CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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A G E N D A

Friday September 25, 2020

TIME:
1:00PM

Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

***Via Phone*:**	**(888) 557-8511**	**Participant Code: 5651115**
***Via Zoom*:**	**Meeting ID:** 841 3597 1780	**Passcode:** 801493

OPEN SESSION

1. Call to Order and Roll Call
2. Approval of the Minutes of the September 10, 2020 Meeting (Action Item)
3. Discuss and Choose Between Various Regulation Structures and Strategies (Action Item)
4. Public Comment
5. Adjournment

FOR ADDITIONAL INFORMATION:
Judith Blackwell, Executive Director
Evan Kass, Senior Program Manager
California Debt Limit Allocation Committee
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The Agenda is also available on our website: http://www.treasurer.ca.gov/cdlac

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California Debt Limit Allocation Committee
Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
September 10, 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 1:00 pm.

Members Present:	Fiona Ma, CPA, State Treasurer Gayle Miller for Gavin Newsom, Governor Anthony Sertich for Betty T. Yee, State Controller
Advisory Members Present:	Gustavo Velasquez, Department of Housing and Community Development Tia Boatman-Patterson, California Housing Finance Agency

2. Approval of the Minutes of the August 21, 2020 Meeting. (Action Item)

Treasurer Ma asked if Board members had any edits to the minutes for the August 21, 2020 meeting.

Mr. Sertich made a motion to approve the minutes and it was seconded by Treasurer Ma. A vote would be taken later due to connectivity issues with Board Member Ms. Miller.

3. Discuss and Choose Between Various Regulation Structures and Strategies (Action Item)

Treasurer Ma stated that Mr. Roope from the working group would make a presentation.

Mr. Roope stated that the purpose of the working group for this meeting would be to present an updated structure recommendation for the Board.

Mr. Shoemaker stated that the working group had a structure ready for the board and mentioned that there was a lot of policy within the structure for discussion during the meeting and future meetings. He mentioned that some changes in the report were the tie-breaker as the current tie-breaker that CDLAC uses is cost per unit and stated that in the case of increased competition and more projects with tie scores, the tie-breaker would take on additional importance. Furthermore, Mr. Shoemaker stated that the proposed tie-breaker is supposed to let the board better understand how to control regional differences in cost and do a better job in adjustment for general benefit as opposed to the per unit measurement. Additionally, Mr. Shoemaker stated that the working group concluded that the cost containment scoring is hard to use within the tie-breaker and that more discussion would be needed. Another issue Mr. Shoemaker brought up was how public benefit is measured and where it shows up in the scoring system and other aspects of the policy framework and stated that exceeding minimum income restrictions and exceeding rent restrictions are very important and at the core of what the working group is trying to do from the public benefit perspective. Moreover, he stated that within the service amenities and site amenities is where more of the specifics are described as bringing out additional public benefit. Moreover, Mr. Shoemaker stated that the working group recognizes that the Controller's proposal had more nuances and a better shot at measuring public benefit in a more profound way once the system is refined. He stated that some items in the proposal that are key and important to work through are trying to address the location benefits of housing and those living near transit or in walkable communities.

Mr. Roope stated that because of AB83, there are new things that show up brand new to the system the working group is proposing, such as the density and local incentives. He stated that AB83 stated that projects are to be rewarded if they increase density or local government is to be rewarded if they do that. Furthermore, Mr. Roope stated that category 1B is meant to address this issue in starting to acknowledge projects that are building to higher density than the general plan or certain densities as defined by bedrooms per acre. Additionally, he stated that developers might worry about their existing projects and the status of their entitlements and mentioned that some grandfather clauses are built in to support lower density projects that are already entitled or in the process. Mr. Roope asked the committee members to weigh in with questions.

Treasurer Ma stated that Ms. Miller had just joined the meeting and seconded the motion for the minutes and the minutes for the August 21, 2020 meeting were approved unanimously. Treasurer Ma asked if any committee members had any questions.

Mr. Roope stated that the next move as a working group is to dig deeper into the State Controller's Office specific proposal and adding the highlighted yellow box on the bottom of their worksheet.

Mr. Shoemaker stated that he forgot to add another comment to the tie-breaker proposal. He stated that the tie-breaker that the working group proposed still needs additional analysis and work and that the committee would need to weigh in and go through their normal regulatory processes.

Treasurer Ma stated that she wanted to let everyone know that the meeting would lose quorum after 3 p.m.

Mr. Sertich stated that he appreciates the work that everyone has done and that the board is behind schedule, therefore some conclusion would need to be brought up today about the general structure of how to move forward. He mentioned that the working group's proposal is very workable and that there are some details that need to be ironed out, specifically with the tie-breaker. Additionally, Mr. Sertich stated one category that would determine many projects not receiving maximum points is the leverage category and is concerned that this category becomes the determinant of what projects get awarded. Mr. Sertich expressed his concern over the tie-breaker because the thresholds are not a great measure and because it is at the county level and location is not taken into account.

Ms. Miller stated that she is content with the general direction everything is moving towards, but that she has some concerns. She stated that the criteria of cosmetic cost containment as required in AB83 is not being addressed and stated that more is needed to meet cost containment apart from the tie-breaker. She encouraged the board to figure out the set-asides in January 2021 because she believed there is currently too much to work on with the regulations. Furthermore, Ms. Miller stated that she is supportive of an HCD pool that would focus on these affordable programs, but does not believe that on top of an HCD pool that maximum points for 57% AMI should be given, because as a committee, it was decided to do income averaging at 60%. Moreover, Ms. Miller stated that she is all for encouraging leveraging, but states that the efficiencies need to be figured out on how to change the point systems on that as well.

Mr. Sertich stated that something must be done sooner rather than later as they have had a year and a half to get the wording and mentioned that the proposal is significantly better than the scoring system currently in place. He mentioned that the longer it is delayed, the more likely it is that it would not be ready to go in January 2021 and expressed that the board needs to stop having these bi-weekly meetings and not coming out with any clear guidance.

Ms. Miller stated that they had a proposal after the August 18, 2020 meeting and were ready to fix it, but that what she sees before her today is very different than what she saw in the August 18, 2020 meeting. She stated that they do not feel that the cost containment has been met and that the maximum points for 57% AMI does not work and are concerned about some of the layering. Ms. Miller expressed that she does not want to see an Other Affordable pool and wants to make sure that the work done in Mr. Sertich's report regarding the total State subsidy is met.

Ms. Boatman-Patterson stated that she agreed with Ms. Miller's statements and believes that it is very problematic that they are getting away from income averaging. She stated that it is important to talk about the general developer experience and the need to define this section so that they can make sure that emerging developers have the experience, but that they have it from many years ago, instead of just three. In terms of leveraging versus layering, Ms. Boatman-Patterson stated that if cost containment was put in place and the more public subsidy put into a project, the more expensive it gets. Therefore, she believed that it is important to balance public subsidy and cost containment because California is one of the most expensive places to live and mentioned that New York builds affordable housing cheaper because the legislature passed cost containment measures. Moreover, Ms. Boatman-Patterson wanted to reiterate that the reason why the legislature put cost containment in AB83 was to start being more efficient in the way public resources are used. In terms of the 4% bonds with deep subsidies and are deeply affordable, she stated that a majority of these projects were in areas that had concentrated poverty and wants to make a change with the affordable housing rules.

Mr. Velasquez stated that in many communities, it is important to have a density compenent and location had to be empathetically mentioned as part of the scoring criteria. He agreed with Ms. Boatman-Patterson's statements and mentioned that they cannot continue to increase their level of affordable housing in predominate areas of racially and ethnically concentrated poverty. Additionally, Mr. Velasquez mentioned that it must be weighed with a balanced approach because there are communities that have historically been neglected that are transitioning and have affordable housing. He stated that it is important to transition affordable housing in a much more robust way in high resources areas. Mr. Velasquez mentioned that he recommends that staff start working on regulations and encourages committee members to come up with a deadline to submit final recommendations.

Treasurer Ma thanked Mr. Velasquez and stated that that is why she has asked staff to make sure that there are more details in the minutes. Treasurer Ma stated that staff is waiting for the board to make certain decisions and if a decision is not resolved by the end of the meeting, she hopes that they can continue to move forward while continuing to hear concerns. Treasurer Ma then opened up the meeting for public comments.

Mr. Roope stated that the working group just had a chance to meet as a large group a few days prior to the meeting and they quickly got their consolidated recommendations in play and delivered them as soon as they could. He stated that some members were concerned that leverage would be the determining factor and wanted to make sure that private and philanthropic dollars are encouraged to be counted. He stated that the working group would be working on the base limits and heard the Board members' suggestions on cost containment with 60% AMI as the top threshold to allow for income averaging. Furthermore, Mr. Roope stated that Ms. Miller's concern on the Other Affordable pool is difficult to navigate because there are many projects that do not fit the definitions of Preservation and New Construction. Additionally, Mr. Roope stated that he listened to the Controller's proposal on a better measure of state benefit and investment and mentioned that the working group would do more work on that.

Mr. Shoemaker stated that for the sake of the committee and to be clear, he mentioned that the point on AMI targeting is about not disallowing since it continues to accept the idea that an 80% unit would be regulated and part of the income averaging process. In terms of the comments on racial and economic segregation, Mr. Shoemaker stated that it is important to refine this into the Working Group recommendations.

Treasurer Ma stated in terms of specific pools that in the past, the Treasurer's Office had a pool designated for CPCFA and mentioned that she does not like having that designation because if CPCFA is not able to submit their projects on time and meet the deadlines like everybody else, it would be problematic. Treasurer Ma stated that there is another meeting set for November and is asking for an exception this year because Ms. Robles was just hired as Executive Director of CPCFA and needed to be able to figure out who has workable deals. In addition, in terms of the Other Affordable pool, Treasurer Ma agrees with everyone's comments as she thinks there are certain projects that may not be able to compete in other pools and would like some flexibility to allow those projects to have its own category. Treasurer Ma opened up the discussion for public comment.

4. Public Comment

Ms. Sandidge wanted to thank the committee for asking her to take a position collectively as black developers. She is concerned that they are just getting this request and are bringing together about 75 other minority developers statewide and stated that they were unfamiliar with comments on the scoring sheet and in some areas were in strong disagreement. Ms. Sandidge stated that in terms of policy, she had issues with that too because it she can get 75 black developers together to make a comment, she asked why that had not been done before. She expressed that now they are at a point of people trying to rush stuff and make it something that they are not in agreement with and wants to make sure that their voices are heard. Ms. Sandidge stated that she is willing and ready to work with everyone on restructuring a deal that does not create gaps, eliminating the ELI/VLI because there is no economic benefit. She stated that after the presentation, they will be proposing what specific requests for change. Ms. Sandidge wanted to open this up to Mr. Gilmore because she stated that it was his project that got her started as a developer.

Treasurer Ma stated that all the minutes are on the CDLAC website for every meeting they have had since she started in January 2019. She wanted to let Ms. Sandidge know that she has been trying to be as transparent and inclusive as she could and has listened and worked with various stakeholder groups. Additionally, Treasurer Ma encouraged Ms. Sandidge to look at the meeting minutes and review them.

Mr. Gilmore introduced himself as the Executive Director with Community Housing Development Incorporation and that they are one of the only black non-profit developers in Northern California. He mentioned that it took them over 15 years to be able to compete with the other developers and stated that they do not receive as much points as they need to be competitive. Mr. Gilmore stated that his group feels that it is in the policies and the programs that systemic racism issues that are preventing black and community based organizations from participating equitably. He mentioned that the exclusionary zoning and requirements keep white developers privileged, fostering subservient practices that takes away local control ownership and restricts recycling resources that could be used to improve communities where projects are located. Additionally, Mr. Gilmore added that there needs to be an equitable means applied to examine the systemic racism because it, as intended or even unintended, excludes and keeps black developers and community based organizations outside looking in for housing equity and resources for helping these communities. He stated that he agrees with Ms. Boatman-Patterson’s statement and her concerns and does not want the 9% guidelines to go across to 4% and for that matter, to any other of the HCD programs because they are restricting emergent developers and community based organizations. Additionally, Mr. Gilmore added that it would be extremely detrimental to take those policies from TCAC to CDLAC since the scoring criteria is exclusionary, and limits the exclusive circle of regulations and policies that contribute to the systemic racism within the programs. He added that even with the faith based initiatives that they have, all the faith based people want approval of the missions that they are doing. Moreover, Mr. Gilmore added that their program basically allows them to use 50% of the developer fee and also it infuses those incomes for those missions so that they can do much greater things for a project. Mr. Gilmore added that communities are not just a project.

Mr. Bliss thanked Treasurer Ma for her leadership, the clarity of her notes, and the meetings because it gives him a sense of what is being expressed by the committee and thanked Ms. Sandidge and Mr. Gilmore for getting everyone on the conference call. Mr. Bliss stated that often they are so imperiled as minority developers in trying to run their businesses with a lack of resources and access to capital. He stated that he is often forced to partner with some of his younger white counterparts because they have access to capital and they are able to delegate these things out. Mr. Bliss expressed frustration and a feeling that they are more than feed stock to inventory of affordable housing, and unable to participate. He says that developers get to decide who is going to design their housing and who is going to build it, but says for them, the ability always goes to others. Mr. Bliss stated that when they are able to participate in the full value system of development, they are going to be creating a much more robust economy.

Mr. Jarrett stated that he is a small affordable home developer in San Diego and had spent a majority of his career under a great leader developing market rate housing, and recently has integrated his efforts into the affordable housing market. He mentioned that it had been an interesting investment in time and resources and appreciates the discussion that had been going on regarding the different changes to the program. Mr. Jarrett believed that there should be incentives for providing opportunities for smaller developers and particularly developers of color to participate in the program. He mentioned that it is important to look at the qualified developer criteria because opportunities need to be provided for those who would otherwise be left out. Mr. Jarrett stated that the issues Ms. Boatman-Patterson raised regarding effectively concentrating very low and extremely low income developments into already impacted areas is an issue that has to be examined. Mr. Jarrett also stated that providing incentives and opportunities to take people who are spending more than half of their disposable income and invest it into the communities they live in is important because affordable housing programs need to stabilize and increase opportunities within low income areas.

