



STATE OF CALIFORNIA

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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Executive Director

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Governor

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State Controller

To: Interested Parties

From: Sean L. Spear, Executive Director 

Date: January 19, 2012

Re: Summary of 2011 CDLAC Program Activity

Attached you will find the summary of the 2011 program activity of the California Debt Limit Allocation Committee (CDLAC). In it you will find a brief synopsis and volume figures for each of CDLAC's Program Pools, including the Qualified Energy Conservation Bond re-allocation program; as well as the estimated public benefits of each program.

Reflecting the continuing impact of the great recession and a volatile financial market, most of CDLAC's private activity bond programs continued to be undersubscribed. The near complete elimination of the bond insurance sector and continuing difficulty for many businesses to secure Letters of Credit together continue to suppress the usage of tax exempt bonds for Industrial Development and Exempt Facility transactions. That being said, a bright-spot has been the substantial return of multifamily housing volume under our QRRP Program Pool. Much of this is attributable to the increasing appetite of the commercial banks for privately-placed bonds (particularly in Community Reinvestment Act eligible areas), full usage of the U.S. Treasury's New Issue Bond Program, and renewed usage of the Fannie Mae and Freddie Mac Forward Commitment programs. In many cases, pricing on the debt and tax credits for these transactions is better than that secured during the height of the market a few years ago. It is hoped that this improvement trend will continue into 2012; however, changes such as the elimination of the Redevelopment Agencies and reduced capital funding available from HCD will undoubtedly have an impact on the volume we will see.

Another bright spot continues to be the substantial amount of interest in the QECB allocation program. Nearly \$36 million in reallocated authority was issued for four (4) projects in 2011. Late in 2011, an additional \$22 million was received by CDLAC from

localities and returned awarded allocation; which will be made available for the March Allocation Round this year.

CDLAC believes it is vital to have the State's allocation of Private Activity Bond and QECB authority go to projects and programs that both provide measurable public benefits to the people of California, as well as contribute to the improvement of the California economy. CDLAC will continue to work hard into 2012 to market and deploy the allocations for these purposes.

If you should have any questions, comments, or suggestions, please don't hesitate to contact CDLAC staff at (916) 653-3255 or CDLAC@TREASURER.CA.GOV.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. L. Spear', written in a cursive style.

SEAN L. SPEAR
Executive Director

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Estimated Public Benefits

2011 Summary

State and local governmental agencies and joint powers authorities can issue tax-exempt private activity bonds. These tax-exempt bonds are used to assist developers of multifamily rental housing units to acquire land and construct new units or purchase and rehabilitate existing units, to assist first-time homebuyers purchase homes through mortgage revenue bonds (MRB) or mortgage credit certificates (MCC), to assist manufacturing facilities in financing capital expenditures, and, among other things, to finance primarily solid waste disposal and waste recycling facilities.

The California Debt Limit Allocation Committee (the "Committee") is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2011, California's State ceiling is \$3.539 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools". The 2011 program year active Program Pools consist of the Qualified Residential Rental Project Pool (Rental Project Pool), the Single Family Housing Program (SFH) Pool, the Industrial Development Bond Program (IDB) Pool and the Exempt Facility Program (EXF) Pool. For calendar year 2011, the Committee reserved approximately \$1.25 billion or 35.3% of the State ceiling for the Rental Project Pool, \$750 million or 21.2% for the SFH Pool, \$50 million or 1.4% for the IDB Pool, and \$1.48 billion or 42.1% for an undesignated reserve.

In addition, the Committee continues to allocate Qualified Energy Conservation Bonds (QECBs) provided by IRS Notice 2009-29 of the American Recovery and Reinvestment Act of 2009. The Committee received over \$250 million in direct and waived QECB authority to allocate throughout the state. The Federal Government intended to provide an affordable financing tool for private and public energy efficiency and green technology projects and programs.

