

**State of California  
Office of Administrative Law**

**In re:**  
**California Debt Limit Allocation Committee**

**Regulatory Action:**

**Title 04, California Code of Regulations**

**Adopt sections:** 5145, 5146, 5233  
**Amend sections:** 5000, 5020, 5031, 5033,  
5050, 5051, 5054, 5062,  
5063, 5106, 5144, 5170,  
5191, 5192, 5194, 5200,  
5220, 5230, 5240, 5250,  
5255, 5258, 5260, 5300,  
5342, 5350, 5370, 5400,  
5450, 5560, 5600  
**Repeal sections:** 5221

**NOTICE OF APPROVAL OF EMERGENCY  
REGULATORY ACTION**

**Government Code Sections 11346.1 and  
11349.6**

**OAL Matter Number: 2016-1205-04E**

**OAL Matter Type: Emergency (E)**

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In this emergency rulemaking, the California Debt Limit Allocation Committee (the "Committee") is adopting three, amending 31, and repealing one section(s) in title 4 of the California Code of Regulations. Government Code section 8869.84(c) states, "The [C]ommittee shall prepare application forms and announce procedures for receipt and review of applications from state and local agencies desiring to issue private activity bonds." The allocation system provides tax-exempt private activity bond allocation to state and local agencies. The changes in this emergency rulemaking affect (1) issuer accountability, (2) high-cost projects, (3) cash flow bond financing, and (4) coordination with the United States Department of Housing and Urban Development. Lastly, the Committee is adopting, amending, and repealing a total of 23 documents incorporated by reference.

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 12/15/2016 and will expire on 6/14/2017. The Certificate of Compliance for this action is due no later than 6/13/2017.

Date: December 15, 2016

Original: Jeree Glasser-Hedrick  
Copy: Felicity Wood

  
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Steven J. Escobar, Attorney

For: Debra M. Cornez, Director

## NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

**EMERGENCY**

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER	EMERGENCY NUMBER 2016-1205-04E
For use by Office of Administrative Law (OAL) only			
NOTICE		REGULATIONS	

**ENDORSED - FILED**  
In the office of the Secretary of State  
of the State of CaliforniaDEC 15 2016  
4:02pmAGENCY WITH RULEMAKING AUTHORITY  
CA Debt Limit Allocation Committee

AGENCY FILE NUMBER (if any)

**A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)**

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE	
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed <input type="checkbox"/> Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON		TELEPHONE NUMBER	FAX NUMBER (Optional)
<b>OAL USE ONLY</b>		ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER	PUBLICATION DATE

**B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)**

1a. SUBJECT OF REGULATION(S) Bond Purchase and Compliance Expansion		1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)			
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)					
<b>SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)</b>		ADOPT See attached			
		AMEND See attached			
TITLE(S) 4		REPEAL See attached			
3. TYPE OF FILING					
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)		<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.		<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §11349.3, 11349.4)		<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)		<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)	
<input checked="" type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input type="checkbox"/> Other (Specify) _____		<input type="checkbox"/> File & Print <input type="checkbox"/> Print Only	
4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)					
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)					
<input type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a))		<input checked="" type="checkbox"/> Effective on filing with Secretary of State		<input type="checkbox"/> §100 Changes Without Regulatory Effect <input type="checkbox"/> Effective other (Specify) _____	
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY					
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)		<input type="checkbox"/> Fair Political Practices Commission		<input type="checkbox"/> State Fire Marshal	
<input type="checkbox"/> Other (Specify) _____					
7. CONTACT PERSON Felicity Wood		TELEPHONE NUMBER (916) 651-8484		FAX NUMBER (Optional) E-MAIL ADDRESS (Optional) felicity.wood@treasurer.ca.gov	

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE <i>Jerre Glasser-Hedrick</i>	DATE December 5, 2016
TYPED NAME AND TITLE OF SIGNATORY Jerre Glasser Hedrick Executive Director	

For use by Office of Administrative Law (OAL) only

**ENDORSED APPROVED**

DEC 15 2016

Office of Administrative Law

## Section B.2

- Adopt: 5145, 5146, 5233
- Amend: 5000, 5020, 5031, 5033, 5050, 5051, 5054, 5062, 5063, 5106, 5144, 5170, 5191, 5192, 5194, 5200, Article 7 of Chapter 2, 5220, 5230, 5240, 5250, 5255, 5258, 5260, 5300, 5342, 5350, 5370, 5400, 5450, 5560, and 5600
- Repeal: 5221

# CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE REGULATIONS

## Chapter 1. General Provisions

### Article 1. Definitions

**Section 5000. Definitions.** In addition to the definitions set forth in Government Code section 8869.82 and unless otherwise required by the context, the following terms as used in this division are defined as follows:

"Accredited Investor", also known as a "Sophisticated Investor", means an entity as defined by the United States Securities and Exchange Commission under Rule 501, regulation D of the Securities Act of 1933.