Mr. Schwartz stated that he is with the California Housing Partnership and he had a different set of talking points that he wanted to try to get to. He stated that the California Housing Partnership supports the committee in finding ways to ensure that black and brown community based developers, such as Mr. Gilmore with whom he has worked with for many years, have equitable access to these resources moving forward. Mr. Schwartz stated that on the specifics of the working group, he had a few comments, the first being the tie-breaker changes and the challenges of getting some for-profit and non-profit people on the same page as the system would be a major improvement over the current antiquated system. Additionally, Mr. Schwartz wanted to focus on the 60% AMI and whether that is a reasonable target. He stated that they have to allow income averaging and that they have to encourage it and it is an important tool for communities to be able to mix incomes across the state. Moreover, he stated that the 60% AMI is the federal minimum standard and asked if that is really what the State of California wants to set as its target and goal during a time when there are record numbers of unhoused families and individuals, and much more to come because of the pandemic. He stated that he supports going back to the standard of income averaging of 57% AMI, though not a huge change, but significant as it would enable developers to serve lower income households. Furthermore, Mr. Schwartz agreed with Ms. Boatman-Patterson that the program needs to be more affirmative in the area of fair housing and is glad that the working group proposal addresses this and agrees with Mr. Velasquez that the most effective way to more affirmed fair housing is by updating and increasing the significance of the CTCAC opportunity maps.

Mr. Leach stated he had comments on a few different things. First, he wanted to remind everyone that when Treasurer Ma did her first listening tour, she put out a list of six goals that she wanted to achieve. Mr. Leach stated that the first was to increase the opportunity for women and people of color in the development space and the second was to engage community based organizations more thoroughly in the development of the projects. He stated that he would like people to think about how to improve opportunity such as the experience requirement needing to be more inclusive and provide a path for emerging developers to have technical assistance to bolster their potential lack of experience. Second, Mr. Leach stated that there would still be times when people are going to need to partner with developers when a small community based organization or small minority owned organization is going to need to have a bigger better partner, for guarantor, pre-development and financial reasons. He stated that he would like to see the developer fee limit higher when one of the qualified joint ventures pairs up with a larger developer. Mr. Leach mentioned that for the allocation decision, there needs to be a change if real change is going to happen. With these realizations, Mr. Leach believes that it can open up the opportunity for community based organizations and minority owned developers to have a better chance to get included in the process. Mr. Leach stated that he likes when his organization is able to partner with a local organization and plan for them to be long term owners.

Treasurer Ma thanked Mr. Leach for his comments. Treasurer Ma stated she toured 15 cities for public housing meetings with staff from February 2019 until May 2019, just to hear and try to reach out to as many people as she could while giving the public the opportunity to talk to staff. Additionally, she added that she does not place a time limit on the public comment per person as she does not think that is productive and it does not give enough opportunity for those who have spent the whole time listening to the meetings and deliberations to compile their public comment to two minutes.

Ms. Miller thanked Treasurer Ma and wanted to emphasize how patient Treasurer Ma has been through all the public comment. Ms. Miller stated that she would like to hear comments on Mr. Leach's idea that there is increased developer fees for certain types of partnerships as this is an idea that she had not heard before.

Ms. Beesley thanked Treasurer Ma and introduced herself as an emerging developer and wanted to talk about density because she is considered a small site in-field developer. She stated that there is an assumption that if they are not building 100 units, they are somehow not participating in the affordable housing conversation. Ms. Beesley stated that there could be a bit of revitalization in communities in smaller lots and allowing developers like herself to participate, which in turn builds the experience, access and exposure to these conversations. She stated that there needs to be some thought about entrusting that there is value for all mixes of income and all mixes of culture to be in one environment. Additionally, because Ms. Beesley stated that affordable housing means different things to different people depending on the lens they are looking through and stated that she does a lot of work on uncoupling race and income there is an assumption that low income housing and affordable housing is for black and brown people, and thus people assume that all black people and people of color are poor. Moreover, Ms. Beesley stated that there needs to be some consideration of the maximum a developer can take from a developer fee, from the partnership and joint venture point of view.

Ms. Mills thanked Treasurer Ma and stated that her concern is in what Ms. Miller asked and liked Mr. Leach's idea. She stated that Mr. Leach's idea is great if it benefits the non-profit community or minority led non-profits because she feels that they are "pimped out" sometimes because large developers come to them to establish gateway into a community and do not receive enough benefit from it, just the credibility of being part of the project. Ms. Mills stated that high quality affordable housing is a foundation for economic opportunity and that is how housing should be looked at, such as how it is building a community and how it is allowing people to feel that they are revitalizing a community. Additionally, Ms. Mills stated that her concern is that any changes created in CDLAC that takes away the ability to have a mix of income takes away the ability to feel economic vibrancy, therefore she wants to see that happen in communities. Furthermore, Ms. Mills stated that she feels the same way Ms. Boatman-Patterson feels when other people are making decisions and the only time they come back to the community is for the ribbon cutting ceremony and often times, those who actually live in the community do not see the renewal and revitalization that was planned by the developers.

Ms. Boatman-Patterson stated that it seems that the board had gone backwards from the August 18, 2020 meeting proposal relating to incomes where it could be done two different ways. She asked that Mr. Roope or Mr. Shoemaker speak to that because it seemed to her that this was a better route to allow for the flexibility as opposed to just saying that they are going to go to 59%, which she completely disagrees with, and going down to 57% is even more backwards.

Mr. Shoemaker stated that the working group's proposal still provides for two ways to meet the goal that Ms. Boatman-Patterson mentioned, and stated that the only real difference is that the federal requirement is that at a minimum, the project needs to be 60% affordable. Mr. Shoemaker stated that the working group indicated that a deeper income targeting was a public benefit.

Mr. Roope stated that the working group looked back to the other version of the proposal and thought that with that attempt, if you wanted to deeply target it could happen and would receive full points, or income averaging up to 60% by doing a minimum of 10 at 30% and 10 at 50%. Mr. Roope mentioned that the other thing the working group is addressing is that the trailer bill and AB83 prioritizes extremely low and very low income residents and asked if the Committee liked that approach. Furthermore, he stated in response to Ms. Boatman-Patterson that the state has a policy that supports mixed income projects and that the previous proposal better addresses this sort of mixed income idea in having those higher targeted units coupled with extremely low and very low income units.

Mr. Shoemaker stated in response to Mr. Roope's comments that the working group is not talking about two extreme proposals rather it comes to a three percent difference in AMI. Mr. Shoemaker stated that both proposals, the one the committee was currently looking at and the one in the August 18, 2020 meeting both allow for significant mixed income development and wanted to let everyone know that the working group is talking about a 3% difference in AMI, not 15%.

Ms. Boatman-Patterson stated that she hears what Mr. Shoemaker is proposing but that the 3% difference is the difference between needing to have potential rental subsidy and not needing rental subsidy and stated that every single one of her mixed income developments have averaged the 60% AMI and not one dime of rental subsidy was needed in any of those projects, therefore she likes the flexibility of being able to go to 60% but that everyone knows that a lower AMI would lead to deeper subsidy. Furthermore, Ms. Boatman-Patterson stated that a bond financed project with deeply affordable targets cannot happen without getting a significant subsidy and/or rental subsidy.

Mr. Shoemaker stated that he does not agree with Ms. Boatman-Patterson and that he does not think there are very many people in the development community who would consider the difference between 60% and 57% AMI to be the difference between deeply targeted and not deeply targeted as they are both coming in at a really close number.

Ms. Boatman-Patterson stated in response to Mr. Shoemaker that she is not saying that this is the difference, rather she is saying that having that flexibility helps with the financing.

Ms. Harrison stated that she lives in Fullerton down in Orange County and is the chair for the planning commission there and is not a developer but a housing advocate. She stated that she started a housing movement and spent a lot of time in city council meetings advocating for a full spectrum of housing from deeply affordable to deep restricted affordable, all the way to market rate development. She stated that she had a few points to make. First, Ms. Harrison stated that she encouraged people to listen to Ms. Mills, Ms. Boatman-Patterson, and Ms. Sandidge and to follow what they are asking people to do because they are people on the ground who know better than anyone what it means to do economic sustainability in a community of color. Ms. Harrison stated that people have said black lives matters four months ago and it matters right now on the call and this is what that statement means, to enact in the policy as this is how to undo institutional racism. She stated that her city is a pro-housing city and she is in the trenches at the local government level and stated that many affordable housing projects bring out the NIMBYs. Ms. Harrison stated that she sees the value of mixed income development so that a family can start in a subsidized apartment and later become a first time homebuyer through opportunity as part of the development.

Mr. Galvao thanked Treasurer Ma and the members of the committee. Mr. Galvao is the Policy Director for the Non-profit Housing Association of Northern California and they submitted a lengthy comment letter to the committee yesterday and wanted to highlight a few comments that his members had. He stated that one comment made is to address the regulations right now because a challenge they face is how they can best support black and brown developers to be more established in the industry while building more homes for the community. Mr. Galvao stated that in talking to Ms. Sandidge, it is clear that it is not enough that the proposed regulations do not make the situation worse but rather should begin asking themselves in what ways housing regulations should help minority developers. He stated that in the coming week, he is going to be convening his members and working on consensus proposals for the committee's consideration, many are proposals that Ms. Sandidge and Mr. Gilmore shared. He wanted to talk about the Other Affordable pool and appreciates its inclusion in the CHPC working group's proposal as he thinks it is critical to have the Other Affordable pool. In addition, Mr. Galvao stated that the CHPC working group proposal is asking for 15% of the bond cap to be dedicated to both Preservation and Other affordable, with 10% going to Other Affordable. He stated that the reason for that is many of the projects that have rehab needs that are needed to just maintain these buildings and without rehabs for critical systems, they could become tear downs like Section 8 public housing if not invested. Mr. Galvao stated that the scope of work looked at for rehabs include things like fire, safety, and life-saving improvements including major building system replacement and accessibility. He stated that his members talked about creating a tie-breaker within the pool that would give first priority to projects who have rehab targeting systems with a useful life of less than five years and another priority for the Other Affordable pool would be the acquisition and rehab of properties without income restrictions whose tenants are in risk of displacement.

Mr. Jones stated that he is a minority developer in Oakland and appreciates all the comments that have been echoed thus far, including Ms. Sandidge for taking leadership on this important topic. He stated that the way the program is right now, it is similar to getting somewhere safely and pulling out the draw-bridge, essentially giving projects and awards to those who already have experience. Moreover, Mr. Jones expressed that right now, the system does not work for smaller minority developers as it favors those who have been in the business 10 plus years and have all the experience that he is simply not able to acquire. He expressed most of what is built into the system may benefit some people but not to the overall community and stated that West Oakland is a good example of how policy negatively affects communities of color over the long-term. In conclusion, Mr. Jones stated that it is time to have a set-aside that supports emerging minority and black developers.

Mr. Johnson stated that he has worked in the Bay Area for thirty years and prior to that, was in business for a decade in Atlanta. During that 40 year period, Mr. Johnson stated that he had always been one of the few black developers active in real estate and had always been extremely challenging. He stated that he has had opportunities to work with the State of California on many projects, whether as the deed developer or in a partnership with several non-profits. Mr. Johnson stated that he is glad to see that Ms. Sandidge, Mr. Gilmore, and Ms. Boatman-Patterson are pulling together black and brown developers because he is in the twilight of his career and stated that if people do not come together and support the developers that are on this call and other emerging developers, they will find themselves with no developers of color in the next generation. Additionally, Mr. Johnson stated that he appreciates Treasurer Ma, her staff, and all people willing to listen and hopes that this conversation can begin the dialog to foster some change and offer participation of minority developers.

Treasurer Ma thanked Mr. Johnson and stated that she saw another old friend, Derrick Smith on the call and asked if he wanted to make a comment. Treasurer Ma motioned to continue with public comments.

Ms. Wilson stated that it was refreshing to hear the conversation being had during the meeting and said that there was great participation throughout. She mentioned that she wanted to acknowledge Mr. Jarrett as he and his partner were some of the first developers of ownership housing in San Diego in lower income communities and middle incomes and upper income communities in Bakersfield. Ms. Wilson stated that they both did amazing work and were some of the first people she met when she came to San Diego and asked if Mr. Jarrett would add some of his wisdom to the discussions. Ms. Wilson stated that she did not understand what was different about the partnering proposal this time from the last time from the Governor's Office and mentioned that it is September 2020 and is important for developers to know when the round is going to be for 2021 bonds. She stated that developers spent millions of dollars getting ready to apply for tax credits and bonds and mentioned that a big question is what the rules are going to be.

Treasurer Ma thanked Ms. Wilson and stated that they have been trying to set a time limit since starting the process, but it keeps getting pushed back. Treasurer Ma stated that she is cognizant of Ms. Blackwell being vigilant on trying to get this done as soon as possible and understands that there is a need for clarity and timelines.

Ms. Wilson stated that if the round is not going to be for November, that is something important for people to hear.

Treasurer Ma stated that she understood Ms. Wilson's concerns and mentioned that the longer this continues, the more everything gets pushed back.

Mr. Gilmore stated that he wanted to address Ms. Miller's question around developer's fee participation with Mr. Leach's comments and mentioned that there needs to be a mission driven kind of concern that funds get into communities. He stated that he is not saying that there has to be 50% but that there should be some extra points for people who are reaching that higher level of equity participation. Mr. Gilmore stated that they are a small organization and they do not do a lot of development but they see the importance of making sure that equity reaches the community, given the different missions that each organization has with every partner.

Treasurer Ma asked Mr. Gilmore and Ms. Sandidge, since they are representing the Black Development Forum, if most of their developers were in new construction or preservation and what types of projects they develop in terms of homeless, ELI, VLI, and mixed income pools.

Mr. Gilmore stated that he could get more definitive on what types of projects the developers the group does, but that they span the whole range. He mentioned that most of his developers are very comprehensive in what they do and they look at a more holistic approach and mentioned that he would have a more defined answer as data continues to be compiled.

