

## California Debt Limit Allocation Committee

Jesse Unruh Building  
Room 587  
915 Capitol Mall  
Sacramento, CA 9581  
**April 14, 2020**  
Meeting Minutes

### OPEN SESSION

#### 1. Call to Order and Roll Call

State Treasurer Fiona Ma called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:04 am.

Members Present:

Fiona Ma, CPA, State Treasurer  
Gayle Miller for Gavin Newsom, Governor  
Anthony Sertich for Betty T. Yee, State Controller

Advisory Members Present:

Zachary Olmstead for Acting Department of Housing and  
Community Development Director Doug McCauley  
Tia Boatman-Patterson, California Housing Finance Agency

#### 2. Approval of the Minutes of the April 3, 2020 Meeting (Action Item)

Ms. Blackwell informed the committee that there were edits to the minutes provided by Ms. Boatman-Patterson who confirmed these edits.

Anthony Sertich moved approval of the minutes as edited for the April 3, 2020 meeting. Upon a second by Gayle Miller, the minutes passed 3-0 with the following votes: Fiona Ma: Aye; Anthony Sertich: Aye; Gayle Miller: Aye

#### 3. Executive Director's Report (Informational Item)

Ms. Blackwell: I would like to focus our attention on the issues I raised in our last meeting on April 3, 2020 regarding the effect of COVID-19 on our program and to frame our thinking today. I have been looking at what other people are predicting about the economy, and so although I made some comments on April 3<sup>rd</sup> reminding us of the current uncertainty in the market, and that such uncertainty affects investor behavior and in turn affects our developers, I am asking that you also focus on a letter which has been widely circulated by the State of California Director of Finance dated April 10, 2020. The letter states, in part, that there is a predicted recession due to the COVID-19 pandemic. This recession will have a significant negative effect on state revenues and on the stock market. The stock market downturn will further negatively exacerbate the availability of funding for housing projects. The effects will be immediate and will last into the fiscal year 2020-2021. She further stated that these economic realities

could last into future fiscal years as well depending on how quickly state and local governments recover from the present economic hardships. Due to the scope of the COVID-19 pandemic, unemployment could peak at a level higher than the “Great Recession” that occurred beginning in 2008. Similar information has also been posted on the Assembly Budget Committee’s website. So as I have stated before we need to start thinking about how we can get the most out of the assets we have to help provide Californians with low income housing. We initially set up our allocation funding so that we could have relative equality in our allocation rounds throughout the year, however, I am suggesting today that we think about creating a waiting list out of those projects that are not recommended for immediate funding. Once we create this waiting list we will give those to whom we have designated allocation 30 days to get their funding in order; otherwise, if they cannot secure funding, we would ask them to contact CDLAC to return their allocation and we would not assess any penalties. After that we cannot guarantee that the allocation would remain available to this applicant, because once the applicant returns its allocation, we could move further down on the waiting list.

I also want to mention that TCAC has been able to be very responsive to the will of the Governor, Treasurer, and Legislature and has been able to quickly respond to their changing housing priorities, such as maximizing the number of housing units produced with state resources. Notably, TCAC is under a different process for making regulatory changes than CDLAC. CDLAC requires a lengthier OAL process and that difference in the two processes often makes it harder for CDLAC to respond as quickly as TCAC to changing priorities. So in some cases an applicant submitting a joint application is being evaluated by a TCAC scoring system which has been adjusted to reflect current priorities while the same application is also being subjected to a CDLAC scoring system which reflects lagging priorities embedded in the CDLAC regulations. To resolve this disconnect, I would like to write a letter to the Legislature asking that they think about putting CDLAC under the same process for updating their regulations as CTAC. Thank you, and this concludes my report.

Treasurer Ma: The Office of Administrative Law (OAL) is the entity through which CDLAC must obtain approval to change its’ regulations. This process does take significant time as opposed to those changes that the Board itself can make. We are trying to align the processes in the future so that they will be compatible for those who are applying on a joint application. Until this occurs, we appreciate everyone’s patience. As a reminder, we are a three member Board and we are not allowed to talk with each other due to Legislative restrictions, therefore, these meetings are going to take a little longer due to needing to hear from everyone’s comments so that we can be clear on what we are voting on by the end of each item. I see two people from the public here Robby Hunter as well as Danny Curtain.

Mr. Sertich then requested to hear item #7 out of order to accommodate public comments from attendees who were present in the audience so that they could go home.

