

Answers from June 8, 2009, meeting with Lynn Jacobs and Chris Westlake

Attendees: Ann Gressani, Lisa Motoyama, Kevin Knudtson, Rob Wiener, John Lowry, Julie Snyder, and Wally Dieckmann.

GOAL: The purpose of the meeting was to gain a more specific understanding of how HCD intends to fund existing projects using the limited funds available from the April bond sale and fund future projects. Additionally, we advocated for the coalition's funding priorities.

1. We would like to clarify the dollar amounts needed for all affordable housing programs of the projects that are completed, currently in construction as well as those closing within six months.

A: The lists posted on their website are the best estimates, based on the input of project managers.

2. We would like to know about HCD's intention to set aside funds to use on a "draw system" for certain projects, particularly infill and TOD. How much money is proposed to be set aside?

A: They don't know, because some developers tell HCD they need the money months before they actually do. However, HCD thinks it will have enough money on the taxable side to:

- 1. Set-aside full funding for any project that has met all the conditions for its first construction draw before January 2010 AND*
- 2. Provide take-out loans through January 2010.*

(Taxable developments are those funded by MHP, some Joe Serna, infill, EHAP, local trusts and TOD.)

On the tax-exempt side, funds are predicted to last much longer (18-36 months). The department hasn't done an estimate of the set-asides that far into the future. CalHOME, some Joe Serna, BEGIN and Workforce Housing Reward Program fall into this category.

In some cases, the funds set-aside for projects taking draws will be in a formal escrow account, e.g. Joe Serna developments. In other cases, the funds will stay at HCD, but be designated for the development. The procedure will be determined program-by-program.

At this point, HCD will not agree to divert set-aside funds early next year if the money is needed for take-out financing. Their position is partially based on their estimate that most of the "set-aside" money will be used within 3-8 months of the first draw, so little of it will go unused for long. Also, they believe the treasurer will sell bonds this fall, making it a moot point. We alerted them that if the fall bond sale does not take place and our developers are facing missed deadlines for take-out financing, we will raise the issue again.

They also said that any developments awarded infill or TOD money in the next few months likely won't need construction money for 12 months or so, based on their experience with the first round awards. Therefore, those awards will not divert funds from other developments currently under construction.

3. Now that we know from the State Treasurer that \$100 million in TCAP funds will be used for projects already in TCAC that are not yet in construction, what is HCD's "plan B" for those?

A: No money is available for them right now.

4. What is the plan for 2009 projects applying for 9% tax credits this month that will need funding determined, including HCD funds, by August 17th to meet deadlines?

A: She will talk with Bill Pavao about accepting the Loan and Grant Committee's recommendations as if the awards had been made.

5. We would like to know your thoughts on where the banks are right now regarding funding affordable housing.

A: HCD, the treasurer's office, and DOF met with ten or so banks in mid-May. Treasurer's staff said Lockyer plans to sell bonds in Sept./Oct 2009 and March 2010. Also, the banks would like TCAP funds to replace HCD program funds as construction loans.