

## Summary of February 4, 2009, meetings on PMIB actions

Holly Phillips, Abode Communities

Rob Wiener, CA Coalition for Rural Housing

Wally Dieckmann, Chelsea Investments

John Lowry, Burbank Housing

Lenny Goldberg, CA Coalition for Rural Housing

Ann Gressani, Non-Profit Housing Association of Northern California

Julie Snyder, Housing California

### Meetings with:

- o Rick Chivaro, State Controller's Office;
- o Nini Redway, Paul Rosenstiel, and Blake Fowler, State Treasurer's Office; and
- o Mark Hill and Katherine Amann, Department of Finance.

### What they told us:

1. Of the \$651 million, \$130 million is paying state agency/department administrative costs; the remainder is being spent to pay for already-completed work on public works for which the state signed a contract. These bills are the priority because they are due the soonest and not paying them could cost the state more money – contract penalties, lawsuits etc.
  - a. Home developments and schools are not on the list, because the state doesn't sign the contract.
2. In addition to the \$651 million, DOF has also decided to continue construction on 276 projects which would be more costly to stop than to continue (direct costs such as tarping). If a budget isn't passed by the end of this week, DOF will order those projects stopped.
3. The controller will weigh-in with DOF about what he thinks should be funded with the \$651 million.
4. Until a state budget is passed, it's highly unlikely any additional money will be available. Once it is passed, the PMIB still might have to prioritize projects for funding, because the backlog is so huge. Before the February 18 PMIB meeting, we should work with HCD to develop a priority list for HCD projects and share it with the PMIB members.
5. DOF recognizes that the state will have to ultimately pay its housing bills for projects underway and considers these "incurred costs". Most likely is that less critical projects will be "triaged" and projects at or near completion will be favored as bond sales resume incrementally.
6. PMIB will meet on February 18. They could do any of the following and more: if the \$651 isn't fully spent already, halt the spending; develop priorities for future spending; and decide whether or not to try to sell bonds. We should be at the hearing in force.
7. The treasurer's office is looking for innovative ways to get money to projects even if bonds can't be sold in the private market. For example, they are working with the Metropolitan Transportation Commission (MTC) in the Bay Area. The idea is for the MTC to buy short-term (18-24 month) state general obligation

bonds and give the funds to CalTrans for Bay Area toll bridge project(s). The MTC would receive payments for the life of the bond, and the state would want to retain an early redemption provision should the state's bond rating improve such that they can get back into the private market.

Developers may want to approach would-be investors such as local agencies, large employers, financial institutions, and others to work out a similar deal. Blake Fowler will provide us with the term sheet for the MTC deal.

Our next steps (in no particular order)

1. Continue to gather examples from developers and expand the document we handed out today.
2. Recruit developers and advocates to come to Feb 18 PMIB meeting
3. Send letters, make calls, and visit legislators who have affected projects in their districts.
4. Develop our own internal priority list, then influence HCD's priority list. (*LUF agreed on a priority list on its 2/5 call. See page 3 for details.*)
5. Discuss a joint senate-assembly informational hearing with Mark Stivers and Lisa Engel.
6. Mount a major press campaign in legislative districts and media markets where frozen projects are located.



The statewide coalition of nonprofit housing developers, homeless services organizations, and other affordable-home advocates.

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## Pooled Money Investment Board Funding Priorities

**Summary:** As funds become available to the board, the top priority should be home developments that need funds in the next four months to pay off construction loans or pay bills. Next should be developments that have closing deadlines and need funds to begin construction. Third priority should be developments that will need funds in 4-24 months.

### Details

#### Top Priority

- A. Completed developments or those scheduled to complete in the next 4 months needing their committed MHP, self-help, or any other HCD program funding to take out their construction loans
- B. Developments currently under construction that have been drawing down HCD funding and need to draw the rest of their committed amounts to complete construction.

#### Second Priority

Developments with commitments of HCD funds used during construction (e.g. infill and farmworker) that have all other financing committed and have closing deadlines.

#### Third

Other developments currently under construction that will need HCD take-out funding more than four months from now.

#### Fourth

Developments not yet under construction that have TCAC/CDLAC closing deadlines and will need HCD take-out funding in 18-24 months.

Additionally, a concerted state agency effort is needed to reassure financial institutions that construction funds loaned to projects with MHP or other state commitments will be repaid when they are due and, if not, that the state will be responsible for any additional carrying costs.