"Allocation" means the portion of the State Ceiling awarded by the Committee to an Applicant.

"Allocation Round" means a meeting or series of meetings of the Committee during which a pre-determined portion of the State Ceiling is made available for allocation by the Committee to one or more Applicants selected by the Committee during that meeting or series of meetings.

"Annual Applicant Public Benefits and Ongoing Compliance Self-Certification (~~12-15-15 Revised 11-16-16~~)", hereby incorporated by reference, means the document in the online compliance certification system to be completed by the Issuer in which the Issuer certifies that the Project is in compliance with all of the terms and conditions set forth in the Committee Resolution.

"Applicant" means the following entities submitting an Application to the Committee:

- a state or local governmental agency; or
- a joint powers authority (JPA) applying for bond allocation for a project, except for projects described in Government Code Section 6586.5(c), that is or will be located entirely within the geographical boundaries of one or more of the JPA's members; or
- a special district; or
- a nonprofit public benefit corporation that issues only student loan bonds; or
- any other public agency that is empowered to issue debt.

"Application" means the request by an Applicant to the Committee for an Allocation of the State Ceiling which shall include the information specified in article 4 of this chapter.

"Bond" means either a Qualified Private Activity Bond or a Governmental Bond as defined in this section.

"Bond Default" means a material default as defined within an Issuer's Bond documents, but does not include for the purposes of this definition, defaults that are technical in nature such as a failure to maintain covenants, failing to charge rates sufficient to meet rate covenants, failing to maintain insurance on the Project, or failing to fund various reserves.

"Bond Regulatory Agreement" means the agreement between the Issuer, Project Sponsor, and any third party related to the ownership, financing, and management of a proposed Qualified Residential Rental Project that binds the parties to the commitments made in the Application that resulted in the Allocation for the Project and any other requirements mandated by 26 U.S.C. section 142.

"Bond Issuance and Post Issuance Compliance Policies" means policies established by an Applicant to guide the process of issuing private activity bonds and ensuring post-issuance compliance including but not limited to a description of the fee structure, application and approval process (including TEFRA), threshold eligibility criteria for applicants and projects, long term regulatory requirements (if any), and monitoring practices.

"CIDFAC" means the California Industrial Development Financing Advisory Commission.

"CIEDB" means the California Infrastructure and Economic Development Bank.

## CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE REGULATIONS

"Cash Flow Permanent Bond" means a bond where the identified payment source is based on cash flow availability in the form of residual payments and that are issued for the purposes of providing permanent financing that (i) does not meet CDLAC's Debt Service Coverage Ratio requirement in Section 5193 and that, (ii) together with all other Bonds not meeting CDLAC's Debt Service Coverage Ratio requirements in Section 5193 (if any), exceed 5% of the total project cost.

"Census Designated Place" means a place designated as a census designated place by the Bureau of the Census.

"Certificate of Completion for Non-Qualified Residential Rental Projects" (New, 11-16-16), hereby incorporated by reference, submitted by the Project Sponsor of a Non-Qualified Residential Rental Project, certifies that all work on the Project was substantially completed, along with the aggregate amount disbursed on the loan for qualified project costs. In addition, the officer's signature indicates that the cost of the bond issuance was equal to or less than 2% of the bond proceeds issued.

"Certificate of Completion for Qualified Residential Rental Projects" (New, 11-16-16), hereby incorporated by reference, submitted by the Project Sponsor of a Qualified Residential Rental Project, and certifies that all work on the Project was substantially completed, along with the aggregate amount disbursed on the loan for qualified project costs. In addition, the officer's signature indicates that the cost of the bond issuance was equal to or less than 2% of the bond proceeds issued.

"Certification of Compliance I (~~12-15-15 Revised~~ 11-16-16)", hereby incorporated by reference, means the document provided in the Committee Resolution to be completed by the Project Sponsor in which the Project Sponsor certifies that the Project is in compliance with all of the terms and conditions set forth in the Committee Resolution.

"Certification of Compliance II for Non-Qualified Residential Rental Projects" (New 11-16-16), hereby incorporated by reference, is a form for Applicant/Issuers awarded allocation in 2017 forward. Applicant/Issuers retain the Certification form for a period of three years in place of the Certification of Compliance I (11-16-16) to ensure that the Project Sponsor is reporting all relevant compliance and possible changes to the project or program to the Applicant.

"Certification of Compliance II for Qualified Residential Rental Projects" (New 11-16-16), hereby incorporated by reference, is a form for Applicant/Issuers awarded allocation in 2017 forward. Applicant/Issuers retain the Certification form for a period of three years in place of the Certification of Compliance I (11-16-16) to ensure that the Project Sponsor is reporting all relevant compliance and possible changes to the project or program to the Applicant.