Private Activity Bond Volume Cap Programs

For program year 2011, the Committee awarded a total of \$1.82 billion (past year carryforward and current year cap) for rental projects, \$452,994,901 for SFH programs, \$50,000,000 under the IDB Program, \$81,200,000 under the EXF Program and \$39,704,730 under the QECB program. After the December 14, 2011 allocations were made, there was a 2011 volume cap balance remaining of approximately \$2.55 billion. In order to ensure that no amount of 2011 volume cap allocation was lost, at the December 14, 2011 allocation meeting the Committee transferred \$1.65 billion of this remaining balance on a carryforward basis to various multifamily housing project issuers, \$250 million to the California Housing Finance Agency (CalHFA) for a Single Family Housing Mortgage Revenue Bond Program and all allocation remaining thereafter was transferred to the California Pollution Control Financing Authority (CPCFA) for the Exempt Facility Program all on a carryforward basis. In addition, the QECB program issued a total of \$35,969,000 in QECB allocation in program year 2011.

The public benefits for these awarded allocations are as follows:

Qualified Residential Rental Projects

The allocations awarded for the rental project pool for program year 2011 will fund 145 multifamily rental housing projects. These allocations financed an estimated 12,173 total units, of which approximately 11,242 were Restricted Rental Units. Restricted Rental Units are units within a Project that are restricted to households earning 60% or less of the Applicable Median Family Income. Of the 11,242 Restricted Rental Units, 5,777 will be restricted to very low income households with income at or below 50% of the area median income and approximately 5,466 units will be restricted to low income households with incomes at or below 60% of the area median income.

Of the estimated 12,173 units financed with the allocation, approximately 6,185 will be new construction units, 3,130 will be senior citizen units, 1,889 will be large family (3-4 bedrooms) units, and 277 will be special needs units. In addition, this allocation will preserve approximately 2,506 income- and rent-restricted units that were at-risk of losing their affordability restrictions.

Single Family Housing

The Committee awarded a total of \$452,944,901 of the 2011 State ceiling to the Single-Family Housing Program for Mortgage Credit Certificates. These allocations will assist approximately 2,404 first-time homebuyers, of which at least 961 will be lower income households and approximately 429 will purchase newly-constructed homes.

The Committee transferred a total of \$250 million of unused 2011 volume cap for a statewide Single Family Housing Mortgage Credit Certificate Program.

Industrial Development Bond Program

The two (2) IDB projects awarded allocation are anticipated to create a total of 98 new jobs in California, of which 8 are management, 76 skilled and semi-skilled, and 14 unskilled jobs. The new jobs will produce a weighted average hourly wage of \$25.87.

Exempt Facility Program

There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business¹ under Regulatory Mandate², 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

Three (3) qualified exempt facility projects were awarded a total of \$81,200,000 in allocation in 2011.

The Committee transferred an estimated total of \$1.09 billion of unused 2011 volume cap for exempt facility projects to the California Pollution Control Finance Authority. This represents 42% of the \$2.55 billion in unused 2011 volume cap and 30% of the 2011 \$3.539 billion State ceiling.

Qualified Energy Conservation Bond Projects

Qualified Energy Conservation Bond Projects are taxable tax credit or interest subsidy bonds used for either governmental purposes or private activity that facilitate energy efficiency or green technology projects or programs. In 2011, a total of \$35,969,000 was issued for four (4) QECB projects, representing 18.7 % of the total allocation waived back to the State. Two (2) of these projects are anticipated to produce approximately 8,920,771 kWh of energy per year. Lastly, these projects will create a total of 408 new jobs in California: 391 of which will be temporary and 17 permanent. Late in 2011, an additional \$22.2 million in QECB authority was made available from localities and a previously-awarded project that did not use its allocation. This remaining QECB balance has no expiration date and will be made available for new projects and/or programs in early 2012.

¹ "First Tier Business" means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

² "Regulatory Mandate" means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. ("AB 939"), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.