,522,757
7.2	17-029	SL	County of Contra Costa	MCC		Contra Costa	\$7,154,526
7.3	17-034	SL	California Housing Finance Agency	MCC	Various	Various	\$250,000,000
7.4	17-040	SL	California Housing Finance Agency	MCC	Various	Various	\$200,000,000

8. Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects (QRRP) and Awards of Allocation (Action Item)

a. Consideration of appeals*

Shirley Hom stated that there were no appeals.

b. Consideration of applications – See Exhibit A for a list of Applications**

Ms. Hom reported that there was a revised posting sheet showing a change in the carryforward amount. Also, Town & Country Apartments provided its executed TEFRA Resolution, so it was moved to a full recommendation.

Ten (10) applications were received for awards of allocation in the General Pool. One (1) project in the Rural Pool requested an allocation in the amount of \$5,500,000. Nine (9) projects in the General Pool requested allocation in the amount of \$128,563,731 for an aggregate total of \$134,063,731.

Mr. Schaefer stated that the posting sheet showed a requested amount of \$128,563,371 with a recommended amount of \$116,783,895. What is the Staff recommendation?

Ms. Hom stated that the current year volume cap was \$116,783,895.

Misti Armstrong clarified that the requested amount equaled the two columns on the green sheet: current year volume cap, \$116,783,895, and prior year carryforward, \$11,779,836.

RECOMMENDATION:

Staff recommended approval of \$5,500,000 to fund one (1) project in the Rural Pool and \$128,563,731 to fund (9) projects in the General Pool for an aggregate total of \$134,063,731.

Eraina Ortega moved approval of staff’s recommendation. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Eraina Ortega: Aye; Alan LoFaso: Aye; Timothy Schaefer: Aye

8.1	17-406	RB	California Municipal Finance Authority	Martin Street Apartments	Lakeport	Lake	\$5,500,000
8.2	17-028	SL	California Municipal Finance Authority	Monterey Pines Apartments (Supplemental)	Richmond	Contra Costa	\$7,000,000
8.3	17-030	RB	California Public Finance Authority	E. Boyd Esters Manor Apartments (Supplemental)	Compton	Los Angeles	\$3,815,829
8.4	17-031	RF	Housing Authority of the City of San Diego	Hollywood Palms II Apartments (Supplemental)	San Diego	San Diego	\$1,500,000
8.5	17-399	RF	City of Ontario	Seasons at Ontario Apartments	Ontario	San Bernardino	\$7,447,037

8.6	17-400	RF	California Statewide Communities Development Authority	Mission Trail Apartments	Lake Elsinore	Riverside	\$16,000,000
8.7	17-401	RF	California Municipal Finance Authority	East 6th Street Family Apartments	Corona	Riverside	\$16,500,000
8.8	17-402	RB	California Municipal Finance Authority	Sycamore Street Commons & La Playa Residential Apartments (Scattered Site)	Santa Cruz	Santa Cruz	\$17,800,865
8.9	17-403	SL	Housing Authority of the City of San Diego	Town & Country Apartments	San Diego	San Diego	\$30,000,000
8.10	17-404	RB	California Statewide Communities Development Authority	Warm Springs Inclusionary Apartments	Fremont	Alameda	\$28,500,000

9. Consideration and Adoption of the Qualified Residential Rental Program Minimum Point Thresholds and Non-Competitive Application Process for the 2018 Program Year (QRRP) (Action Item)

Misti Armstrong stated that Staff recommended that the Committee approve and maintain an open application process for the 2018 QRRP year. In addition, Staff recommended that the minimum point thresholds established for 2017 remain in effect for 2018. The point threshold in 2017 was forty-five (45) points for the General and Rural Pools, and twenty (20) points for the Mixed Income Pool.

Ms. Armstrong reported that should Staff see that the Program was moving toward a competitive environment in 2018, Staff would come back before the Committee to request a competitive process.

RECOMMENDATION:

Staff recommended the approval of minimum point thresholds for the General and Rural Pools of forty-five (45) points and twenty (20) points for the Mixed Income Pool as noted and an open application process for the QRRP for 2018.

Alan LoFaso moved approval of staff's recommendation. Upon a second by Eraina Ortega, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Eraina Ortega: Aye; Timothy Schaefer: Aye

Mr. Schaefer stated that there was an addendum to the Executive Director's Report.

Ms. Whittall-Scherfee wanted to acknowledge that this would be Misti Armstrong's last Committee meeting with CDLAC. After fourteen (14) years, she is moving on to other pastures. Laura thanked Misti for her work with CDLAC, and stated that the Chair will present a Resolution to Misti thanking her for her service with CDLAC.

Mr. Schaefer stated that Ms. Armstrong will be missed at the Treasurer's Office. He then read excerpts from the Resolution signed by the Treasurer giving a synopsis of Ms. Armstrong's fourteen (14) years of service at CDLAC.

Misti Armstrong thanked the Committee for its support over the years and she thanked the CDLAC Staff for their dedication to the Program.

10. CLOSED SESSION: Litigation (Government Code Section 11126(e)(2)(c)) - Discussion with Legal Counsel Regarding Litigation (San Regis, LLC v. City of Los Angeles, et al., Los Angeles County Superior Court Case No. BC637630)

On advice of counsel, no action was taken at this time.

11. Public Comment

Patrick Sabelhaus thanked Misti for her years of service with CDLAC. He stated that Ms. Armstrong was the person that had the technical knowledge and knew the regulations and was always available to answer questions.

12. Adjournment

The Chairperson adjourned the meeting at 1:43 p.m.