"CIDFAC" means the California Industrial Development Financing Advisory Commission.

"CIEDB" means the California Infrastructure and Economic Development Bank.

"Committee" means the California Debt Limit Allocation Committee established by California Government Code sections 8869.80 et seq.

"Committee Resolution" means for any Allocation, the resolution duly adopted by the Committee that, among other things, memorializes the grant of the Allocation by the Committee to the Applicant.

"Competitive Application Process" means the procedure under which the Committee will evaluate an Application for an award of Allocation that is competitive based upon the number of points each Application is awarded. Applications submitted under this process will be awarded points only when the Project qualifies for such points and evidence supporting an award of points is demonstrated at the time documented in the Application when submitted. The Committee will not consider documentation for an award of points submitted after the Application deadline, nor

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will the Committee review an incomplete Application except to determine whether the Application is complete.

"Credit Enhancement" means the additional assurance provided by a third party pursuant to a payment guaranty, letter of credit, bond insurance or other similar vehicle with a marketable investment grade credit rating.

"Credit Enhancer" means the party providing Credit Enhancement.

"CTCAC" means the California Tax Credit Allocation Committee.

"Deemed Waived" means any designated Qualified Energy Conservation Bond and/or Recovery Zone Bond Allocation not issued or included in a Plan of Issuance by August 15, 2010 that may automatically be deemed returned to CDLAC for reallocation.

"Distressed Community" means a community that the Applicant demonstrates to be any one or more of the following:

- A community with an unemployment rate equal to or greater than 125% of the statewide average based on the California Employment Development Department's most recent annual average for sub-county areas.
- A community with median family income of less than 80% of the statewide average based on the most recent census data available for cities or Census Designated Places. If no city or Census Designated Place level data is available, or if the Applicant chooses to identify a project benefit area that is smaller than a city or Census Designated Place, such as census tract or tracts, smaller areas will be used.
- A community with a poverty rate equal to or greater than 110% of the statewide average based on the most recent census data available for cities or Census Designated Places. If no city or Census Designated Place level data is available, or if the Applicant chooses to identify a project benefit area that is smaller than a city or Census Designated Place such as a census tract or tracts, smaller geographic areas will be used.

"Draw-down Bond Issuance" means a draw-down loan as defined for purposes of 26 U.S.C. sections 103 and 141 through 150 (generally, a Bond issue in which Bonds are delivered to the Bond purchaser intermittently as funds are needed by the Bond Issuer and the Bond Issuer only provides payments based on the amount of Bonds drawn-down).

"Eligible QECB Reallocation Applicant" means any city, county (acting directly or through an entity acting on behalf of the city or county pursuant to a joint powers agreement), state entity or Indian tribal government located in the State of California.

"Eligible QECB Reallocation Issuer" means a State or political subdivision as defined for purposes of U.S. Treasury Regulations, Section 103, and entities empowered to issue Bonds on behalf of any such entity under rules similar to those for determining whether a Bond issued on behalf of a State or political subdivision constitutes an obligation of that State or political subdivision for purposes of U.S. Treasury Regulations, Section 103.

"Executive Director" means the Executive Director of the Committee.

"Exempt Facility Project" means a Project financed with an exempt facility bond satisfying the requirements of 26 U.S.C. section 142, except that airports, docks and wharves, governmentally owned solid waste disposal facilities, and Qualified Residential Rental Projects shall not be considered exempt facilities for purposes of these regulations.

"Exempt Facility Project Pool" means the reserve of the State Ceiling established by the Committee for Exempt Facility Projects.

"Extra Credit Teacher Home Purchase Program" means a program offering Mortgage Credit Certificates or loans funded by Mortgage Revenue Bonds to eligible teachers, eligible

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administrators, eligible classified employees, and eligible staff members for the purpose of assisting them in becoming homeowners.

"Extra Credit Teacher Home Purchase Program Pool" means the reserve of the State Ceiling established by the Committee for the Extra Credit Teacher Home Purchase Program.

"Federally Bond-Restricted Units" are Project units that are restricted pursuant to 26 U.S.C. Section 142 (d)(1)(A) or (B).

"General Project Pool" means a reserve within the Qualified Residential Rental Project Pool that may be established by the Committee that does not include either Rural Projects or Mixed Income Projects.

"Governmental Bond" means a Bond issued by or on behalf of a governmental entity that is not considered a Qualified Private Activity Bond.

"Investor Representation Letter" means a letter from initial investors of a Bond offering that includes but is not limited to a certification that they reasonably meet the standards of a Sophisticated Investor or Qualified Institutional Buyer, that they are purchasing Bonds for their own account, that they have the sophistication to evaluate the merits and risks of the investment and suffer a loss of the investment, that they have been furnished all the information which they and their advisers requested on the offering and have had an opportunity to ask questions relating to that information, and other such matters.

