

TCAC/CDLAC Working Group

CDLAC Allocation System Recommendations

As of July 12th, 2020

TCAC / CDLAC Working Group Background

- Formed October 2019 at State Treasurer's request
- Staffed by the California Housing Consortium ("CHC")
- Broad coalition of 26 diverse members
 - Non-profit & for-profit affordable housing developers
 - Public agencies
 - Urban, suburban, rural representation
- Purpose – Assess and recommend changes to TCAC/CDLAC regulations to meet key affordable housing policy objectives
- Focused on both the Low-income Housing Tax Credit and the Tax-Exempt Bond systems

Policy Principles for CDLAC

- Serve as a relatively neutral backbone program to state and local programs
- Strike a balance between mission impact and maximum financial efficiency
- Reduce or eliminate requirements or incentives that inflate costs without clear benefit
- Deliver significant percent of bond cap to extremely low income and very-low income
- Ensure that priority housing types receive most of the bond cap in competitive years
- Ensure geographic distribution of funds roughly proportionate to needs and adjusted for cost
- Maintain emphasis on SB 375 goals to reduce greenhouse gas emissions by encouraging infill development near transit and job centers

Design Principles for CDLAC Changes

- Borrow successful elements of the 9% tax credit program
- Shift allocation to larger super-regions (based on the 9% regional allocation)
- Align CDLAC scoring criteria and definitions with TCAC where appropriate
- Allow for flexibility as policies and priorities change over time
- Avoid too much complexity and retain successful approaches when possible
- Base scoring on **relative cost efficiencies** (controlling for housing type and geography)

Working Group CDLAC Proposal - Purposes

- Address CDLAC Member key policy objectives
 - Increase production
 - Reduce costs
 - Measure state investment
- Implement stakeholder and program user input
- Modernize outdated system
- Account for competitive environment

Working Group CDLAC Proposal - Purposes

- Comply with AB 83 legislative mandates
 1. Align both programs, increase production and contain costs (as defined)
 - Consistent or identical scoring categories and criteria between programs
 - New cost containment and incentive scoring

Working Group CDLAC Proposal - Purposes

- Comply with AB 83 legislative mandates
 - 2. Maximize 1) efficient use of public subsidy; and 2) benefit (by including):
 - a) # and size of units, including local density incentives
 - New scoring category to support high-density development
 - New “high-density” housing type (like large family, senior, etc.)
 - Measure state resource investment by “adjusted bedrooms”
 - b) Proximity to amenities, jobs and transit
 - New “job center” amenity category
 - Change scoring so more transit sites qualify for full points
 - c) Location of development
 - New “super-region” geographic system
 - d) Housing for very-low, extremely-low income housing
 - New requirement to deliver units at 30% AMI and 50% AMI
 - Set-asides for homeless and deep-targeting units

Working Group CDLAC Proposal - Purposes

- Comply with AB 83 legislative mandates
 - 3. Evaluate total state subsidy provided
 - New “State Resource Benefit and Efficiency Measure”
 - Evaluates total state investment adjusted for regional cost differences (LA vs. Fresno)
 - Accounts for different project design features (podium parking, building type, etc.)
 - Equalizes size and mix of bedrooms (1-bdrm. vs. 4-bdrm.)

Option #1 – Single-Track Proposal

Pools and Set-asides (50% of total allocation)

- 3 Pools (15%)
 - Rural – 5%
 - Preservation – 5%
 - Other Affordable – 5%
- 3 Set-Asides (New Construction only)
 - Homeless– 10%
 - Extremely-Low & Very-Low – 15%
 - Mixed-Income – 10%
- For 2021-22, set-asides should be proportional to HCD and MIP pipelines
- Percentages in Pools and Set-Asides annually adjusted by Committee

Geographic Regions

- Balance of 50% to Geographic Regions
- 6 Super-Regions based largely on combining 9% regions adjusted for cost
 - o Coastal Region (San Diego, Orange and Central Coast)
 - o City of Los Angeles
 - o Balance of Los Angeles County
 - o Bay Area Region (5 County Core)
 - o Inland Region (Central Valley and Inland Empire)
 - o Northern Region (Capitol and North Bay)

Scoring

10 capped categories for 150 points, 1 uncapped category

- 1. Leveraged Soft Resources** – mirrors 9% system, but adds private third-party funding
- 2. Cost Containment** – similar to one element of 9% tie-breaker, with points awarded based on project costs below basis limits
- 3. General Partner & Management Company Experience** – mirrors 9% system
- 4. Site Amenities** – to mirror revised 9% factors and scoring, including job centers
- 5. Service Amenities** – to mirror revised 9% factors and scoring
- 6. Housing Types** – mirrors 9% system with the addition of a new High-Density Housing type

Scoring (continued)

8. **Deeper Income Targeting** – Provides two options: A) Full points for 50% average affordability, or B) 60% average affordability as long as 10% of units at 30% AMI and 10% at 50% AMI – income averaging
9. **% Below Market Rate** – Measures average rent levels of project relative to market rents with adjustment factors depending on region
10. **Density & Local Incentives or Acq. Rehab. Priorities**
 - 9A) Density & Local Incentives: Various ways to qualify for points if project is proposed with high densities
 - 9B) Acq. Rehab Priorities – Tiered points based on at-risk and preservation priorities, with the highest emphasis on projects that could soon go market-rate
10. **Readiness to Proceed** – mirrors 9% system
11. **State Resource Benefit & Efficiency Measure** – Provides a return on state investment by measuring cost-adjusted state resources against bedroom-adjusted units

Option #2 – Two-Track Proposal

- 2 Set-Asides
 - Rural – 5%
 - Preservation & Other Affordable – 10%
- Balance of 85% to New Construction Pool with 6 Geographic Regions
- 2 categories of New Construction scored in different Tracks
 - **Deep Benefit Track** – 50% of remaining amount
 - **Efficiency Track** – 50% of remaining amount
 - Developer chooses project's track
- Scoring – 6 capped categories for 100 points, 1 uncapped category
 - 4 common categories and 4 categories specific to each track
 - State Resource Benefit & Efficiency Measure – same as Single-Track

Working Group Next Steps

- Need to update the 9% regional allocation formula with additional data (e.g. Homeless PIT Counts)
- Undertake a comprehensive review and update of the basis limits
 - Focus on more current data
 - Greater differentiation by housing type and geography
 - Commercial vs. residential wage rates
- Outline steps to move State towards unified housing finance system