## **7. Xpress West Recommendation and Award of Allocation: (Action Item)**

Ms. Blackwell: This is about the Virgin Trains matter. In one of our previous meetings, we withdrew the \$300,000,000 allocation for this project approved on September 20, 2019. We also tabled the \$300,000,000 allocation request for the project made in January 2020. One of the other action items on this agenda would have been to move the entire \$600,000,000 into this current round. On March 6, 2020, the Department of Transportation (DOT) issued \$1 Billion in allocation for private activity bonds to the Virgin Trains. We know that there are concerns as to whether or not the project had DOT support, as well as concerns regarding the current status of the environmental process. It is important to note that the body that made this allocation includes the Deputy Secretary of Transportation, the Federal Highway Administrator, the Federal Railroad Administrator (“FRA”), the Deputy Chief of Staff, and other senior members of DOT, so there is no question that the project has DOT support. In addition, the FRA was one of the approving members to this allocation award so it is also FRA supported. In

addition the FRA spokesman was recently quoted in the Las Vegas Review Journal indicating that they expect to issue the record of decision pertaining to the environmental review of this project this year. This is further strong indication that FRA intends to issue its approval. Furthermore, this \$1 Billion award represents the award of the final piece of a \$15 Billion one time allocation, which also demonstrates support for the project; and this \$1 Billion allocation from DOT must be used by September 30, 2020. Based on these factors, this Board is being asked to approve the \$600,000,000 in allocation to Virgin Trains today.

Ms. Miller: She expressed her support of this proposal with the stipulation this allocation be used to issue bonds by October 1, 2020 or else the funds are to be returned to the committee for other pool project allocation.

Mr. Sertich: He concurred with Ms. Miller.

**Public Comment:**

Virgin Trains Representative Husein: We are fine with that stipulation as long as the DOT deadline is the same.

Gayle Miller: She asked Mr. Husein: “What are your plans for obtaining bonds?”

Mr. Husain: Our goal is now that we have the DOT allocation and the CDLAC allocation today to immediately turn to the market and get bonds. It is hoped that in a couple months there will be less market uncertainty than there is presently.

Ms. Patterson: She asked Mr. Husain if Nevada had allocated its’ bond for this project. He responded that no they had not but that it would be addressed at their next public meeting. The next meeting however, will not be scheduled until COVID-19 meeting restrictions are relaxed.

Mr. Olmstead: He expressed his disappointment at the lack of a clear housing plan. What was presented to us last time was more of a market study rather than a clearly articulated plan of how they were going to accelerate building housing, rather than anecdotal theory about cause and effect scenarios.

Robby Hunter: He stated he strongly agreed with the summarizations of Ms. Blackwell. He feels we are heading for a depression. He also believes that public works brought us out of the Great Depression and public works like this project will mitigate the effects of a recession/depression. He is in favor of the motion.

Danny Curtain: He is from the California Conference of Carpenters and in favor of this project. This project will be a great economic driver and create many jobs.

Art Bishop: Agreed with the previous two commenters.

**MOTION:** Ms. Miller made the motion to approve \$600,000,000 in allocation funds to Virgin Trains with the stipulation the allocation to issue bonds by October 1, 2020. If bonds are not used by October 1, 2020, the funds will revert back into the New Construction Pool. Anthony Sertich seconded the motion. The Secretary took role call and the motion passed unanimously.

**Public Comment:** *Public comments commenced after discussion and approval of action item #7 and are summarized in the pages below for Item #3.*

Mr. Sertich: His first question was about regulation changes. He stated that he believed we needed to move forward with the regulation changes in CDLAC process in order to better maximize the use of public funds that CDLAC is entrusted in allocating. He also wanted an update of the strategic plan being undertaken by a Private Consultant. He also inquired about the status of the search for a CDLAC Executive Director.

Ms. Blackwell: She said that the strategic plan was slowly moving along and that she was anticipating getting another draft shortly.

Treasurer Ma: She stated that there currently is no progress towards filling the Executive Director vacancy for CDLAC. She added that she is hoping to better align both of the committee's regulations especially as they relate to housing. Her belief is this can be better accomplished by allowing Ms. Blackwell to hold both positions for now. After getting this better alignment, she would then look to hire for this vacancy.

Mr. Sertich: He asked about current staffing levels at CDLAC being inadequate for the workload currently being required from CDLAC. He wants to make sure staffing levels are enough to get everything done under the current regulations and workload requirements. He especially wants to make sure that processes such as scoring have enough staff to be performed accurately.

Treasurer Ma: She responded. Before the COVID-19 restrictions took hold, the Governor had approved the recruitment for the hiring of a number of positions in CDLAC. Some of the positions are in the process of being filled.

Ms. Blackwell: She added that CDLAC is attempting to fill all the positions that they can as quickly as possible.

Treasurer Ma: She said: "In the meantime TCAC employees are being cross-trained to handle the backlogs of 8609's, which I know has been an issue out there." She ended by requesting that if there are any other issues to email or text us to get staff to work on the appropriate areas that need to be addressed.

Mr. Sertich: He asked if it would be possible if a timeline for the OAL process progress could be made and generally distributed.

Treasurer Ma: She thought this would be possible to do.

Ms. Miller: She agreed with Mr. Sertich on the idea of a timeline for OAL. She also expressed concern about the legality of a waiting list for CDLAC projects. She wanted to know how the waiting list would work and how staff would process/determine this list. She also was concerned that such a list would possibly give some projects an advantage over others and wanted to make sure that all projects have an opportunity to "weigh in" and apply. Absent the opportunity to apply she said, some projects would be ahead of others. She wants to ensure due process is given equal consideration to moving quickly to building the projects. She would prefer a comprehensive written legal analysis outlining and describing the nature and qualifications, etc. of the waiting list, including what preferential considerations may be given for projects seen as providing public benefits.