Ms. Sandidge stated that one of the aspects to the typical traditional development is faith based development as there are a few churches who have approached her because they own the land and can bring a valuable asset to this whole development process, while still providing affordable housing to their parishioners. She stated that churches are going to be the next element in how to make affordable housing happen in the Bay Area as they own their land and are a strong addition to an across the board type of pilot because the next thing is seniors since there is a graying population up there. Furthermore, she mentioned that she would like to see a pool of young African-American developers emerge and wants to fill the gap and have them work for some of the other organizations. Ms. Sandidge stated that she works for MET as a Senior Development Consultant and they are the largest Mexican-American non-profit and they want the same concerns addressed and want to provide jobs and capacity to other organizations that serve people of color, regardless of income.

Treasurer Ma mentioned that Board members love to hear the public comments and their thoughts. Treasurer Ma stated that there would be another meeting the following week, however, it would be an allocation meeting and probably not a good time to have another policy discussion on the proposed allocation system.

Mr. Sertich thanked Treasurer Ma and all the public feedback but stated that he had a few issues. He stated that he thought it was important to get a plan together so that the public has some real hard issues to comment on and that is what he would be pushing for because he believes if there was more structure, they could get more specific comments. Mr. Sertich stated that the specific issues he heard, such as the pro-housing concerns that Ms. Boatman-Patterson brought up is important, but he wants to make sure that pro-housing cities are not prioritized at the expense of developments that are able to get it done in more difficult to develop areas, such as anti-housing areas. Additionally, Mr. Sertich stated that it should be cheaper to develop in those areas and he is on board with the idea that they cannot have a closed shop in terms of developers who have access to the program. He mentioned that both the CDLAC and CTCAC staff have proposed some changes to open it up and make it more accessible, therefore he wants to make sure that is integrated, including adding efficiencies to the program. Mr. Sertich added that if there are too many special set-asides for specific programs, such as CPCFA, he thinks that their priorities should be aligned so that those projects will be awarded. Furthermore, Mr. Sertich added that on the Preservation and Other Affordable pools, there needs to be a scoring system that is going to ensure that the best projects are coming out of those pools.

Treasurer Ma thanked Mr. Sertich and asked for Ms. Boatman-Patterson's input.

Ms. Boatman-Patterson stated that when talking about pro-housing, she was considering density, local incentives and pro-housing cities all under that. Regarding fair housing and higher opportunity density areas, she wants to see that as a category and if she were to say which public benefit she values more, it would be fair housing and location. Ms. Boatman-Patterson stated that she thinks it is extremely important to consider using the opportunity map in high resource areas because she does not want to continue putting deeply affordable housing in areas of concentrated poverty. Furthermore, she mentioned that if developers are building something in a deeply segregated community, then it should at least be in a mixed concept where people have the ability to move up.

Ms. Miller thanked Treasurer Ma and wanted to thank everyone who spoke today as she learned a lot. She thanked Ms. Sandidge for helping her look at things differently and agreed with Ms. Wilson that time is of the essence. Ms. Miller asked if Treasurer Ma would allow the Secretary of Consumer Services and Housing to present their proposal based on the Working Group's recommendation. Moreover, Ms. Miller stated that she would like to see the incentive that Mr. Leach talked about for the developers fee and the set-asides to allow more local developers to work in their communities. Additionally, Ms. Miller asked Treasurer Ma if she would be willing to continue this meeting again on Monday and let the Secretary of Consumer Services and Housing to come and speak to the whole plan, where the August 18, 2020 proposal would be discussed and presented with their feedback.

Treasurer Ma stated that she is okay to continue the meeting on Monday at 9 or 10 a.m.

Ms. Miller suggested 10 a.m. <*with Board members in agreement*>

Mr. Sertich stated that he would be available on Monday and would like to hear what the Secretary has to say.

Mr. Walker stated that the materials for the meeting would need to be sent to CDLAC no later than 8:00 a.m. so that it can be posted to the website and distributed.

Treasurer Ma stated that she liked the idea of a pilot project and mentioned that the department was working with many of the churches because the churches own their land free and outright. She mentioned that it could be used for some of their Parishioners who are older or for people who work in the church itself, which would help with their financing and keep the structures open. Treasurer Ma expressed that she would like for Mr. Gilmore and Ms. Sandidge to come back with their inventory of the types of projects they are working on. Additionally, Treasurer Ma stated that she is in support of the Other Affordable pool and any other categories that allow for these special types of projects to be built.

Treasurer Ma recessed the meeting until Monday, September 14, 2020 at 10:00 a.m.

The meeting reconvened on Monday, September 14, 2020 at 10:00 a.m.

Treasurer Ma mentioned that her office received documents from Secretary Lourdes Castro-Ramirez from the Business, Consumer Services and Housing Agency (BCSH) that was uploaded late on Saturday. She said the Secretary's presentation is on the CDLAC website. Treasurer Ma then introduced Ms. Castro-Ramirez.

Ms. Castro-Ramirez stated that she knew that housing is key and access to affordable housing is one of the state's greatest challenges. She pointed out that the allocation of bond capital is one key piece of this puzzle. A few months ago, her group began an internal process within the administration in working together with the Governor's Office and several of the housing entities within BCSH have been taking the time to analyze the housing system as a whole and conducting a review of the social, economic, and the demographics of the state, in order to better understand not only who they are serving but also where they have significant gaps. BCHS took a deep dive into the housing funding in the system looking closely at production data and units that are being created. She explained that this process was important to understand where they have been, who they are serving, how they have done this, and why it is important for them to focus on a coordinated system. Their process internally has been data driven, it has also been needs based, and in alignment with additional and continued improvements, while they listened to new issues that were evolving as they moved through the processes. Secretary Castro-Ramirez then gave a high level overview of some key housing values or guiding principles that was established with their administration and how these principles have been translated to inform the CDLAC 2020-2021 regulatory process and to inform their specific recommendations for the framework. She began her presentation by stating that their goal is to ensure that all Californians have access to safe, dignified, and affordable housing, and that they have the ability to prosper and to reach their potential. Her first point was about the state funding and the types of housing that are not being produced by the market at the greatest degree possible. BCHS wanted to ensure that they are creating housing units, a place that you could call home, that are not being produced by the market. She then stated that those units will be housing units for families that are making below 30% of the AMI or extremely low income, very low income, or in some cases there is a gap for moderate income or just above the 60% range, but the greatest need is for families that are making below 60% of the AMI. The next slide of her presentation showed a graph from HCD, which is the 5th cycle APR that was just released maybe about a week ago. The orange bar represented the total need in the categories while the blue bar indicated the total permits. She pointed out that there is a wide gap in terms of the total percentage of permits by income level with a clear indication that we are under-permitting at the lower income levels. She explained that lower income includes extremely low income and we are producing just over 11% of units we are permitting. At the low income category, we are just at about 17%. At the moderate income category we are producing at almost 41%. The last bar showed production of moderate income units, although this is not the area of focus. She reiterated that the area of focus is what they doing to meet the public purpose and ensure that they are providing units for low income households.

Treasurer Ma pointed out a slide in the presentation with "5th cycle APR results" and asked Secretary Castro-Ramirez to clarify what APR stood for.

Ms. Castro-Ramirez explained that APR stands for Annual Performance Report, which is a report that is produced by HCD that measures the overall performance of council governments in terms of meeting their RHNA (regional housing needs assessment) numbers.

Treasurer Ma asked what the 5th cycle refers to.

Mr. Velasquez replied that the 5th cycle refers to roughly the last eight years and the last eight years of this data would be roughly the last eight years in the state's housing production cycle. He explained that every jurisdiction submits to HCD the number of units that have been permitted. So they compare those levels of permits with what those jurisdictions should be producing and that is how they tabulate this. RHNA means regional housing needs assessment.

Treasurer Ma asked about the significance of the data in the presentation, and if they were HCD numbers.

Ms. Castro-Ramirez explained that the funding that HCD administers primarily focuses on the very low income category while as a state, they captured the data for all income levels. She explained that they are not necessarily funding programs at the above moderate income level, but are capturing the data in terms of what is being produced.

Mr. Velasquez stated the data is all housing produced and that the state, local, and private, is all there. The jurisdictions are required to submit everything produced across the state not just what is public housing.

Ms. Castro-Ramirez continued with the presentation showing that they are setting a foundation and making sure that they understand how housing affordability is impacting households. Households that are cost burdened, or severely cost burdened, are disproportionately at the lower income spectrum with extremely low income combined being at 90%. 79% of the extremely low income households are paying more than 50% of their income for housing. And for very low income, they have 54% paying more that 50% of their income for housing. She reiterated that the poorer you are and the more income that you have to spend on your rent, the more limitations that you will have on your ability to provide the basic necessities like food, health care, and transportation. She then addressed their understanding of the complexity of the housing affordability crisis that they are facing, where families are struggling to keep a roof over their heads, and that the situation will be getting worse with COVID 19 now being a factor. She then stated that she thinks it is important to consider this information in developing a policy framework for the CDLAC allocation.

She continued the presentation showing the impact of households that are being class burdened. Ms. Castro-Ramirez states that they looked at the data from an equity lens, or from a racial lens. It is clear that Black and Latino or Latina renters are disproportionately more impacted. She pointed out that 63% of Black renters are cost burdened and that the Latino or Latina are 58% cost burdened, followed by Pacific Islanders at 53% and American Indian and Alaskan Natives at 53%. She then stated that the data informed their approach and informed the types of partnership services that should be factored in when developing housing.

The next slide of the presentation showed the primary goals that the Administration would like to see in the framework for the CDLAC regulatory process. She then went on to state one of the three policy priority goals is a continued focus on establishing truly integrated, inclusive and balanced living patterns that offer opportunity for upward mobility for residents. It is to recognize that there is a history of residential and racial segregation that continues impacting neighborhoods all across our state due to redlining, due to disinvestment and a number of other factors. The goal is to do everything they could to affirmatively further fair housing, and to create more balanced, integrated and inclusive communities. She stated that the second priority is prioritizing cost containment which is looking at how they could contribute to reducing the cost of producing affordable housing, and stretching those dollars. She pointed out that given the current environment it will be more important to think through comprehensively everything that goes into increasing the costs of affordable housing and looking at ways to reduce those costs. The third and final policy priority discussed was to recognize the importance of being inclusive to remove barriers that prevent certain development partners from participating in the system and from being able to do the work that they are doing at the local level of building housing, community development and other sorts of economic development opportunities that are connected to housing. BCSH heard loud and clear from the Black Developers Forum, that there has been data showing that over time, there are fewer black developers participating and being really successful with attaining tax credits or bonds for financing. She stressed the need to be very purposeful and bringing in black and brown development partners into the affordable housing space.

As she continued with the presentation, Secretary Castro-Ramirez mentioned that they built on the August 18, 2020 version of the scoring sheet that was prepared by the working group. They thought there was a lot of time spent developing that version and they as an Administration spent a lot of time understanding it and developed recommendations around that. They also believe that the August 18, 2020 version more accurately responds to the values and the intent of AB83. She continued explaining that first, they added a new criteria to the scoring system that centers around further affirming fair housing, reiterating that this was done with the intent to break up segregated housing patterns, to create more integration, and to create units of housing that stretch widely across income brackets in lower income communities and build more deeply affordable units in well-resourced areas. She stated that there are plenty of studies that show children and families do better over time and in many instances, being able to locate these deeply affordable developments in higher resource areas also enables adults to be connected to jobs, have stability and achieve much more over time. She also acknowledged that it is equally important to continue investing in the poor neighborhoods that have been neglected or have seen disinvestment for a long period of time. BCSH does not want to just move all of resources to higher resource areas, they think it is important to also create meaningful opportunities and affordable housing that stretches to a wider distribution of housing at the various income levels, creating the ability for upward mobility within that housing development and within that community. There is recognition that there are some developments with permanent supportive housing that have been shown to be effective models for certain populations; individuals experiencing homelessness, individuals that have been chronically homeless, so they want to ensure that there is continued investment in permanent supportive housing units while also being thoughtful of where they are being located. The second component she addressed is paying attention to the services and amenities and connecting that to positive resident outcomes. She stated that the third element is a real recognition that they need to not just think about projects as a whole, but incentivize the inclusion of different incomes by focusing on units. She acknowledged that there was a proposal that was put forward the previous Friday that would establish the minimum rent restrictions at 57% AMI, but for the purposes of their recommendation and what she was presenting, is to retain the 60% AMI ceiling. They added the cost containment scoring criteria, which needs to be part of the initial scoring criteria, it should not just be a tie-breaker. She stated that BCSH is encouraging innovative solutions, creative partnerships and technologies to bring down the cost. They are also continuing internally to look at ways to streamline their processes to make improvements and to create new programs. One example she pointed out is their home key initiatives. She stated that they are close to announcing the first corporate awards and are excited because looking at the cost per door, it is significantly lower than what was anticipated. They also added the optionality of gaining points into the density and local incentives category from projects that are located in pro-housing jurisdictions, knowing that when jurisdictions create an environment that enables them to build more housing, it decreases the cost and it also increases the certainty for the development community.

She recommended the establishment of a pool for community development corporations and community based organizations, CDC's, and CBO's. They looked carefully at what it means to be inclusive by looking at the Developer criteria and have made modifications that are consistent with embracing the concept of partnership in developing capacity and building capacity.

She advocated for management and partnership criteria to promote the sustainable and equitable management and partnerships that have been formed.

Ms. Castro-Ramirez added a few other regulatory notes for consideration that included definitions related to the new criteria, commitment to working closely with the CDLAC staff and the working group in defining and establishing that criteria. They have also added a new threshold criteria related to the developers experience; they think it is important to not just look at the projects that have been created but to look at the team and to look at the individuals. She suggested evaluating TCAC regulations language and terminology for unintended consequences, while being thoughtful on how TCAC regulations may prevent or become a barrier for greater participation and emphasized the importance of looking at CDLAC separate from CTAC. She warned that not all of TCAC regulations should move over to CDLAC.