"Issuer" means an entity empowered to issue Bonds.

"Job Creation" means new permanent full-time jobs created by the Project Sponsor. The number of jobs created shall be calculated after deducting any jobs within the State that are eliminated by the company. Job Creation must be met within two (2) years following the completion of the Project. The Job Creation requirement may be monitored by CIDFAC and CIEDB utilizing California Employment Development Department employment statistics.

"Job Wage" means the average hourly general manufacturing wage for the Metropolitan Statistical Area in which a Project is located, based on the Bureau of Labor Statistics Series Code from the California Employment Development Department. If a Project is not located in an area for which the Employment Development Department keeps hourly wage data or not located in a defined Metropolitan Statistical Area, the closest comparable area in which hourly wage is available may be used.

"LEED Certified" means Leadership in Energy & Environmental Design certification by the U.S. Green Building Council.

"Local Issuer" means a local government entity that issues Mortgage Revenue Bonds or Mortgage Credit Certificates for Single Family Housing Programs or small-issue industrial development Bonds or a joint powers authority that issues small-issue industrial development bonds on behalf of a local government entity.

"Market Study" means a comprehensive document prepared by a third party which contains information related to the Project's market area.

"Metropolitan Statistical Area" means the geographic entity defined by the U.S. Office of Management and Budget (OMB).

"Mixed Income Project Pool" means a reserve within the Qualified Residential Rental Project Pool that may be established by the Committee.

"Mixed Income Project" means a Qualified Residential Rental Project having 50% or fewer of its total units designated as Restricted Rental Units.

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"Mortgage Credit Certificate" means a mortgage credit certificate as defined by 26 U.S.C. section 25(c)(1).

"Mortgage Revenue Bond" means a bond defined by 26 U.S.C. section 143(a).

"Mortgage Revenue Bond Program" means a program defined by 26 U.S.C. section 143(a).

"Nationally Recognized Statistical Rating Organization" means credit rating agencies that satisfy the requirements of 15 U.S.C. section 78(c)(62).

"Net Proceeds" means proceeds used for "recovery zone property" as defined in 26 U.S.C. 1400U-3(b)(1)(A).

"Open Application Process" means the procedure under which the Committee will evaluate an Application for an award of Allocation that is not competitive. The Committee will not review an incomplete Application except to determine whether the Application is incomplete and notify the Applicant of the deficiency.

"Performance Deposit Certification" means the form titled "Performance Deposit Certification Form for an Application for an Allocation of Qualified Private Activity Bonds" (revised 1-18-12), which is hereby incorporated by reference.

"Placement Agent Statement" means the statement provided by the firm contracted to market the Bonds proposed in the Application that includes a brief paragraph on the firm's history and principals, a summary of the firm's initial underwriting review, an overview of proposed issuance structure including anticipated debt service coverage ratio, and a statement certifying that the proposed transaction has been initially underwritten and meets the firm's standards for participation.

"Plan of Issuance" means a report due to CDLAC from a county or municipality receiving a U.S. Treasury Designated Recovery Zone Bond Allocation that includes the following: One, a brief description of the Project(s) to be funded utilizing QEGBs and/or RZBs, including the proposed qualifying project type, sponsor contact information and anticipated Bond amounts; Two, a copy of the locally approved resolution designating the area in which the proposed Project(s) are located as a Recovery Zone(s); Three, an identification of the local approvals obtained to date; and Four, the anticipated construction start date and timeline for project completion and Bond issuance.

"Project" means the subject property for which an Application for Allocation has been submitted.

"Project Sponsor" means the entity, or CDLAC authorized affiliate thereof, using the proceeds of a Bond issue to complete the Project described in the Application.

"Project Wage" means the average hourly wage of the jobs created by a Project.

"Public Transit Corridor" means an existing or planned public mass transit guideway or busway station, or multimodal transportation terminal serving public mass transit operations within one-quarter mile of the Project.

"Qualified Business" means any trade or business as defined under 26 U.S.C. section 1400U-3(c)(2) which exempted "(1) the rental to others of real property located in a recovery zone shall be treated as a qualified business only if the property is not a residential rental property as defined in 26 U.S.C. section 168(e)(2); and (2) such term shall not include any trade or business consisting of the operation of any facility described in 26 U.S.C. section 144(c)(6)(B)."

"Qualified Energy Conservation Bond (QEGB)" means a qualified tax-credit Bond as defined under 26 U.S.C. section 54D where: "(1) one-hundred (100%) percent of the available project proceeds of such issue are to be used for one or more 'qualified conservation purposes' (2) the bond is issued by a State or local government, and (3) the Issuer designates such bonds for purposes pursuant to this section."