Spencer Walker: He said he can provide a legal analysis, however, he does not have any concerns about waiting lists since the committee can choose what it wants to do. He asked Ms. Miller to send him a list of specific questions that she wanted answered concerning these discussed matters.

Treasurer Ma: She reminded everyone that TCAC currently has a project list and one of the points of this discussion is to decide if CDLAC should also have a waiting list. Another option being considered on this action item is to fund all the projects on the list.

Ms. Patterson: She asked if all the projects on the list had to meet minimum thresholds. She also asked if the total funding for any round can be changed by the committee.

Ms. Blackwell: She responded yes all projects have met minimum thresholds. She also said funding can be increased or decreased for any round. Finally she also said that usually without any specific knowledge of a particular demand time of year, the tendency is to distribute the funding evenly over the course of the year.

Treasurer Ma: Let's move to Item 5, Possible Re-Appportionment because there are probably people on the phone who are waiting to discuss this action item at this time. We will get back to this information item (#3) later.

**5. Possible Re-apportionment. (Action Item) and 6. Carryforward Discussion: (Action Item)**

Ms. Blackwell: There was a discussion in regards to Cal-Vets about funding \$100,000,000 worth of single-family housing bonds. If the Board would like to fund this project, I would suggest that we take \$50,000,000 from the Other Affordable housing pool in round 4 and \$50,000,000 from round Other Affordable housing pool in round 6 and move these funds forward and into the Single Family Affordable category. The other suggestion is to take the entire \$100,000,000 from round 4 and move these funds forward to round 3. This option might make sense if you want to have more discussion about how the Other Affordable pool works and maintain less funds in the Other Affordable housing pool. Either way you would be moving a total of \$100,000,000 forward into round 3. These are the two suggestions that are not global in nature. I would suggest that we take the rest of the funds from round 4 and round 6.

Ms. Miller: She defers to the Executive Director on which funding method to use.

Mr. Sertich: He is supportive of veterans housing groups. However, he wants to make sure that the state is maximizing its' funding allocations in the best possible manner.

Treasurer Ma: She is supportive of this project and wants to give the Executive Director latitude to decide whether to move the funds to fund this project.

**Public Comment:**

Theresa Gunn: She thanked the committee for considering the funding of this project. She also explained to the committee some things about the different programs for housing veterans.

Doug Shoemaker: At the last meeting, it was suggested that Developers work with the CDLAC-TCAC working group to meet with folks and discuss how to define the meaning of the group Other Affordable. We were not fully able to convene this process but I do know there are at least a dozen people who have contacted me about this topic. For the record, I want to say that by taking this topic out of order we are giving funding to a project from a fund for which there is not a clear definition for what qualifies in this category.

Matt Callahan: He asked committee to reconsider its' actions in regards to the Mortgage Federal Credits Certificate program. He disputed Ms. Patterson's assessment that this program is not efficient in terms

of being cost effective in leveraging.

**MOTION:** Ms. Miller made the motion to pull \$100,000,000 from round 4 and move it forward to round 3 to fund the Cal-Vet Single Family Affordable project. Mr. Sertich seconded the motion. The Secretary took the roll and the motion passed unanimously.

Treasurer Ma: She asked if there was a motion in regards to the previously discussed Item #7, the approved allocation of the Express West project.

**MOTION:** Ms. Miller made the motion pursuant to Item #7 to move \$600,000,000 into round 3 for the approved allocation of the Express West project. Mr. Sertich seconded the motion. The Secretary took roll call and the motion passed unanimously.

Treasurer Ma: Are there any other motions related to this item?

Ms. Blackwell: There is a proposal to move the balance of the Multi-Family forward so that we can fund all the rest of the projects this round.

Ms. Patterson: May I make a recommendation that only all the New Construction projects be funded this round? I make this recommendation due to not having a good definition yet of what is the Other Affordable pool and not having enough funding to meet the full year demand of the New Construction projects Pool.

Ms. Blackwell: Let me say this, at this time, the Board asked me to look at the projects that could fall into the Other Affordable Pool from those projects that fell below the line in our funding recommendations. This information was finalized last night. There are 16 projects and of these projects 8 of them are the types of projects that you see at the 15 year mark typically when they are changing investors. The other 8 projects are projects that are not typically the ones you see at the 15 year mark. I was also asked to determine if the change in the definition where we added projects happening because of AB 1699, HUD projects, Section 18, and RAD projects affected these projects. None of these 16 projects are affected if this new definition is enacted.

Mr. Sertich: I have a few concerns about this possible motion. One is we are in effect changing the rules on developers in the middle of their project planning and execution. The idea of front-loading and moving forward by awarding allocations to all the current projects will depress demand and disadvantage projects that would be coming along later in the year. By funding all the current projects, we are making the banks be the decision-makers as to which projects they want to fund instead of this committee making those decisions. We are also aborting funding for Multi-Family housing for two cycles. Finally, by doing these actions we could flood the market with projects that will never come to fruition at the expense of projects that could be funded that would better serve the public interest.

Ms. Miller: She recommended changing the funding cutoff score to be lowered from its' current value of 121.5 to 115 points. She also agreed with Mr. Sertich about the committee choosing the projects to fund instead of the banking community. She also suggested only funding those projects below the current line involved in New Construction.