To wrap up her presentation, she addressed Treasurer Ma and members of the CDLAC Board by expressing appreciation for having the opportunity to come up with meaningful recommendations that were both data driven and comprehensive. Just within their agency at BCSH, she had prioritized working closely with the various housing entities, her team, and to be well coordinated, strategic, thoughtful, innovative, but also a very deep commitment to looking at what they could get done regarding racial equity and inclusion, and breaking up the systems that are keeping certain groups from dominating. They are working together as a team, going through the government action for racial equity training. She mentioned that they will also be adapting a racial equity tool to guide the staff's policy and programmatic divisions. She stated that they look forward to sharing their knowledge base and recommendations and to continue working to build a stronger housing system for the good of the people they are serving and for the good of the state.

Treasurer Ma thanked Secretary Castro-Ramirez. She stated that she and the Governor started on the same day, when he set a very aggressive mandate of 3.5 million units to be built by 2025. This forced everyone to look at new creative ways to create housing and allocate resources outside the box, both on the bond and tax credit side. She acknowledged Secretary Castro-Ramirez digging in with her team, taking time to analyze the data, and helping to make decisions based on what is really happening versus what they think is happening. She then mentioned that too often it has been whoever was the loudest at the table gets their way, and it should not be the way, is should be based on how we are allocating our resources and what the results are.

Treasurer Ma then opened the meeting for questions by asking; "prior to the last year with the new Administration mandates, how have we done in terms of utilizing state resources? Have we done a better job in the last 8 years or are we the same? She suggested that maybe Ms. Castro-Ramirez could just let us know how we are doing with the higher bar and new mandates with us all collaboratively working together.

Ms. Castro-Ramirez replied saying they are on course and that there is much more funding and resources in place. She added that she thinks the legislative bills that were introduced in 2017 laid a strong foundation for the state to do much more in the housing space. The amount of resources that are going into affordable housing have been tremendous, but she also thinks that with more money, more resources, it also warrants us to stop and look at the system and make sure the system is aligned to ensure we are deploying those resources in an efficient and expedited and responsible manner. She said she thinks in general we have been doing that, but she also believed there are opportunities to do more.

Mr. Sertich stated that one of the focuses at the Controller's Office is trying to come up with a way to compare the total public benefit and the costs, the state investment that is, for costs. He then asked: "Do you think that there is a way we could get to the place where we are truly comparing the costs to ensure we are maximizing the public benefits, that way measuring what we are doing with the funds?" He expressed his concern with the points scoring system in that it is constraining the amount of benefit by the amount of points awarded on the cost containment measure. He stated that there should be a certain amount of cost containment and that is good enough instead of maximizing cost containment.

Ms. Castro Ramirez responded by saying she doesn't have a concrete answer, but she thinks that it should be basically driving the instruments for the framework that they are using in the scoring criteria. She added that down the line as they look more long term, again getting to the question that the Treasurer had about what could they be doing to improve or ensure that this housing system is truly being responsive and transformational. She stated that she thinks for the purposes of this regulatory process they stayed within the parameters of the scoring criteria.

Ms. Miller asked what more could be done going forward, to ensure that it is less than a blunt instrument that is just points. She said that she believes that there is more that could be done especially with the work that the Treasurer's office has done, but this was making sure that we get through 2021 with this point system and that spoke to the priorities. She added that as we move forward and do more analysis, we would like to see what more could be done at this intersection of public benefit and cost. She sees this as a work in progress. It is part of the partnership of working together to see if we could improve it.

Mr. Sertich agreed that there is no doubt that there will be more work to do next year. He mentioned that he thinks we are heading in the right direction.

Treasurer Ma then opened up the meeting for public comment

Public Comment

Mr. Jarrett started off public comments by expressing his appreciation towards Ms. Castro-Ramirez for the focus she provided. His first question was about the affordable housing that has been developed and the different levels of it, including where the developments are located, their cost, their affordability level and pertinent demographic information on how these projects are impacting communities. He explained that one of the issues his group is concerned about is that they are seeing a heavy concentration of affordable housing in communities that are already impacted by issues related to poverty; income levels, quality housing, skills, etc. Mr. Jarrett then asked Ms. Castro-Ramirez to explain or give any indication of how they could get additional statistics from the past 8 to 20 years.

Ms. Castro-Ramirez responded by informing Mr. Jarrett that they collect information through HCD and as part of this process, they looked at production, not just based on units and income types and population served, but also location. She then asked Mr. Velasquez to share more information on the opportunity mapping initiative and other resources that might be helpful.

Mr. Velasquez explained that this has been a joint effort with the Treasurer's Office. He believed that the opportunity maps they have are just the beginning of a much more comprehensive set of maps that will actually advance the priorities of the Administration. These priorities were articulated by the Secretary when she was referring to a strong emphasis on affirmatively furthering affordable housing. The data right now that HCD has seems to indicate what the commenter said, that the state has put a lot of affordable housing in areas of lower income and sometimes those developments have also concentrated the units that are low income units. He expressed that they want to make sure there's a balance between greater emphasis on higher opportunity and higher resources areas and that is why the reference to opportunity maps and a desire to create more extensive maps. With respect to affordable housing that is built in lower income communities, they want to make sure that there is a much stronger emphasis on making those developments mixed incomes. He agrees that there is a strong commitment now at HCD to get more information and make it publically available and that includes location, because the only way to move the needle in the direction of the priorities towards affordable housing is to have data. He explained that there is a lot of affordable housing that is being built in areas where that needle has actually moved in the opposite direction and the only way to do that is by providing data.

Mr. Jarrett followed up by asking to see slide two of the presentation given earlier, and asked what RHNA stands for.

Mr. Velasquez replied by telling him that every jurisdiction in the State of California is required to adopt an allocation based on a Regional Housing Needs Assessment. He explained that HCD in concert with other partners in the state government provide an estimate and the regions adopt those estimates for new housing production and then the regions have to allocate the specific numbers for each jurisdiction within the region. There are different cycles that happen approximately every eight years, and they are now ending the fifth cycle. The slide presented was referring to the fifth cycle that is why he was saying that chart referenced the housing production for roughly the last eight years. They are in the process of renewing those allocations for the sixth cycle, the coming cycle. And so this is basically the RHNA: the orange bar is based on the needs assessment in all the jurisdictions in the State of California should produce based on what was estimated eight years ago, and the blue bar shows what was actually produced.

Mr. Jarrett then asked how the relationship between the allocated resources and the unmet needs are determined. He asked regarding the very low income, do they know precise projects and locations and demographics of the areas in which these projects were deployed?

Mr. Velasquez responded affirmatively and explained that there is additional data that is not in the presentation. He then directed the meeting participants to their HCD website to find out more information, which is publically available and shows more data on the demographics in each of these categories, the location in each of these categories, and the more specific income level, which is all based on the percentage of area median income by category.

Mr. Jarrett asked if Mr. Velasquez had an analysis of the unmet needs of the allocation of resources in terms of the amount of money that has been deployed against him knowing what the unmet need is and how his resources have impacted that.

Mr. Velasquez affirmed the ability to have that data. Now they could compare what is the unmet need as it relates to state resources available and there are estimates that could produce and show how the unmet needs relates to the level of resources allocated.

Ms. Castro-Ramirez added that the state is very focused on making sure that regional councils of government are complying with their requirement to establish their current and future housing needs. She then mentioned they are required to report both numbers and the progress and now that they have better data (because they are tracking it and jurisdictions are complying) and they are able to produce information to help inform decisions. She stated that there is definitely more work that needs to be done and that this was not really meant to be all inclusive and she thinks that Mr. Jared pointed out that they need to continue to do more to put out information that will help inform the policy and decision making process.

Mr. Jarrett confirmed Ms. Castro-Ramirez's statement and stated that his goal is to try to determine the amount of money invested in the various income levels and what disparities exist. He added that the overall information is going to be critical to determining future policy changes or limitations and he thinks that this is going to be critical.

Treasurer Ma mentioned that every eight years, they do a survey in terms of what the housing needs are and then they allocate all over the state and some jurisdictions meet their housing needs and some do not. But according to the chart shown in the presentation, it looked like the very low income category is where we are failing and is one of the reasons that the Governor sued some of these jurisdictions earlier because they don't want to meet their housing needs. She also asked if every jurisdiction has to meet the categories, very low income, low income, and above moderate. She then asked if it is based on the idea that they have to meet a certain amount of housing units or that they also have to meet these different categories and perhaps the NIMBYs don't want to have very low income units in their communities. She also asked if that is why they are doing so poorly and how the RHNA numbers work.

Mr. Velasquez explained that when RHNA numbers are set for each jurisdiction, the RHNA numbers are set by income categories. So, jurisdiction A would have a number for very low income, low income, moderate and above moderate. The Legislature and the Governor made sure that they have a stronger mechanism that is statutorily required to ensure that the jurisdictions are doing what they are supposed to be doing, not just as a matter of a general allocation but by income level. Their enforcement work is being ramped up in that regard because there are many jurisdictions that would implement tactics to reduce the number of low income units that are produced in their jurisdiction. He thinks that partially this is reflected on the chart that shows a great number of low income units not being produced.

Ms. Castro-Ramirez added that they have a tool that has been put up on HCD's website that looks at jurisdiction by jurisdiction and how they are doing with all these metrics in terms of what their requirement for zoning is as well as how they are achieving those zoning requirements. She observed that it does not look like the tracking features is enabled so what they will do is keep a running list of all of the direct links to information and data assets and then ask for it to be shared at the end of the meeting.

Mr. Sertich brought attention to when Mr. Velasquez was talking about the opportunity maps. His understanding is that the basic structure of the opportunity maps is set up with family housing in mind, but wondered if the approach in terms of the structure of the affordability requirements in high opportunity areas was going to apply to seniors and permanent supportive housing or if it was just focused on family housing.

Mr. Velasquez requested clarification.

Mr. Sertich stated that because of the scoring criteria and the tie-breaker criteria in the 9% and on the bond side, if the focus of the opportunity maps and the opportunity boosts is really on the family units only. A lot of the opportunity map scoring is based on educational opportunities and such, so it is really focused on that. Mr. Sertich was not sure if HCD was looking at revising the scoring or if they suggest layering that and add that to the senior housing and/or other types of housing as well.

Mr. Velasquez agreed and suggested that others could weigh in, but he doesn't think they are able to determine that in any specificity. He didn't think they were choosing one way or another.

Ms. Boatman-Patterson weighed in, saying they did look at not just the opportunity maps but various types of site amenities. And added that they were hoping to strike a balance between location, high resource areas, and amenities. In the attachment, they tried to strike a balance. She said that credit would not just go towards location, but include site amenities, so it was not exactly like the 9%. Thus it was to be more inclusive and integrated.

Mr. Sertich said that how he read it, was either they are in high opportunity areas and they have to get the amenities, or they have blended incomes and they have to have the amenities to get the full points.

Ms. Boatman-Patterson responded saying she thought they would want to have further discussions about how to have a balance of that because it is not just about family housing in high resource areas, it is about a variety of housing types to be more balanced in integrated neighborhoods.

Mr. Velasquez added that Mr. Sertich's point strengthens the message that the opportunity maps need to be refined. Over time they need to just improve them. He added the need to ensure that they make them as comprehensive and inclusive as possible. It was something that they have been looking at and needs to continue making sure that those maps are better going forward.

Treasurer Ma asked Mr. Velasquez how much money went into each category, if it was equal, and if, based on the data they are not doing as well in certain categories. She then asked if they are going to try to allocate more money in terms of the pools and what if some jurisdictions don't want to even build any housing. She added that it has been very controversial in terms of the state overriding local governments and wondered how they would enforce local governments and jurisdictions to abide by the RHNA numbers.

Ms. Castro-Ramirez said in terms of the framework, they specifically did not look at the ratios between the different pools. She thought that this would be more appropriate to discuss during the allocation round in January 2021. She then addressed the second part of Treasurer Ma's question as it related to how to ensure the jurisdictions are being compliant with their RHNA numbers and mentioned it is an area where HCD is doing exciting work around their new enforcement procedures. Since 2017 and 2018, they have been given much stronger enforcement mechanisms to be able to 1) determine if jurisdictions are in compliance with their housing elements and 2) to also look and be able to both litigate or provide technical assistance to support or enforce a community that is actually working within their regional housing needs assessment and in compliance implementing their housing element.

Mr. Velasquez added that there are a lot of areas in which they are ratcheting up the work. One example he presented is SB35 which is the way through which jurisdictions have to streamline administrative approvals. He explained that they see often a lot of barriers created for the streamlining of approvals of projects in several jurisdictions and that is just one area where they have been able to call out jurisdictions for not doing that. So this is just one area where enforcement could really make a big difference holding jurisdictions accountable.

Treasurer Ma then called on Mr. Leach for public comment.

Mr. Leach agreed with all the goals stated in Ms. Castro-Ramirez's presentation. The first thing he pointed out was to remind everybody that this is a maximizable point system. In this system, each scoring category becomes a minimum requirement. Maybe not the very first application cycle as people adjust to it, but as the program evolves, and the second time people apply they will start to see everyone score a maximum score and therefore, the categories will become minimum requirements. He advocated for having not a point system but rather a robust measure of a return on investment for the state, and he does understand that for the upcoming regulatory cycle, they are going to go with is a points system. He expressed his interest towards developing more return on investment calculations for the future. He then pointed out two specific point categories with unintended consequences. The first one being, the cost containment point category, where it measures cost containment using the current threshold basis limits. The system does not have specifics for high cost land areas, high rent districts, transit oriented development areas, urban in-fill, and there are no adjustments in that system for known cost drivers. He then provided an example of what that will mean if someone wants to propose a TOD project in a highly urbanized area, maybe it is in a high rent district as well, our current reasonableness system has no adjustments for that. He continued by saying categorically denied projects that are in those urban higher density TOD type locations require a more intense process and higher construction costs than the average project. Because those limits are based on the average project in that county, more densely populated locations in those counties are potentially going to be disqualified if they can't achieve the 12 points that a three-story walkup could achieve in a suburban area. Mr. Leach mentioned that he is a big fan of having partner/developer experience due to its inclusive nature of trying to help emerging developers. Removing the 10 point category has made it a minimum requirement that everyone has a chance to achieve, but also in #6a he thought it'd be great if the competitive process included some type of benefit for these joint ventures. He had thrown out the idea of making it a benefit in the tie-breaker because maximum scoring systems are usually decided in the tie-breaker, and he noticed that it has become a points category. By making it a points category, by June and September of 2021, 80% to 90% of all of applicants will start achieving that. They were not going to be joint ventures in the first place but they are going out to make a joint venture to make sure that they get these points because these points are necessary to get an award. He then went back to his last recommendation from the previous week stating he believed there should be some type of benefit for those types of joint ventures, if it could be done in the tie-breaker rather than a minimum requirement in a maximizable point system. He stated that if it wasn't a maximizable point system then they surely should have some points. He finished by saying he thought the new point system will be ten times better than what is currently in place.