Mr. Sertich: A later item on the Agenda identifies that there is over \$300,000,000 in carry-forward allocation that can be used this year. There is also an additional approximately \$80,000,000 in carry-forward allocation that needs to be awarded because of an accounting error. If we allocate these funding sources to the present projects requiring funding, we can bring the cutoff score down to about 120 and fund all the New Construction projects without depleting future round funding.

Ms. Patterson: She agreed that the compromise in funding offered by Mr. Sertich and Ms. Miller would be adequate and still meet the Treasurer's goal of having a maximum of "shovel ready" projects funded as quickly as possible.

Ms. Blackwell: She informed all that carry-forward funds must first be matched to the original issuer and that the Board does not have as much discretion with issuer carry-forward as it does with future funding that can be brought forward.

Ms. Miller: She disputed Ms. Blackwell's statement that carry-forward funding must match the issuer and their projects by saying that in the past the Board has shifted such funding to what the Board decides.

Ms. Blackwell: She clarified to Ms. Miller that if CDLAC has carry-forward it can decide how to use the carry-forward but issuer carry-forward must be matched to other issuer projects. She also suggested that 2020 late year funding brought forward would be better than a lowered cutoff score in deciding what other projects to fund. She also suggested that CDLAC staff and the Executive Director should be making the decisions about which additional projects to fund with whatever additional funds are used.

Mr. Sertich: He agrees with Ms. Blackwell. He proposes moving forward the remaining issuers carry-forward amounts to cover funding of their current projects.

Treasurer Ma: I believe that it is the will of the Board to support both Mixed Income and New Construction housing because it adds housing. I also believe that we should be funding those projects that are adding net affordable housing units. We also want to fund projects that have a net gain in housing such as Demolition and Rehabilitation projects that will construct more new housing over what it destroys. What the Board does not want to do is prioritize funding projects that are cosmetic rehabilitation and do not add affordable housing units. She then asked to hear public comment before taking a vote on this motion.

#### **Public Comment:**

Caleb Roope: I would like to express the collective thinking of our working group on what to do in bringing forward allocations and similar items. It was nearly unanimous amongst the group to support building of new units. We support New Construction projects. We are against the bringing forward of funds designated for later in the year if it jeopardizes New Construction funding. He asked the Board to work on its' Pool definitions carefully. He supports Board efforts to not fund projects in this current market time of uncertainty that provide only cosmetic improvements to current affordable housing while not constructing any new units. He claimed that 14 of the remaining 20 projects not yet funded are considered as being cosmetic in nature by the working group he is a part of and representing today. He said that most projects that have lending commitments are being honored but that future commitments to new projects are not as assured. He recommends that 30 days is not enough at this time to provide information on a debt and equity report for new projects. He urged the committee to strive towards providing stability and consistency in its' Board decisions.

Treasurer Ma: My question for you Caleb is what is the difference between lowering the cutoff score for funding projects to say 120 points as a cutoff versus allocating all projects and having them come back in 30 days with their funding arrangements ready and if not having these funds reallocated by the committee?

Mr. Roope: If you have the additional \$355,000,000 or thereabouts being discussed you would be able to lower the cutoff score to around 117.5 points and fund most of the remaining projects. Right now the

new construction pool below the funding line has projects that total roughly \$605,000,000. He supports funding for all current projects if it does not deplete funding for later year projects, use of carry-forward is acceptable. The group he is representing deems having future rounds funded to be essential.

Evan Kass: \$300,000,000 was assigned to CMFA as carry-forward and this amount was applied to the February round. CSCDA has \$212,000,000 in carry forward that can be applied after this round less the amount to be allocated for Agenda Item #9.

*Much discussion ensued over how much carry-forward is indeed available and not already recommitted or obligated. Finally, a figure of \$98,000,000 was agreed upon.*

Ben Barker: CMFA issuers were asked last meeting to do a demand survey. He assumed that a number of the projects in that demand survey would be dropping out before this meeting and not one of them dropped out. He still believes this will happen in the near future with both projects allocated in the last round and projects being funded this allocation round. He said the projects that are listed as going to be approved should have a bank sponsor already. He reminded the committee however, that commitment letters from banks are not the solid, binding, or dependable. Stimulus money for businesses will not work for meeting funding obligations as the money is intended for general operations. Furthermore, most of the maturities for the bonds involved in the stimulus are two year maturities not one year. He favors priority funding for new construction only. He believes in a comparison of Rehab construction that also creates new units versus New Construction that you should decide based on how many net new units are to be created. He reiterated part of the problem in getting priority projects prioritize for funding is the present CDLAC scoring system. He fears that the projects that fit in the Other Affordable category that do not necessarily produce many new units are scoring higher than some New Construction projects that should be more favorably prioritized.

Ms. Patterson: She asked if the \$98,000,000 in carry-forward allocation could be used to fund some of the projects below the current bottom line cutoff and use 2020 funds to fund remaining projects.

Mr. Barker: He reminded everyone that CDLAC by statute always uses the oldest carry-forward first when determining funding sources for new projects. Issuers are supposed to work with their bond counsels to ensure they are using their oldest remaining public funds first.

Mr. Sertich: He had questions about the amount of carry-forward money that is actually available. He believes it to be more than the \$98,000,000 figure. He stated he believes the \$34,000,000 CMFA and the \$212,000,000 CSCDA has in carry-forward for prior year can be traded for 2020 funding allocation for use with their later year projects. He also reiterated his concerns about how state tax credits would be allocated.

Treasurer Ma: She reiterated her preference to fund as many projects now and give them 30 days to produce funding and other project ready evidence or have the funds returned for reallocation. She reminded the committee of the gloomy economic forecasts for the rest of this year made by prominent Economists and others.

Mr. Barker: He recommended a relaxing of TEFRA requirements during the COVID-19 pandemic in order to allow for more projects that are otherwise ready to submit applications for funding consideration in future rounds to occur. He said that TEFRA approvals for other types of public expenditures are not required to have a 30 days' notice before submission for funding. He recommended TEFRA hearings need only to occur the day before funding consideration during the crisis. He also explained that already funded projects from last year may need TEFRA extensions beyond the normal one year due to local governments being closed for business due to the crisis.

Mr. Walker: In regards to the TEFRA deadlines, under the circumstances, he believes the Board has the authority to suspend these requirements temporarily or extend the deadline until local government resumes normal operations. This will need to be an Agenda topic for the May meeting.

Treasurer Ma: Are there any public comments on the phone?

**Public Comments:**

Victoria Johnson: If the decision is made to fund all projects, 30 days to obtain funding is not sufficient in the present market circumstance and should instead be 60 days.

Jeff Jaeger: He mentioned a project he has that should be considered a Preservation project but falls into the Other Affordable pool by definition. This project, based on location and other factors, cannot score as high as other projects in the Preservation pool that are being funded. He wants the Executive Director to have more discretionary decision-making authority of whether or not a project meets the criteria for being a Preservation Project, or he wants to fix the definition of Preservation Pools to include projects like the one he described to the committee. The project is a federal Section 8 project.

Ms. Patterson: She asked if the new definition for Preservation projects included rental subsidy contracts and projects that are not under a current regulatory agreement. She also asked about TCAC subsidy projects being defined as at-risk projects.

Ms. Blackwell: She stated that these types of projects were not included in the definition.

*Considerable discussion ensued regarding the definition of at-risk Preservation projects and if projects such as the one Mr. Jaeger described could be considered as such a project.*

Mr. Sertich: He reiterated his concern that the present CDLAC scoring system does not allow projects such as the one described by Mr. Jaeger to have much chance of scoring high enough to be funded under present scoring criteria.

*There was discussion of possibly amending the definition of Preservation at-risk projects to include projects like the one brought to the committee's attention by Mr. Jaeger (projects with no current regulatory agreement with the State of California).*

Ms. Patterson: She stated that unless there is a good definition of "Other Affordable", you run the risk of funding straight resyndication deals. With regard to Mr. Jaeger's comment on "Preservation", a project that hasn't been formally regulated with \$20 million in Federal subsidies that is 100 years old should fit into "Preservation".

Ms. Miller: She agreed with Ms. Patterson about the need for modifying the definition for Preservation Projects.

Mr. Spencer: He advised the committee that the definition could not be changed today to be effective retroactively for this round as scoring has already occurred for this round.

Ms. Blackwell: She reminded everyone we are still in the discussion of Item #5 at this time.

*It was agreed by the committee that any change to the definition of Preservation at Risk projects as well as the early mentioned relaxing of TEFRA requirements would have to occur in the next committee*

*meeting in May.*

William Leach: He supports forwarding bond allocation set aside for later in the year to fund current projects. It is his belief that a large volume of projects will be forthcoming later in the year utilizing funding from tax credit authorization funds, therefore, the advancement of CDLAC bond allocations now would have minimal effect. He also wants to see the CDLAC scoring system revamped. He urged the committee to fund additional projects at a different meeting if this is done at all in order to preserve the integrity of the scoring that was done for this competitive project allocation round. This would conform more precisely to current CDLAC rules and still initially reward the appropriate winners of the competitive scoring process to obtain their funding first.

Gary Nebroski: He is opposed advancing funding from future rounds to the current round. Not having the predictability of future rounds is problematic. Flooding the market with too many investment projects at once even in the best of times overwhelms the banking system. They cannot absorb this many additional projects in addition to commitments for funding coming due from the first two rounds at this time. Investors have their own priorities in deciding which projects they are going to fund first which may or may not subscribe to CDLAC priorities. While there is a lot of CDLAC demand for projects, market demand is not in line with this demand as far as tax credit upgrades and competitive pricing factors are concerned. He suggests not moving forward funding from future rounds and not create a waiting list of future projects. He recommends a simplified process for rolling over applications not ready for this round to be reconsidered for subsequent rounds without extensive review if there are no changes. Use of carryforward funds to fund more projects in this round is okay.