Ms. Talcott from Mid-Pen housing and a member of the working group stressed the need for fair housing. She wanted to point out to Ms. Castro-Ramirez that she made a distinction between building lower income housing in higher opportunity areas and having a broad spectrum of income in the economically disadvantaged areas. She then asked if the Secretary could give more information on the idea behind this point, wondering how it fits in with the existing HCD programs and the existing HCD pipelines and projects that have commitments out there. Currently the A6 program requires a 50% average AMI threshold. Statutorily, it requires that 50% of the funds be put into disadvantaged areas. She wondered when it needed to have a broad spectrum, and if it was going to marry with the A6 program. She added that the MHP program has an emphasis in its' tie-breaker on affordability and that there is certainly no distinction there between the area that it is in and asked if there were two options, either to get 50% of AMI on average or to get 60% AMI on average with 10% at 30 and 10% at 50. She asked if it was being suggested that at 50% AMI the one that would be applicable to the higher opportunity areas and the other one is applicable to the other.

Ms. Castro-Ramirez responded by saying there is recognition and thinking through some of the nuances especially through the points and the scoring criteria and the definitions within the policy goals. They would look to the working group and the regulatory process to flush out the details, but at the higher level they have thought through that and pointed back to the working group for the next steps in the process. She then explained the idea that there are essentially three choices; the first that you would be located in a higher resource area and that the project must have at least 10% of the units at 30% AMI and 10% of the units at 50% AMI, and you would need to also max out the service amenities sheet scoring and then you could earn 10 points for site amenities in alignment with the 9% program. Another option would be to locate in a qualified MHP district which would be your low income communities and in this case the project must have incomes in the range of at least 30% apart from the low to the high, so if the units are targeted at 30% AMI they would also need to be in its' target at least 60% AMI and there must be at least 10% of the units at each end of this range to create that maximum bracket. She then added that in that case you would need to max out the service amenities scoring and that is just to recognize that if they are asking for developments to be done in a different way in populations that are relocating in a way that they are not currently, that access to services reflect the needs of the residents would be critical to making this shift. Finally there was discussion of having a third choice and that was having affordable housing located in other areas and in that case you would get points based on your site amenities, and so you may not score as high as the first two but you would not automatically be excluded if you were not in category one or category two. She then expressed that she thinks there is a general understanding that they have been doing things in one way for a long time but that does not mean that they cannot be doing things better looking forward and thinking about criteria in terms of how the state could be delivering housing in a way that is going to provide better outcomes for residents.

Ms. Talcott thanked Ms. Castro-Ramirez and expressed that a part of her concern was this not be done in a way that would make the existing HCD commitments, the existing local commitments that were based on certain strategies, not be competitive in this system. She acknowledged that she heard the Secretary say the projects that are located in other areas would be based on site amenities and would not be able to get all the points and wondered if she understood correctly that it could be like a 10 point differential because that would be something that would make it extremely difficult to get those projects in those areas funded.

Ms. Castro-Ramirez confirmed that is the idea and that they would be focusing on projects leaning towards affirming fair housing.

Mr. Gilmore stated that his firm has done about eight tax credit projects and have never been able to compete in the 9% because it is a hard process to get through. He appreciates that the Board looks to make things a little bit more equitable. He then expressed that the only reason his organization was there was because they are more comprehensive and have a lot of different lines of credits, and that they had some developers that worked with them to help get experience points. He believed it is good that developers are reaching out to partner with black developers and brown developers. He explained that none of the developers are coming to him and asking why aren't they working together to develop their project. It is so important to look through an equitable lens because it is not just the 4% and 9% but as it was pointed out, this is change, it needs to happen and it needs to be equitable. He then explained that they realize this is systemic and there are things they may not even know about right now that needs to be addressed. He appreciates that there will be an ongoing commitment by the state to keep looking into avenues that could level the playing field.

Treasurer Ma added in response to Mr. Gilmore that she understands that people don't want to partner with new people, and wondered if there is a pool of folks or entities that could help guide these non-profit minority developers through the system. She has often heard that they can't compete with filling out the paperwork, putting all the capital together, and folks don't want to partner with them because they don't understand the process and they have in-house folks who could get it all done versus partnering with other developers. The Treasurer mentioned the demise of the redevelopment agency that is where they had a lot of folks who knew how to do and package these applications. Treasurer Ma acknowledged that she knows the 9% is really difficult to compete in. A lot of folks would go for the 4% but now the 4% is super competitive and again will have the same problems of not being able to meet the deadlines, not being able to fill out the paperwork on time, and not checking all the boxes because it is a complicated system.

Mr. Gilmore responded by saying he thinks that speaks to gaining experience. He thinks there are partners out there that will do that but there also needs to be in-house capacities, be it through consultants or others. It shouldn't be left up to the JV partner that has the experience to drive the force, and you have to be a voice at the table, which is going to require you to deal with some consultants to help represent you on some things that you may not know, but are very important in not only just doing the process but when you put the partnership together, for how you strategically set those things up.

Ms. Castro-Ramirez acknowledged that there are many CDC's and CDL's that do have a lot of capacity but are not able to compete. And so, she thinks this is why they are recommending a set-aside or a pool because there is capacity there but they just may not have the same kind of where-with-all in terms of resources. She started her career working for a community development corporation in Ventura County that was an economic development corporation that focused on providing affordable housing to farm workers. She then added that there is capacity in the state. She thinks they need to be thoughtful about how they open the doors up for the CDC's and CDL's to be able to compete. Since there have been disinvestment all across the board on the federal level to the state level, maybe some of that capacity has eroded because there has not been the money to be able to develop that experience and so that is why they are encouraging partnerships and sustainable partnerships that will help rebuild that capacity.

Ms. Sandidge began her public comment pointing out the busy weekend everyone had. She directed her comment to Treasurer Ma, expressing that it was very exciting for them to get educated a little bit more about her policies and what she has done for them. She then directed her comments to Ms. Castro-Ramirez, stating that it is not always so much capacity being a big part of it, but it is also bank's and investor's continued loyalty to a few. She then expressed that not all of her group was able to join the Zoom call and was not able to see presentation. She then expressed that she hopes that her presentation would available for review. In agreement with the Secretary's comments, she explained that there are different mechanisms that they would like to encourage that would change the standard for what is considered developer experience. She then went on to explain that a lot of times what happens is the big developers get the credit for the project, so when they try to put an application in under experience, it looks like they don't have it. If they are not an active participant, that just sets them back further. She mentioned that they are anxious to continue to be part of whatever tabling and discussions are happening, but they really appreciate the acknowledgement that this is one of the limiting criteria for them moving forward. She continued by saying, one of the things that is an economic burden for them is when they enter a joint venture partnership, is costs more in terms of the limited developer fee. The larger people take the bigger share and the little people take the little share so you never get ahead. She then asked that there be some consideration for an increase in the developer's fee to the smaller folks. She understands that larger folks have expenses and that they have obligations to their own organizations, but her group will never get ahead if they only get a little tiny amount of the fee. She then asked for the Board to continue to look at that as well as a possible resources to level setting this industry. She addressed the discussion about building ELI/VLI units in those more affluent areas. She then expressed there is a need to review this to make sure that colonization of ELI and VLI families is not just in one area. She explained that she has lived long enough to see it does not work, but she isn't saying they are against ELI/VLI. They recommend spreading it out because a lot of cities and jurisdictions get money from the state and from the federal government and do very little housing if any. She ended by saying that this is what she is trying to get across with their request about spreading out ELI and VLI into those areas that may be uncomfortable with moving forward but it is a necessity.

Mr. Johnson began his public comment expressing they have had the fortunate opportunity to be involved in many projects both in Oakland, San Francisco and Sacramento with programs with the state, but have found that they are one of the few groups that have had this opportunity. They had to evolve with relationships such as with BRIDGE, with the John Stewart Company, and with Chinatown CDC. He pointed out that at the early stages of some of these initiatives, some of these groups were coming into minority neighborhoods, and so they found that partnerships with a group like theirs was beneficial to the overall transaction. One of the things that they experienced though was as time progressed, they became comfortable working in these neighborhoods and their interest in doing joint ventures fell off. Fortunately, with the experience they had gained, they were able to move forward on their own. This points out the emphasis for the need for the set-aside and importance on the joint venture opportunities. So if there is a set-aside, that would allow them to participate in the larger pools and if they are motivated through mission, to participate in joint ventures with black firms and other community based organizations. Once those joint ventures are formed, as others have stated, it is important that they be real joint ventures with adequate sharing of the developer fee and ultimately, it needs to lead to the opportunity for the minority developer, the black developer, the community based developer, to ultimately take over the transaction and the property at the end of the 15 year proprietary period and have that property on their balance sheet as an asset which would help to grow the organization over time. This is a long term process where individual transactions take five to seven years or more to get done and this is a long term commitment in order to develop capacity and have some distribution of wealth into other organizations that are not majority firms.

Treasurer Ma agreed that it is a long term commitment.

Mr. Silverwood introduced himself as part of Affirmed Housing. He had a question regarding the letter of September 12, 2020 that said they shall establish truly integrated inclusive and balanced living patterns that offer opportunity for upward mobility for residents by creating units of housing that stretch widely across the income brackets in low income communities and by building more deeply affordable units in well-resourced areas with higher opportunity. He thought that the goal is a good one but was confused as someone who is a provider of affordable housing here in California. For probably the last five years or so, there has been a move to develop housing in higher resource areas and part of the decision to move in that direction was to give folks who live in lower income communities access to better school systems. He then expressed that he did not know if they had enough resources to do both. He then brought up a second point regarding prioritized cost containment solutions. At Affirmed they are supportive of that. The third point he brought up was the removal of barriers and inclusion of new development partners. He stated that they are supportive of that too and thought that some of the challenges might come less from the CDLAC and CTAC awards of well-developed projects, but might come from investors and lenders being able to back those deals.

Ms. Castro-Ramirez stated that in terms of encouraging the development of affordable housing units in higher resource neighborhoods, it has been a priority of the state and the most recent data from the Turner Center shows that about 20% of units are being created in higher resource neighborhoods. She added that largely 60 to 70% are still being developed in lower income neighborhoods, so the intent of her conversation is to recognize that it is important to continue to build more housing in higher resource neighborhoods to have better connection to schools, jobs or other key amenities that would help transition. Ms. Castro-Ramirez stated that during the time she spent at HUD, there was an initiative to create neighborhoods of choice and the idea was to ensure that they were providing comprehensive investments in housing, education, economic development and infrastructure. Furthermore, she stated that a way to reverse many decades of disinvestment is by being more comprehensive in how money is invested in neighborhoods.

Treasurer Ma stated that this is their sixth CDLAC meeting and in the first meeting, they had about 35 people in attendance and now they have 100 people, so there was more interest. In the first meeting, she talked about preservation and how the board allocated a certain amount for the preservation pool, yet nobody qualified because the qualifications were too tight. Treasurer Ma stated that the committee worked hard to open it up so that they can make sure that not only new developments are funded but that they are preserving and protecting the existing housing that is on the verge of converting to market rate. Treasurer Ma wanted to remind the committee that there has been a lot of emphasis on new construction, but it is less expensive to preserve existing housing. Furthermore, she stated that they have to think about the scoring system because the rehab projects are not going to be able to win the points to be able to keep the units affordable.

Mr. Jones stated that he is grateful for everyone's effort on behalf of creating a much more fair and equitable environment for under-represented developers to participate and for bringing the staff to talk to the meeting. He thanked Secretary Castro-Ramirez for being on the call and wanted to thank those who have been pushing for more provisions that allow for more equitable participation in particular, by African-Americans and other developers of color that have been completely stalemated out and bringing a little bit of attention to people like Mr. Johnson, Mr. Gilmore and Ms. Sandidge who have been in this industry for so many decades like himself. Mr. Jones stated that he feels robbed of his dignity when developers like himself are forced into joint ventures with people who are younger than him and do not have nearly the same amount of expertise, just because they are lacking in some financial capacity that disqualifies them from doing the project on their own. He stated that he wants to look at long term goals in developing solutions to some of the core issues that would allow them to bring their ability to participate but also to bring all of the creative benefits.

Treasurer Ma thanked Mr. Jones and let everyone know that Secretary Castro-Ramirez had to leave for a call at 1 p.m. and it was currently noon.

Ms. Trujillo thanked Treasurer Ma for allowing so much public comment. She stated that it was great to hear from the broader community and wanted to thank Secretary Castro-Ramirez and the Administration for laying out such clear goals as to where their changes were coming from. She stated that she is the CEO of Excelerate Housing Group which is a newly formed permanent supportive housing women owned developer in Los Angeles. She mentioned that she spent six years prior to that running development and the portfolio at the Skinner Housing Trust, so she has been in permanent supportive housing for quite a while. She stated that she supports the overall goals and thinks the framework is really moving in the right direction, but that there were still some unanswered questions and potentially some unintended consequences, so she wanted to tell everyone the things that stood out to her where she had some questions. On affirming fair housing, which she thought was a good direction to go in, she stated that it was not clear where projects that fall in the middle income communities would be able to compete. Ms. Trujillo stated that joint ventures are good and that her entire company was formed with the idea of building capacity with a non-profit service provider, so she definitely supports the joint venture model, but does not think it is efficient to have every single housing project in the State of California be a joint venture. She stated that there a lot of non-profits and for profits that do really well on their own, but thinks that there are ways they can achieve capacity building without requiring that. She also stated that a significant barrier to emerging developers or community based organizations that are trying to do development that is not being heavily capitalized and not having the balance sheet to support what you are trying to do, which is why you are asked to partner with a bigger non-profit or a for-profit entity that comes with resources. Ms. Trujillo stated that women tend to be represented well in non-profits, but that sort of represents a glass ceiling for women to not then be able to go out on their own and start their own companies, therefore she encourages those that are trying to include women as well. Furthermore, Ms. Trujillo mentioned that she fully supports and acknowledges that black and brown organizations have been struggling throughout the years, and she supports the direction that the Administration is going, but does not want women to be left out of that conversation exclusively. She also wanted to point out reaffirming fair housing, she sees issues with creating lower income units in high resource neighborhoods for families to have access to those resources. Ms. Trujillo stated in order to qualify, the rents have to be 10% below market, so there can be some challenges in having higher rent units in lower resource communities just from a programmatic requirement perspective. In conclusion, she also sees it really challenging in being able to limit 100% PSH projects under the current definition.

Ms. Trask stated that she is the Executive Director of an organization called DMW Law. They support activists that are supporting new housing developments, market rate and below market rate, and subsidized affordable. She mentioned that if one looks at the zoning, the general plan, there is legally nothing that a locality can do to stop projects and so they write letters to sue cities and sometimes sue cities for the city council to approve a project. She stated that affordable housing developers, even with the law on their side are reluctant to sue cities because they need the localities to fund the projects. Furthermore, Ms. Trask is working on encouraging cities to zone for affordable housing in high opportunity areas.

Ms. Guarino stated that she is from the Riverside County First Time Homebuyers Program and found the point system to be interesting and educational as she is fairly new to the position and was wondering if there were any plans yet about the 2021 allocation towards MCC funds.

Mr. Sertich stated that at the beginning of the year, the committee made a decision to prioritize multifamily housing because it ties with the low income tax credits and would have a discussion again at the end of the year when they figure out their allocations for 2021.

Mr. Greenlee stated that he is the Executive Director of the Southern California Association of Non-Profit Housing, an organization that represents affordable housing developers in Los Angeles, Ventura, Riverside, San Bernardino and Orange Counties. He wanted to thank Ms. Castro-Ramirez for putting together a thoughtful proposal and he looks forward to the opportunity to discuss how they make their state programs align with each other to create more efficiency. He mentioned that he had a member from his organization participating in the Treasurer's working group, Ms. Gallo, President and CEO of the Community of Friends. Mr. Greenlee wanted to express a general appreciation and support for the direction that things are going, particularly what the Governor's Office had recently provided. He stated that was the third proposal, which included a proposal from the Controller's Office and a proposal from the working group and appreciates the support towards increasing participation of community development corporations, community based organizations and minority owned businesses. Additionally, Mr. Greenlee stated that some issues that were raised in the meeting are seen as areas of concern, such as measuring the number of units versus the number of developments and the homeless set-aside.

Treasurer Ma stated that Mr. Greenlee was making her closing speech and seeing as how they have now heard from the Governor's Office, she had a question about market rate deals that go to affordable and would these be classified as Other Affordable deals or New Construction, but decided that she would leave that to the working group to make a decision. Treasurer Ma asked about net new units when market rate deals are taken to affordable and wanted to ask Mr. Shoemaker and Mr. Roope to come forward and talk about this. Treasurer Ma stated that the working group had gone above and beyond at all the meetings and would like to make sure that the final proposed regulations are in line with everybody's comments and thoughts.

Mr. Shoemaker thanked Mr. Roope, Treasurer Ma, the CDLAC committee, and Ms. Castro-Ramirez for giving a very clear explanation of goals from the Governor's Office. He stated that most people in the working group support the vast majority of comments made today, but not all of them and mentioned that there is a clear path forward if the other committee members agree with it. Mr. Shoemaker stated that the working group sees this as a policy framework where others' comments can go and fill it in. He stated that the inside of a pool in which a developer can compete without any joint venture partners is important and would like to encourage the committee to move on this issue. Mr. Shoemaker stated that Ms. Trujillo's point is similar to the programs where general partners and sub-contractors that cannot bond effectively are able to join pooled bond programs, therefore some capacity building either grants or access to capital or credit enhancement for balance sheet purposes is critical. He stated that 50% of his work at Mercy Housing is joint venture, sometimes with a junior partner and sometimes with a senior partner. Additionally, Mr. Shoemaker stated that what tends to determine the joint venture partnerships is a lot of times risk and reward issues to that drive some of the split of the developer fee. Therefore, he believes that equalizing makes it less of an issue for smaller and emerging developers. Mr. Shoemaker stated that for building capacity, getting to Mr. Gilmore's point, if they want a developer to perform a lot of this work and not have paper joint ventures but true joint ventures in which people develop actual capacity, capacity building for people to hire others would go a long way. He wanted to talk about fair housing issues and how they relate to the scoring system in housing development as many people on the call have a history and background on this issue. Additionally, Mr. Shoemaker stated that both Mr. Roope and himself would be supportive of including more people in the working group and would welcome more participation from the state housing agencies as well. Mr. Shoemaker stated that Ms. Trujillo makes an excellent point but that neighborhoods are non-binary and there is no low income and high concentration of poverty on one end and then high opportunity and no racial concentrations on the other as it is a spectrum. Furthermore, Mr. Shoemaker asked to what extent do we push a bit harder in communities of opportunity in terms of serving more than 20% ELI/VLI as it seems to be worth a discussion.

Mr. Roope thanked Mr. Shoemaker and stated that the working group has a diversity of opinion and they work on it together. He stated that they have a difference of opinion as to income targeting but he appreciates the Administration stepping in and complimenting what the Treasurer had done with her six goals and what the Controller's Office had done with their proposal and rounding it out so that the working group could dig into the details. Mr. Roope wanted to say that after the committee decides on the general there is a lot of work to be done in drafting regulations and if the committee is able to say at this meeting or the next that they like the policy direction, then the working group would help staff with ideas on how to craft the language to meet the objectives. Additionally, Mr. Roope wanted to talk about experience and how he thinks it is great to have a joint venture structure where community based organizations and CDCs can partner with more experienced developers, but he also feels that a choice should be given to allow those organizations to proceed with projects on their own if they can demonstrate some basic capabilities of having done a few projects previously. He stated that there would be a need for the state or other agencies to step in and help with the financial capacity elements of this and thinks this criteria should be extended over to the 9% program as well.

Treasurer Ma thanked Mr. Roope for bringing his thoughts forth. She stated that both the IBank as well as the Treasurer's Office are very experienced with loan guarantee programs to give the assurance to the financial institutions to be able to make riskier loans. Treasurer Ma stated that it is a good idea and would look into it and would now turn the discussion over to Mr. Walker in terms of the next steps. She proposed having another meeting so that they can vote on the revised working group's proposal and would be closing the meeting today for administrative processes.

Ms. Miller wondered if it would be possible to vote because it was listed as an action item and to her understanding, they needed language to implement and begin the regulatory process. She then looked to Mr. Walker to see if they could make a motion that day.

Mr. Walker replied saying yes.

Ms. Miller continued to then make a motion to support the framework and suggested to meet again in the future to begin the full regulatory process to work remaining details. She supported a move to approve the framework that was laid out by Secretary Castro-Ramirez that day.

Mr. Sertich expressed that he had concerns about the general framework details. The larger concern at the Controller's Office was that they thought they had to make sure the scoring reflected outcomes and ensure the policies that the Committee has put forth. The Controller and Mr. Sertich had discussed this and did not think they were ready to support the idea moving forward until the framework had more details. They were, however, willing to support the framework discussed on the previous Thursday, although they had not fully vetted them, nor had a clear understanding of the outcomes and the incentives that would be provided. He thought one of the big issues was the cost containment measure, and he didn't trust that the bases limits and the adjustments that they were making on the cost containment measures were going to reflect the policies that they are trying to drive. Mr. Sertich pointed out that one of the speakers brought up the fact that it was generally more expensive to develop in higher opportunity areas, and if they were balancing cost containment they might have been pushing back on that by not allowing developments to happen in those areas because the threshold bases limits are done at the county level. Their proposal tried to look at it on a smaller level, on a zip code level to get to the issue. He was also concerned about what tie-breaker they were going to use and how all the scoring was going to work if they were generating and coming up with a maximum scoring system, which he didn't think was the ideal measure, but he understood that they may have to get there. He then expressed that they really needed to make sure the tiebreaker being put in place was measuring what they want it to measure so the projects that they want to get funded are funded. He concluded saying he would prefer the Treasurer's route of reconvening a week or two later before making final decisions moving forward.

Treasurer Ma recommended for the presentations to be put up on CDLAC's website and stated she would like an opportunity to review before voting. She suggested for everyone to think about everything in terms of preservation, at risk properties and whether there was enough money to make sure that they maintain those types of properties and also converting from fair market value to affordable and what categories those go into. She believed they had a general framework and suggested that they refrain from voting today and to schedule another meeting.

Ms. Miller stated that she would be happy to rescind her previous motion.

After a brief discussion around the room, Treasurer Ma, Ms. Miller, Mr. Sertich, and Mr. Shoemaker expressed their ability to have their next meeting on September 24th at 10:00 a.m.

Mr. Kass then pointed out that CDLAC applications for the December 9, 2020 round would be due that day and staff will need that day for applications.

Treasurer Ma then suggested the next meeting be on September 25th instead.

Mr. Shoemaker expressed that unfortunately, he would not be able to attend, and that Robyn or someone else from their committee could attend instead.

Treasurer Ma adjourned the meeting for further discussion on September 25, 2020 at 1 p.m.

CDLAC Allocation System for 2021 (Administration Framework with Working Group Proposed Edits) 9-23-20 - Substantive changes highlighted in yellow					Link to Policy Goal*
				Notes	
Est. QRRP PAB Volume Cap	% Set in Jan '21	3,500,000,000			
Pools				Projects funded in pools don't count toward geographic regions; projects in pools don't spill to geographic region except CDC / CBO New Construction projects	
Rural				Rural new construction projects compete in this pool. Rural acquisition/rehabilitation projects compete in the Preservation / Other Affordable Pools.	8
Preservation					
Other Affordable				Projects not meeting New Construction or Preservation definitions compete in this pool.	
CDCs / CBOs				Pool for Community Development Corporations and Community Based Organizations led and/or owned by persons of color. Specific criteria and CBO/CDC definition TBD. Project type may be Rural, Preservation, Other Affordable or New Construction	1,3
New Construction Set-Asides				All set-asides spill to geographic regions; new construction includes adaptive re-use	
Homeless Units				**See Note 1:** Homeless projects with HCD / Local only funding spill down to Extremely Low/Very Low Set-Aside if not funded in Homeless Set-Aside. Policy target is to focus on units vs developments to encourage inclusive communities and projects vs projects exclusively for homeless tenants.	1
State/Local Funded: Extremely-Low / Very-Low Units				**See Note 2:** Projects must have HCD or local funding of 15% or more of total dev. costs.	1,9
State Funded: Mixed-Income Units				Projects may only use new bonds for units that are 80% AMI or below. Partnerships with state and local included.	1
Total Pools and Set-Asides		1,750,000,000			
New Construction Remainder					
Geographic Regions (New Construction Only) - Jan '21 Review					
Location	% (TBD)	Amount (TBD)		1) No carryforward from year to year of deficits / surpluses like 9%; 2) A waiting list structure would be used for the last round of the year to use regional leftovers; 3) Projects funded in pools and set-asides do not count toward regional goals; 4) %'s below are from the 9% geographic system with no adjustments	8
Coastal Region	19% to 21%	$332M to $369M		Central Coast (5.2%), Orange (7.3%), San Diego (8.6%)	
City of Los Angeles	18% to 21%	$308M to $367M		City of Los Angeles (17.6%)	
Balance of LA County	16% to 17%	$280M to $301M		Balance of Los Angeles County (17.2%)	
Bay Area Region	17% to 24%	$299M to $420M		San Francisco (3.7%), South and West Bay (6.0%), East Bay (7.4%)	
Inland Region	12% to 17%	$210M to $296M		Central Valley (8.6%), Inland Empire (8.3%)	
Northern Region	8% to 10%	$140M to $177M		Capital (5.7%), Northern (4.4%)	
	100.0%	1,750,000,000			
Scoring (120 Points)			Pts.		
1A Preservation Priorities (Acq. & Rehab.)		10	10	**See Note 3.**	
1B Density & Local Incentives (New Construction)		10		Project includes any one of the following: (1) Local jurisdiction has approved the project at a density greater than that allowed by the general plan through the use of state/local density bonus law, SB 35, concession and/or waivers; (2) Project is being developed at a per net acre density as follows: A) 100 bedrooms in Urban areas; B) 60 bedrooms in Suburban areas; C) 40 bedrooms in Rural areas; Net acre defined as parcel boundaries after dedication of any public right-of-way, the presence of restrictive easements, and non-buildable areas. Possible grandfather clause: Projects with land-use approvals obtained prior to January 1, 2022 shall earn full points in this category; or (3) Jurisdiction has met HCD's "Pro-Housing" designation requirements.	1,2,6
2 Affirmatively Furthering Fair Housing			20	**See Note 4.**	1,3,7,8,9
3 Service Amenities			10	Use TCAC 9% criteria (keep same for both programs) - TCAC staff requests recommendations for simplifying this category, especially for PSH projects	1,5
4 ~~Gross Rents (5 points)~~				Eliminate from scoring and make a threshold requirement	
4 Exceeding Minimum Income Restrictions			20	2 points for each 1% the average affordability is below 60% AMI (average affordability of 50% AMI = 20 points OR full points earned with an average affordability of 60% AMI or less with a minimum of 10% at 30% AMI and 10% at 50% AMI - only bond/tax credit units measured in both scenarios	1,2,5,9
5 Exceeding Minimum Rent Restrictions (% below Market)			10	1 point for each 1% the average affordability is greater than 10% below market (measure bond/tax credit units only)	5
~~**6** New Cons. / Adaptive Re-Use / Subs. Renovation (10 pts.)~~				Eliminate since it is no longer necessary to award points for this with creation of pools, set-asides and geographic regions	