Laura Kobler: She agreed with the previous speaker. Rewriting the rules at this time would ruin the program's transparency. There is a shortage of construction workers available also at this time, so flooding the market with new projects will increase the problems of this shortage. She concurs with the use of carryforward to fund more current New Construction projects.

Alice Talcott: She agreed with the previous speaker. She supports use of carryforward for more funding of current round projects in the New Construction Pool. The 30 day deadline is not long enough.

Chris Dart: He supports moving forward funding to fund more current projects. He agrees with previous speakers that 30 days to obtain required funding information is not enough time. He recommends a 90 day period.

Jon Penkower: He wants the \$257,000,000 carry forward allocation for CSCDA to be used in the current round. All his projects are "shovel ready" even those below the current funding cutoff line. He supports funding as many current projects as possible right now. New Construction projects should be the priority for funding but some Rehab projects have a bad rap because in many of the projects they are addressing issues that, on the surface, do not add units to the housing market. They do however, make more current vacant units able to become occupied by making them compliant with various safety codes, ADA requirements and so on. He suggested the possibility of approving funding projects in October out of January 2021 funds.

Holly Wunder-Stiles: I fully support the funding of all the New Construction Pool projects. I agree that this is the best way to ensure that the most projects are able to go forward.

Becky Clark: She is against forwarding the funding as she has projects she intends on submitting in future rounds. She agrees that the market is not able to handle a large influx of projects at this time. She also stated that she is unclear about the definition being proposed for the Other Affordable Pool. She agrees that New Construction is a priority but does not agree with totally neglecting the funding of Rehab

projects.

Amy Chan: She supports applying carry-forward to funding more New Construction projects. She does not support forwarding funds from later in the year to fund current projects. She has 10 New Construction projects of which 2 are DDA projects set to expire that she is submitting in the August round. She is against the elimination of the Other Affordable pool because even with the expanded definition of the Preservation projects pool there are several projects in the San Francisco area that are also over 100 years old and need rehabilitation.

Linda Mandolini: She has a project that does both Rehab and New Construction that she had to apply in two separate applications because it did not fit entirely into one category. She also has several projects that are 30+ years old that are in need of Rehabilitation to maintain maximum occupancy.

Rich Wallach: He also wants to see the definition of Other Affordable to include older projects requiring Rehab. He was encouraged by Local government to acquire properties that would otherwise have been converted to market rate housing and Rehab them and make them part of the Affordable Housing inventory. He recommends that the committee consider having a minimum amount spent per unit requirement for Rehab as a measurement of whether or not the Rehab is cosmetic or substantial.

David Doligite: He supports using carryforward as well as any extra funds from the Rehab Pool for current funding but is opposed to forwarding of later year funding to fund current New Construction projects below the cutoff line. Countless years are spent on planning and executing these projects with frequently immovable timelines. Developers also count upon California's transparent system of allocation as a constant in planning projects. The system is fair and equitable in terms of the scoring methodology. This reputation is well earned but can be easily lost. He is hopeful that the decisions made by this committee during this current crisis period reflect lessons learned in decisions made hastily and not always well during the 2008 recession as concerns the housing market, especially, in the "shovel ready" determinations area.

Katie Lamont: She reiterated her support of preserving the Other Affordable projects pool. She suggested that the committee develop a list of prohibited activities for how rehabilitation funds can be spent in order to make funding decisions about which rehabilitation projects to fund better reflect the best use of public funding according to the committees' standards. She has many projects that need safety improvements, ADA compliance improvements and so on.

Sarah Dobbs: She does not want any changes to the scoring and funding for this round that would change the "Winners and the Losers" for the round after the fact. If the committee wants to fund additional projects, she recommends that this is done, two weeks or more from now so that the integrity of the system and scoring in place for this competitive round is not compromised.

Pedro Galvao: He reiterated some of the comments made earlier in regards to the Other Affordable housing Pool. He too is not in favor for the elimination of this pool category. He supports using carryforward for funding more New Construction this round but is opposed to forward funding from later rounds to fund projects for this round.

Tyler Monroe: He supports forward funding so that more projects can be funded for New Construction in this round. He has future projects too but would rather fund more projects from the current round. He does support delaying the funding of any other projects by at least a couple weeks so as not to impugn the integrity of the system in place for scoring, etc. for this competitive round.

Sabrina Saxon: She echoed agreement with many of the previous commenters. She stated her belief in

the need to fund rehab projects as well as New Construction projects. She supports the use of carryforward funds to fund more current projects but opposes forwarding future CDLAC funding to fund current New Construction projects.

Morgan Benevedo: He echoed other commenters in regards to opposing forwarding of future CDLAC funding to fund current New Construction projects not currently funded. He too cited the integrity of the system as the main reason for his objection. He understands the need and supports efforts to change the qualifications and definitions for what are fundable projects in the Rehab category in order to prevent funding of projects that are not as beneficial to the public as other rehab projects. He also reminded the committee that part of the reason for funding rehab projects is to get them to a certain quality level to change the negative public perception of what they believe is affordable government housing and the quality of this housing.