6A	General Partner & Management Co. Experience	10	10	**See Note 5.** Review this criteria carefully so it does not penalize new entrants or create an unnecessary obstacle. Consider a more flexible method to reduce risk in project failure. For example, look at key staff on the project versus organizational experience.	
6B	Management Structure and Equity Share	10		**See Note 5.** Points for true equity split on fees and other cash flow revenue 50/50, small/large development Joint Ventures or JV's with community-based organizations when such organization exists. Demonstrate equitable share of work to support capacity building for newer or less experienced entrant.	3
6C	CDC / CBO Experience	10		**See Note 5.**	3
7	Housing Types (replaces Large-Family points)		10	Use TCAC 9% criteria for Large Family, Senior, Special Needs, SRO (must be Special Needs or 100% at 40% AMI or below) and At-Risk, but add a High Density housing type that meets conditions in 1B; waiver of criteria available for New Construction projects with land-use approvals obtained prior to January 1, 2022	6
~~8~~	~~Community Revitalization Areas (5 pts.)~~			Eliminate to avoid determining factor that drives production into existing low-income areas	
8	Cost Containment		12	1 point for every 1% below TCAC basis limits, with permitted adjustments - See attached "Cost Containment" worksheet. Projects in Highest and High Resource Areas earn 2 points for every 1%.	2,4,11
9	Leveraged Soft Resources		8	1 point for every 1% of Residential TDC; Use TCAC 9% definition, but expand to include recycled bonds and private non-related party soft money and eliminate taxable tail provisions. Projects in Highest and High Resource Areas earn 2 points for every 1%.	2,4
10	Readiness to Proceed		10	Use TCAC 9% criteria (keep same for both programs)	
~~11~~	~~Sustainable Methods (10 pts.)~~			Eliminate to reduce costs and recognize California's already highly efficient building code	
~~12~~	~~Forgone Developer Fee (10 pts.)~~			Eliminate to align programs and recognize proposed reduction in developer fee limits (recommendations forthcoming)	
~~13~~	~~Exceeding Minimum Term of Restriction (10 pts.)~~			Eliminate from scoring and make 55-year regulatory period a threshold requirement	
	Total Scoring Potential		**120**		
TB	Adjusted Bonds per Adjusted Units - 2021			Adjusted tax-exempt bonds (numerator) divided by bedroom-adjusted units (denominator) - See attached "Tie Breaker" worksheet	2,6,11,12
11	State Benefit and Efficiency Measure (SCO Proposal) - 2022			Uncapped scoring category measuring value of public benefit relative to adjusted state resources used	4,5,6,10,12

**** Policy Goals outlined in 9/12/2020 Memo from Secretary Lourdes Castro Ramirez to Treasurer Fiona Ma:***

1 Establish truly integrated, inclusive and balanced living patterns that offer opportunity and upward mobility for residents, by creating units of housing that stretch widely across the income brackets in lower income communities AND by building more deeply affordable units in well-resourced areas with higher opportunities

2 Prioritize cost containment solutions that enable our public resources to stretch further; and

3 Removal of barriers and inclusion of new development partners, specifically Black and Brown development partners in the affordable housing space

****Policy Goals specified in AB 83***

"*Align the programs of both committees with the objective of increasing production and containing costs*" as follows:

4 "*maximize*" a) "*the efficient use of public subsidy*", and

5 "*maximize*" b) "*benefit*" using at least the following *"factors"*:

6 *"The number and size of units developed, including local incentives provided to increase density"*

7 *"The proximity to amenities, jobs and public transportation"*

8 *"The location of the development"*

9 *"The delivery of housing affordable to very low and extremely low income households by the development"*

10 *"The total state subsidy provided"*

11 *"Prioritize"* a) *"cost containment"*

12 *"Prioritize"* b) "*increased unit production*"

CDLAC Allocation System for 2021

Notes 9-23-20 (Yellow highlighted areas represent Working Group comments to Administration proposal) **Administration's Notes 9/24**

1 Definition of "Homeless" to qualify for the Homeless Set-Aside

Minimum of 25% of the units shall be permanent supportive housing for the formerly homeless; projects with 100% of the units as permanent supportive housing shall have priority in the set-aside

2 Criteria to qualify for the State Local Funded: Extremely-Low Income / Very-Low Income Units:

If project qualifies using HCD funding:

- Income targeting shall remain consistent with HCD award

If project qualifies using local funding:

- If large-family and In Low or High Segregation and Poverty Resources areas:
  - Project must have income targeting with a range that is at least 30% apart from the low to the high (i.e. if units are targeted at 30% AMI, there would need to also be units targeted at least up to 60% AMI) and there must be at least 10% of the units at each end of the range.
- If large-family and in Highest / High Resource areas:
  - Project must have at least 10% of the units at 30% AMI and 10% of the units at 50% AMI
- For all other housing types and project areas:
  - Project must achieve full 20 points in scoring category #4 Exceeding Minimum Income Restrictions

3 Preservation Criteria and Scoring

Preservation properties shall be a) required to complete rehabilitation work at a minimum of $50,000 in hard construction costs per unit, as defined in TCAC Regulation Section 10302(u), subject to the provisions of IRC Section 42(e)(3)(A)(ii)(I), and b) increase energy efficiency by a minimum of 10% over existing conditions.

Points (Maximum of 10 - Points awarded in only 1 of the 3 categories)

10	Federally-Assisted At-Risk or any other project in which at least 50 percent of the units receive governmental assistance and the rent and income restrictions will terminate or be eligible for termination within five years of application, with no other restrictions remaining
7	A property that meets at least one of the following: (i) any replacement or rehabilitation project approved by HUD pursuant to a Section 18 or 22 Demolition/Disposition authorization; (ii) any project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program; or (iii) a property with a pre-2000 HCD loan that is being restructured pursuant to Section 50560 of the Health and Safety Code (AB 1699) that has not previously received an allocation of Low-Income Housing Tax Credits.
3	A property that receives governmental assistance on at least 50 percent of the units pursuant to either (i) Project-Based Section 8 or Rent Supplement, (ii) USDA Rent Supplement, (iii) Section 236 Financing, (iv) Section 221(d)(3) Financing, (v) USDA 514 or 515 Financing, or (vi) Department of Housing and Community Development Financing (other than AB 1699 projects), that has not previously received an allocation of Low-Income Housing Tax Credits.

4 Affirmatively Furthering Fair Housing Scoring Details (Maximum of 20 points awarded in only 1 of 4 categories)

		Administration's Notes
(1)	If a large-family project located in a Highest or High Resource Area with a minimum of 10% of the units at 30% AMI and 10% of the units at 50% AMI: **20 Points**	
(2)	If a large-family project located in a Moderate (Rapidly Changing) or Moderate Resource Area with a minimum of 10% of the units at 30% AMI and 10% of the units at 50% AMI: **~~10~~ 9 Points** **AND** up to 10 points available in the 9% LIHTC Site Amenity category: **10 Points**	Reduction from possible total 20 to 19 points to differentiate between options (1) and (2-4)

(3)	If a large-family project located in a Low / High Segregation and Poverty Resource Area and project has an income targeting range of at least ~~30%~~ **40%** from the low to the high (i.e. if units are targeted at 30% AMI, there must also be units targeted at ~~60%~~ **70% AMI as markets allow**), and has at least 10% of the units at each end of the range - **with units allowable up to 80% AMI**, and is done by a CDC/CBO located in that neighborhood and/or is part of a formal government revitalization plan : ~~**10**~~ **9 points** **AND** up to 10 points available in the 9% LIHTC Site Amenity category: **10 Points**	Reduction from possible total 20 to 19 points to differentiate between options (1) and (2-4). To achieve the goals of AFFH, recommend increasing the range from 30% to 40% from the low to the high.
(4)	All other project types and locations: Project scores maximum points in scoring #4 Exceeding Min. Income Restrictions: ~~**10**~~ **9 Points** **AND** up to 10 points available in the 9% LIHTC Site Amenity category: **10 Points**	Reduction from possible total 20 to 19 points to differentiate between options (1) and (2-4)

Note: Projects located in census tracts designated as "Missing/Insufficient Data" shall be considered to be located in the resource area that most frequently touches the boundary of the project's census tract as measured by total perimeter length.

5 General Partner and Management Company Experience (Maximum of 10 points awarded in 1 of 3 categories)

6A	General Partner and Management Company Experience - 10 points Meets general partner and management company experience per 9% LIHTC program
6B	Management Structure and Equity Share - 10 points Joint venture between CDC/CBO and a general partner meeting 6A No experience required for CDC/CBO Project fees and economics split 50/50 ROFR available to CDC/CBO Developer fee limit increased from 15% to 20% of eligible basis, or in cases where fee is limited, the limit shall be increased by 1/3rd, all subject to developer fee limitations imposed by other funding sources
6C	CDC / CBO Sole Sponsor - 10 points Completed 1 affordable housing project in last 5 years with no defaults or uncorrected non-compliance Experienced internal staff or support from experienced housing consultant Completed or will complete TCAC/CDLAC training May either self-manage property or hire an experienced 3rd party manager meeting conditions in 6A

Cost Containment

Sacramento County	4% TCAC Basis Limits	Units	Base Limit	Notes
1-Bedroom	301,093	30	9,032,790	
2-Bedroom	363,200	40	14,528,000	
3-Bedroom	464,896	30	13,946,880	
Total Base Limit			37,507,670	
+ Various Basis Boosts (Per TCAC Allowances)		35%	13,127,685	See below for current basis boosts plus proposed changes.
+ Impact Fees			2,000,000	
Depreciable Basis Cost Limit (A)			52,635,355	
Project's Budgeted Depreciable Basis (B)			40,000,000	
% Below (Above) Basis Limit (A - B / A)			24.01%	
Points (1 pt. for every 1%, round down)			12	Maximum of 12 points
Current TCAC Basis Boosts - Section 10327(c)(5)(A)				These basis limits all need to be adjusted - some too high, some too low
Prevailing Wages	20.0%			
Project Labor Agreement	5.0%			
Concrete Podium	10.0%			Increase from 7% to 10%; podium must be >= 80% of building footprint
Day Care	2.0%			
100% Special Needs	2.0%			
Elevator Serviced Building	10.0%			May now be duplicative boost when adding Type I and Type III
Current TCAC Basis Boosts - Section 10327(c)(5)(B) through (F)				
~~Energy/Green Features~~	~~10.0%~~			Energy/Green Feature boost recommended for elimination
Deeper Income Targeting	80.0%			Capped at 80%; eliminate boost if basis limits are reformed
Seismic Upgrade/Toxic Mitigation	15.0%			
Local Development Impact Fees	Varies			
High Resource Area	10.0%			
Proposed New Basis Boosts				
Type III Building	10.0%			Recommended for addition
Type I Building	15.0%			Recommended for addition

CDLAC Allocation System for 2021 **Rev. 9/23/20**

Tie Breaker - Cost & Resource Area-Adjusted Bond Request / Bedroom Adjusted Units

STEP 1: Calculate Cost and Resource Area-Adjusted Bond Request

			Notes
Bond Request	25,000,000	(A)	
Statewide Basis Delta	10%	(B)	This is the difference between the project's county threshold basis limit and the lowest county basis limit in the state.
Highest / High Resource Area	**20%**	(C)	This bond request scoring discount is meant to give a purposeful advantage to Highest and High Resource Area large family **and permanent supportive housing** projects.
Cost/RA-Adjusted Bond Request	17,500,000	(A - (A x (B+C)))	

STEP 2: Calculate Bedroom Adjusted Units

Unit Type	Proposed Units	Adj. Factor	Adjusted Units	Notes
Studio	20	0.90	18.00	
1-Bedroom	20	1.00	20.00	
2-Bedroom	20	1.25	25.00	
3-Bedroom	30	1.50	45.00	Up to 30% of total units counted, then counted as a two-bedroom
4-Bedroom or larger	10	1.75	17.50	Up to 10% of total units counted, then counted as a two-bedroom
	100		125.50	

STEP 3: Calculate Tie Breaker

		Notes
Cost-Adjusted Bond Request	17,500,000	
Divided by		
Bedroom-Adjusted Units	125.50	
Equals		
Tie Breaker	139,442	Lower is better

CDLAC Tie-Breaker for 2021
Adjustment Factors for Statewide Basis Delta Rev. 9/23/20

County	2 Bed Basis Limits	Basis Delta Over Lowest Limit	Statewide Basis Delta
Alameda	492,000	128,800	26.2%
Alpine	363,200	-	0.0%
Amador	363,200	-	0.0%
Butte	392,000	28,800	7.3%
Calaveras	363,200	-	0.0%
Colusa	363,200	-	0.0%
Contra Costa	469,600	106,400	22.7%
Del Norte	363,200	-	0.0%
El Dorado	363,200	-	0.0%
Fresno	363,200	-	0.0%
Glen	363,200	-	0.0%
Humboldt	363,200	-	0.0%
Imperial	363,200	-	0.0%
Inyo	363,200	-	0.0%
Kern	363,200	-	0.0%
Kings	363,200	-	0.0%
Lake	363,200	-	0.0%
Lassen	363,200	-	0.0%
Los Angeles	408,000	44,800	11.0%
Madera	363,200	-	0.0%
Marin	408,000	44,800	11.0%
Mariposa	363,200	-	0.0%
Mendocino	363,200	-	0.0%
Merced	363,200	-	0.0%
Modoc	363,200	-	0.0%
Mono	363,200	-	0.0%
Monterey	396,800	33,600	8.5%
Napa	408,000	44,800	11.0%
Nevada	363,200	-	0.0%
Orange	363,200	-	0.0%
Placer	363,200	-	0.0%
Plumas	363,200	-	0.0%
Riverside	363,200	-	0.0%
Sacramento	363,200	-	0.0%
San Benito	363,200	-	0.0%
San Bernardino	363,200	-	0.0%
San Diego	363,200	-	0.0%
San Francisco	612,800	249,600	30.0%
San Joaquin	363,200	-	0.0%
San Luis Obispo	363,200	-	0.0%
San Mateo	475,200	112,000	23.6%