*A question was asked in regards to what is the total carryforward available. Mr. Kass was asked to respond.*

Mr. Kass: CMFA has \$99,000,000 from their new carryforward for their projects above the line. For CSCDA since they had \$257,000,000, above the line \$45,000,000 is used. This leaves \$212,000,000. Then if you subtract out the \$80,000,000 million being reallocated under Item #9 that leaves \$132,000,000. If you continue below the line there are another 4 projects that get funded using approximately \$112,000,000 carry forward. This would leave \$20,000,000 in carry forward.

Ms. Miller: She summarized the three choices before the Board on this item they are:

- 1) Fund all remaining projects.
- 2) Fund all remaining New Construction projects.
- 3) Fund all projects below a reduced cutoff score line or by using carryforward that remains that is not reallocated already by other projects for the issuer.

Ms. Blackwell: She suggested that if the third option is selected that the reduced cutoff score line be used as the determining method, otherwise a project by project determination would need to be done to determine where any excess carryforward exists and this is quite time intensive.

Mr. Sertich: He is not for funding lower scoring projects over higher scoring projects just because of litigation worries. He also disputed the total carryforward figures with a belief that more carry forward is available than stated.

*It was agreed that there is \$34,000,000 million more available than has been previously characterized and can be included in carry forward funds that are available.*

Treasurer Ma: She continued to express her preference to fund all New Construction projects for this current round.

Ms. Patterson: I support providing additional funding for this round for New Construction only.

*Further discussion occurred about the three options available.*

Ms. Miller: She expressed concern that all applicants in the current round should have had opportunities to have their appeals processed prior to the awarding of allocations by this committee today.

Ms. Blackwell: She stated that all applicants have had an ample opportunity to submit their appeals to

CDLAC and that no projects are being held up at this time pending scoring appeals. No applicants are surprised by the pending funding decisions being made by the committee today.

Treasurer Ma: She wanted clarification about how negative points are assessed if applicants do not meet funding requirements by the proposed 60 day (formerly 30 day) deadline and the amount of negative points that are normally deducted.

Mr. Kass: He informed the Treasurer that 10 negative points would be deducted.

Treasurer Ma: She re-emphasized her desire to enforce the CDLAC regulation provision to assess negative points if approved projects do not supply funding evidence by the extended 60-day period. She feels that in lieu of the current crisis, developers should hold themselves to a higher standard of responsibility in regards to which projects they submit to CDLAC. One way to ensure this is done is for CDLAC to actually assign negative points for resubmittal of projects that fail to provide proof of funding in a timely manner the first time the projects are submitted.

Treasurer Ma: She closed discussion and asked the Secretary to take a roll call vote.

### **Motion**

Mr. Sertich made a motion to allocate \$800,000,000 to the round New Construction Open pool with funding via the remainder of any previous New Construction allocation funds from carryforward plus any additional forward funding that is available in round 4 and round 6 allocation funding. This funding is being done with the stipulation that within a 60 day period developers can bring back their allocation to CDLAC without any penalties and with a return of their deposit. After this 60 day period, CDLAC staff will enforce any penalties deemed appropriate within their regulations and will keep the project deposit. Ms. Miller seconded the motion. The Secretary took a roll call vote and the motion passed unanimously.

## **4. Revision of Definition regarding Board Recycling and Noticing: (Action Item)**

Ms. Blackwell: We currently do not have a bond-recycling program. This item is therefore intended to begin the process of developing such a program by obtaining board approval. The language of the program will be decided at a future meeting. This action serves today as giving notice for the intention of developing this program.

### **Motion**

Ms. Miller made a motion to allow for the development of a Bond Recycling program to be developed by CDLAC at a future date. Mr. Sertich seconded the motion. The Secretary took a roll call and the motion passed unanimously.

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

Ms. Blackwell: Concerning the consideration of appeals: Arya had a market study that was more than 12 months old (the study provided was 13 ½ months). CDLAC staff do not have the authority to grant this appeal thus this matter is before the Board. The other appeal is Douglas Park, they would like to get CRA credits. The credits were not granted because: A) They did not ask for them in their application; and B) Even asking for the credits after the fact they did not provide one of the documents normally required for CRA credits which is a letter from local government talking about the fact that this is a CRA project that

they favor. What they did point out was that they were in a QCT but they still were not compliant with the regulations as written. This appeal can only be granted at the Board level. Concerning consideration of applications: We are submitting the list we have been talking about throughout this meeting of the applications received as Exhibit A.

Treasurer Ma: She asked if there was any public comment.

**Public Comment:**

Elisa Stewart: Regarding Arya, she stated that the site and the neighborhood have not changed in the month and a half since the market survey was accomplished. The site is located in an established urban area that has not had any natural disasters which could potentially effect the project. Our analyst provided a letter which provided an updated addendum to the market report submitted. We urge the Board to grant our appeal.

Chris Dart: He asked again about the status of his appeal mentioned earlier in the Board meeting. He claims that he faxed his appeal on March 27, 2020.

Treasurer Ma: She told Mr. Dart that she would continue to have staff look into this matter and get back to him.

Kursat Misirlioglu: He asked for follow up on his appeal for application 20-458, Saint Stephens Retirement Center.

Treasurer Ma: She told Mr. Shaw that she would continue to have staff look into this matter and get back to him.

Ms. Blackwell: She informed Treasurer Ma that Sarah Lester was checking into this matter but that she believed that a response was already sent.

Mr. Cannon: He is representing Douglas Park in their appeal. He said that the letter from the local government was provided with the appeal although it was not provided at the time of application submission. He discussed the merits of his project and that it falls in the Other Affordable category.

Rachel Vanderbean: She is a representative of the Mayor for the city in which the Arya project would be constructed and indicated the Mayor is a strong supporter of the appeal being made today. She urged that the Board approve the appeal.

Treasurer Ma: She asked the Developer of the Arya project why they provided a late Market Study. She also asked Ms. Blackwell if all other applications provided a timely market study, to which she replied yes all other applicants had provided a timely market study.

Ms. Stewart: She replied that yes, the study provided was technically out of date but they had provided supplemental information that demonstrated that nothing had changed in the month and a half since the survey was submitted.

Mr. Sertich: I understand that this is a technical issue but it is also a standard process. Ms. Blackwell stated that every other applicant submitted a timely market study.

Ms. Vanderbean: She wanted to know what happens if any appeals are accepted, do you expand the field or do you reorder the list?

Treasurer Ma: She responded that the list would be reordered.

Ms. Stewart: She reiterated the value to the housing market and the community that the project would have if the appeal is approved.

Ms. Blackwell: She confirmed that the list would be reordered but also reminded everyone that the total allocation amount for the round was increased today to \$800,000,000.

Ms. Patterson: She asked for clarification for which pool was funding the Arya project?

Treasurer Ma: She responded, the funding is coming from the New Construction pool.

Ms. Blackwell: She stated to Mr. Shaw that the Saint Stephens Retirement Center appeal paperwork has been found and that the appeal was granted for three of the four appealed items. The only one not granted was for 10 points to be granted in the leveraging category. This brought the project total score to 122.5 points and is reflected on the list already in the Other Affordable category pool. The project is still below the line for funding this round in the Other Affordable housing category.

Treasurer Ma: Committee acts to uphold staff actions on the two other appeals before the Board, therefore, no roll call is needed as there is no action on this action item.

Ms. Blackwell: She asked the committee to grant an approval of \$55,000,000 to the Light Tree Two project as CDLAC requires Board approval for all projects that exceed \$50,000,000.

Jon Penkower: He asked that committee use the \$257,000,000 in CSCDA carry forward as much as possible for funding CSCDA projects in this round as opposed to later rounds. He also mentioned a project that originally applied in December 2019 that is now ready but did not score high enough because of confusion in how you get the 10 points for foregoing a developer fee. He said if the project is not funded now it either dies or is forced to wait four months and get the same allocation from CSCDA that it could get today from the same carry forward source.

Mr. Sertich: He cautioned against awarding funding for projects that scored below the cutoff line score for this first competitive round.

William Leach: He wanted to confirm that with the \$800,000,000 being designated for the New Construction Pool that there will not be additional funding taken from the Preservation Pool as well. He mentioned that this will deplete most of the state tax credits. Ms. Blackwell confirmed this information.

## **Motion**

Mr. Sertich: He made a motion to approve the \$55,000,000 for the Light Tree Two project, as well as funding for those projects listed above the funding line (that being \$800,000,000 for New Construction). Ms. Miller seconded the motion. The Secretary took roll call and the motion passed unanimously.

## **9. Consideration of awards for allocation to Qualified Residential Rental Projects experiencing a carryforward deficit in allocation in existing resolutions: (Action Item)**

Ms. Blackwell: The City and County of San Francisco was awarded in 2019 a total of four projects with bond issuance deadlines in 2020 and two of these projects were over allocated due to a shortage of 2019 volume cap in the total combined amount of \$73,565,524. There is also a shortage for Cal-HFA of

\$6,397,742 in 2019. It is recommended that we award \$73,565,524 of the 2020 volume cap to the two projects short funded from the City and County of San Francisco to cover the deficit in allocation. We are recommending that \$6,397,742 be allocated from the 2020 volume cap for the project for Cal-HFA in 2019 to cover the projects' deficit allocation. This can be done with some of the 2020 volume cap that has been freed up from CMFA and CSCDA carryforward.

**Public Comment:**

There was no public comment.

**Motion**

Ms. Miller: She made the motion to provide funds from the 2020 volume cap for \$73,565,524 to the City and County of San Francisco to cover the deficit in allocation funding for two projects in 2019. The motion will also provide funds from the 2020 volume cap for \$6,397,742 to Cal-HFA to cover the deficit in allocation funding for their project in 2019. Mr. Sertich seconded the motion. The Secretary took roll call and the motion passed unanimously.

**10. General Public Comments:**

Treasurer Ma: She proposed discussing two items in the May meeting. 1) The TEFRA process for upcoming applications in light of current local government closures. 2) To discuss the Other Affordable housing pool category in order to have a more comprehensive definition for this pool category.

Gayle Miller: She added that another May agenda item be made so discussion can happen around Executive Director authority sufficiency regarding placement, timing, and deadlines of projects.

**11. Adjournment:**

Treasurer Ma adjourned the meeting at 4:11 p.m.