CDLAC Tie-Breaker for 2021

Adjustment Factors for Statewide Basis Delta Rev. 9/23/20

County	2 Bed Basis Limits	Basis Delta Over Lowest Limit	Statewide Basis Delta
Santa Barbara	363,200	-	0.0%
Santa Clara	444,800	81,600	18.3%
Santa Cruz	363,200	-	0.0%
Shasta	392,000	28,800	7.3%
Sierra	363,200	-	0.0%
Siskiyou	363,200	-	0.0%
Solano	408,000	44,800	11.0%
Sonoma	434,400	71,200	16.4%
Stanislaus	363,200	-	0.0%
Sutter	363,200	-	0.0%
Tehama	363,200	-	0.0%
Trinity	363,200	-	0.0%
Tulare	363,200	-	0.0%
Tuolumne	363,200	-	0.0%
Ventura	363,200	-	0.0%
Yolo	366,400	3,200	0.9%
Yuba	363,200	-	0.0%
Total of Above	22,088,800		
Lowest Limit	363,200		
Adjustment Cap	30%		

State Benefit and Efficiency Measure - Scoring Category #11 9/23/2020

STEP 1: Calculate Bedroom Adjusted Units

Unit Type	Proposed Units	Adjustment Factor	Adjusted Units	Notes
				For all units, only count government regulated units at 120% AMI and below
Studio	20	0.85	17.00	
1-Bedroom	20	1.00	20.00	
2-Bedroom	20	1.50	30.00	
3-Bedroom	20	2.00	40.00	Limited to 30% of total units, any in excess counted as 2 bedroom units
4-Bedroom or larger	20	2.50	40.00	Limited to 10% of total units, any in excess counted as 2 bedroom units
	100		147.00	

STEP 2: Calculate Total Public Benefit

	Adjusted Units	Value	Total Value		Notes
Unit Production Benefit	147.00	50,000	7,350,000		Market rate units not included
Total Unit Production Benefit				7,350,000	

Rent Savings Benefit	Proposed Units	Monthly Net Restricted Rents	Small Area FMR	Monthly SAFMR	30-Year Rent Savings		Notes
							Use TCAC restricted rents - county average utility allowance
Studio	20	16,000	1,500	30,000	5,040,000		
1-Bedroom	20	24,000	1,800	36,000	4,320,000		
2-Bedroom	20	28,000	2,000	40,000	4,320,000		
3-Bedroom	20	36,000	2,400	48,000	4,320,000		
4-Bedroom	20	40,000	2,800	56,000	5,760,000		
Total Rent Savings Benefit						23,760,000	

Special Population Benefit	Proposed Units	Value	Total Value		Notes
					Units can be counted in multiple categories
Veterans	50	15,000	750,000		
Physically/Mentally Disabled	10	30,000	300,000		
Homeless	50	60,000	3,000,000		
Seniors	0	15,000	0		
Farmworkers	0	30,000	0		
Other Special Needs	0	30,000	0		
Total Special Population Benefit				4,050,000	

Location Benefit	"x"	Adjusted Units	Base Value	Adjustment Factor	Adjusted Value	Total Value		Notes
High Resource Area	x	147.00	50,000	NA	50,000	7,350,000		
Highest Resource Area		0.00	80,000	NA	80,000	0		
TOD Emphasis	x	147.00	10,000	7	70,000	10,290,000		Per transit amenity points
Job Rich Census Tract	x	147.00	20,000	2	40,000	5,880,000		Within = 3, within 1 mile of border = 2, within 5 miles of border = 1
Other		0.00	0	NA	0	0		
Other		0.00	0	NA	0	0		
Total Location Benefit							23,520,000	
					Total Public Benefit		58,680,000	

STEP 3: Calculate Total State Investment

	Amount	Discount Factor	Net Amount	
				Does not include federal funds distributed by HCD or local government
Private Activity Tax-Exempt Bonds	10,000,000	25%	7,500,000	Recycled bonds are not included. Bond value is less than value of state credits and other soft funds
State Tax Credits	6,000,000	0%	6,000,000	
State Grants	1,000,000	0%	1,000,000	
State Loans	5,000,000	25%	3,750,000	Includes discount factor because loans must be repaid, state can recycle all loan payments
Other	0	0%	0	

Total State Investment 18,250,000

	"x"	Adjustment
Prevailing Wage	x	15%

Adjusted State Investment 15,869,565

STEP 4: Calculate State Benefit and Efficiency Score

Total Public Benefit /	58,680,000	
Total State Investment	15,869,565	
Multiplied by Conversion Factor	10	
State Benefit and Efficiency Score		**36.976**

CDLAC Allocation System for 2021		Rev. 8/18/20	Notes	Admin Change	Link to Policy Goal*	Note or Flag for Regulations
						Specificity of % will be based on January 21 decisions and actual bond allocation
Est. QRRP PAB Volume Cap	% Set in Jan 22	3,500,000,000	"Green Highlight" indicates State Administration's recommended changes to 8/18/2020 framework proposed by Working Group.			
Pools			Projects funded in pools don't count toward geographic regions; projects in pools do not spill to set-asides or geographic regions			
Rural			Rural new construction projects compete in this pool. Rural acquisition/rehabilitation projects compete in the Preservation / Other Affordable Pools.			
Preservation						
Other Affordable			Projects not meeting New Construction or Preservation definitions compete in this pool.			
CDCs / CBOs			Pool for Community Development Corporations and Community Based Organizations led and/or owned by persons of color.	Added new pool.	1, 3	Need to define the parameters of CDCs/CBOs in the Regulations
New Construction Set-Asides			All set-asides spill to geographic regions; new construction includes adaptive re-use			
Homeless **Units**			**See Note 1:** Homeless projects with HCD / Local only funding spill down to Extremely Low/Very Low Set-Aside if not funded in Homeless Set-Aside. **Policy target is to focus on units vs developments to encourage inclusive communities and projects vs projects exclusively for homeless tenants.**	Specify policy goal to clarify set-aside.	1	
State/Local Funded: Extremely-Low / Very-Low Units			**See Note 2:** Projects must have HCD or local funding of 15% or more of total dev. costs. **Policy target is to focus on units vs developments. Developments do not need to be 100% ELI/VLI; focus is on the creation of these units with the policy goal of inclusive communities and projects.**	Specify policy goal to clarify set-aside.	1	
State Funded: Mixed-Income Units			Projects may only use new bonds for ~~relative to their bond/tax credit affordable % if bond/tax credit~~ units **that are 80% AMI or below** ~~of total units~~. Partnerships with state and local included.	Specify policy goal to clarify set-aside.	1	Goal is to have initial allocation of bonds go to affordable low income units restricted at 80 AMI.
Total Pools and Set-Asides		1,750,000,000				
New Construction Remainder						
Geographic Regions (New Construction Only) - Jan 21 Review			1) No carryforward from year to year of deficits / surpluses like 9%; 2) A waiting list structure would be used for the last round of the year to use regional leftovers; 3) Projects funded in pools and set-asides do not count toward regional goals; 4) %'s below are from the 9% geographic system with no adjustments			
Location	% (TBD)	Amount (TBD)				
Coastal Region	19% to 21%	$332M to $369M	Central Coast (5.2%), Orange (7.3%), San Diego (8.6%)			
City of Los Angeles	18% to 21%	$308M to $367M	City of Los Angeles (17.6%)			
Balance of LA County	16% to 17%	$280M to $301M	Balance of Los Angeles County (17.2%)			
Bay Area Region	17% to 24%	$299M to $420M	San Francisco (3.7%), South and West Bay (6.0%), East Bay (7.4%)			
Inland Region	12% to 17%	$210M to $296M	Central Valley (8.6%), Inland Empire (8.3%)			
Northern Region	8% to 10%	$140M to $177M	Capital (5.7%), Northern (4.4%)			
	100.0%	1,750,000,000				
Scoring (120 Points)		Pts.				
1A Preservation Priorities (Acq. & Rehab.)	10		**See Note 3.**	Decreased 1A/1B category from 20 to 10 points. Adjusted tab to reflect cap at 10 vs 20.		

1B	Density & Local Incentives (New Construction)	10	10	Project includes any one of the following: (1) Local jurisdiction has approved the project at a density greater than that allowed by the general plan through the use of state/local density bonus law, SB 35, concession and/or waivers; (2) Project is being developed at a per net acre density as follows: A) 100 bedrooms in Urban areas; B) 60 bedrooms in Suburban areas; C) 40 bedrooms in Rural areas; Net acre defined as parcel boundaries after dedication of any public right-of-way, the presence of restrictive easements, and non-buildable areas. Possible grandfather clause: Projects with land-use approvals obtained prior to January 1, 2022 shall earn full points in this category; or **(3) Jurisdiction has met HCD's "Pro-Housing" designation requirements.**	Shifted Opportunity Maps to Sct 2. Added Pro-Housing option.	1, 2	
2	Affirmatively Furthering Fair Housing		20	**See Note 4.** <u>Guiding statement to CDLAC staff / Working Group to inform measurable criteria</u>: *State financed affordable housing should be issued consistently with Affirmatively Furthering Fair Housing Principles – taking meaningful actions that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. The state should seek to replace segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws. State should look for solutions to remove barriers that inhibit community-based developers' success in accessing funds for development within their communities.* Points shall be awarded as follows (Maximum of 20): (1) If lower AMI Project is located in a High or Highest Resource Area: 10 Points; (a) AND has also received full points for Service Amenities: +10 Points; (b) OR received points Site Amenity Scoring as defined in the TCAC 9% Program: up to 10 points OR (2) Project located in lower-income communities with broad spectrum of income units: 10 Points; (a) AND has also received full points for Service Amenities: +10 Points; (b) AND received points Site Amenity Scoring as defined in the TCAC 9% Program: up to 10 points	Added category and new criteria. Combined with Working Group's 'Site Amenities' category given significant overlap between methods to achieve AFFH and those in "Site Amenities" category. Link to Service Amenities category to achieve maximum points reflects priority of upward mobility for tenants.	1, 3	Point structure and accompanying definitions to be detailed in the Regulations
3	Service Amenities		10	Use TCAC 9% criteria (keep same for both programs) - TCAC staff requests recommendations for simplifying this category, especially for PSH projects		1	
4	~~Gross Rents (5 points)~~			Eliminate from scoring and make a threshold requirement			
4	Exceeding Minimum Income Restrictions (TBD)		20	2 points for each 1% the average affordability is below 60% AMI (average affordability of 50% AMI = 20 points <u>OR</u> full points earned with an average affordability of 60% AMI or less with a minimum of 10% at 30% AMI and 10% at 50% AMI - only bond/tax credit units measured in both scenarios	Increased from 10 to 20 total points. Adjusted internal point math.	1, 2	
5	Exceeding Minimum Rent Restrictions (% below Market)		10	1 point for each 1% the average affordability is greater than 10% below market (measure bond/tax credit units only)			
~~**6**~~	~~New Cons. / Adaptive Re-Use / Subs. Renovation (10 pts.)~~			Eliminate since it is no longer necessary to award points for this with creation of pools, set-asides and geographic regions			
~~**6A**~~	General Partner & Management Co. Experience	10		**See Note 5.** Review this criteria carefully so it does not penalize new entrants or create an unnecessary obstacle. Consider a more flexible method to reduce risk in project failure. For example, look at key staff on the project versus organizational experience.	Move to threshold criteria and change definition.	3	Move experience to threshold requirement and change definition of experience: blend of experience of key people and the organization based on risk to program.

6A	Management Structure and Equity Share	10	10	**See Note 5.** Points for true equity split on fees and other cash flow revenue 50/50, small/large development Joint Ventures or JV's with community-based organizations when such organization exists. Demonstrate equitable share of work to support capacity building for newer or less experienced entrant.	Added new scoring criteria.	3	Define terms and relationships in the regulations.
7	Housing Types (replaces Large-Family points)		10	Use TCAC 9% criteria for Large Family, Senior, Special Needs, SRO (must be Special Needs or 100% at 40% AMI or below) and At-Risk, but add a High Density housing type that meets conditions in 1B; waiver of criteria available for New Construction projects with land-use approvals obtained prior to January 1, 2022			Evaluate if 9% has unintended consequences before use
~~**8**~~	~~Community Revitalization Areas (5 pts.)~~			Eliminate to avoid determining factor that drives production into existing low-income areas			
8	Cost Containment (TBD)		12	1 point for every 1% below TCAC basis limits, with permitted adjustments - See attached "Cost Containment" worksheet	Increased from 10 to 12 points	2	Evaluate Cost Containment measure for efficacy as part of regulations
9	Leveraged Soft Resources		8	1 point for every 1% of Residential TDC; Use TCAC 9% definition, but expand to include private non-related party soft money and eliminate taxable tail provisions. **Include recycled bonds as an option for leverage.**	Decreased from 10 to 8 points. Include Recycled Bonds in definition of leverage.	2	
10	Readiness to Proceed		10	Use TCAC 9% criteria (keep same for both programs)			Evaluate if 9% has unintended consequences before use
~~**11**~~	~~Sustainable Methods (10 pts.)~~			Eliminate to reduce costs and recognize California's already highly efficient building code			
~~**12**~~	~~Forgone Developer Fee (10 pts.)~~			Eliminate to align programs and recognize proposed reduction in developer fee limits (recommendations forthcoming)			
~~**13**~~	~~Exceeding Minimum Term of Restriction (10 pts.)~~			Eliminate from scoring and make 55-year regulatory period a threshold requirement			
	Total Scoring Potential		**120**				
TB	Adjusted Bonds per Adjusted Units - 2021			Adjusted tax-exempt bonds (numerator) divided by bedroom-adjusted units (denominator) - See attached "Tie Breaker" worksheet			
11	State Benefit and Efficiency Measure (SCO Proposal) - 2022			Uncapped scoring category measuring value of public benefit relative to adjusted state resources used			