California Debt Limit Allocation Committee Board Meeting

Friday, September 25, 2020

1:00 p. m. - 3:15 p. m.

>> All right. Good afternoon, everyone. It is 1:06 p. m. on Thursday, September 25th. This is the California Debt Limit Allocation Committee. We are meeting at 915 Capitol Mall, Room 587 in Sacramento, and also virtually.

Item 1, Attendees

Anthony Sertich for Betty Yee, Gayle Miller for Gavin Newsom, Francesc Marti for Tia Boatman Patterson, and Gustavo Velasquez

>> All right. We do have a quorum.

Item number 2, approval of the minutes of September 10, 2020, meeting. Is it up on the website yet?

>> Evan Kass: It is up on the website with some minor edits that have been made.

>> Treasurer Ma: Okay. So, the minutes are on the website. It is 32 pages from the last meeting with a few minor edits. I personally went through it twice. So, if anyone has any other edits?

>> Anthony Sertich: I move to approve.

>> Other edits? Okay.

>> Gayle Miller: Second.

>> Okay. We have a motion and a second. Any members of the public wishing to comment? Seeing none.

>> Gayle Miller.

>> Aye.

>> Anthony Sertich.

>> Aye.

>> Fiona Ma.

>> Aye.

The minutes have been approved of the September 10, 2020, meeting.

Item number 3, discuss and choose between various regulation structures and strategies. This is an action item. Board members, do you want to make any opening comments, or should I ask Caleb to just come up and do a debrief on all the changes to the spreadsheet? Gayle.

>> Madam Chair, I'm happy either way. We do have some comments. We did post the administration's sort of suggestions on the website. Obviously, we really look forward to the conversation. So however, whatever your preference is, Madam Chair, whether we hear from Mr. Roope first, or I am happy to sort of talk about where the administration is regarding the working group's proposal yesterday. So, I defer to you entirely, but would like to sort of give a framework. I'm very hopeful that we're quite close today.

>> Yes.

>> Okay. Tony, any opening remarks? Gustavo? Francesc?

>> No, ma'am.

>> Okay. All right. Caleb, welcome.

>> Caleb Roope: Okay. Well, Madam Treasurer and members of the committee, as always, thank you for having us. And just a quick recap. I don't think I need to go into the specifics of the proposal, per se. But I just would say that we have been kind of responding to the latest committee direction, a lot from the administration, but then also from the Controller's office. And as a working group, we put forward our final proposal and then the administration made some comments to it. And while as a working group we haven't really had the chance to sort of reconvene about the administration's comments, we did anticipate them. Doug Shoemaker and I were able to have a call with the administration to go through the various items, a lot dealing with Affirmatively Furthering Fair

Housing and sort of the advantage of highest and high resource opportunity areas. We understand that to be an administration priority. And so, we propose some ideas in that area and the administration responded accordingly.

I would say that in the world of a competitive bond environment, we could anticipate that the development community will attempt to respond and start focusing more on High and Highest Resource Areas. Historically, those areas have not been seeing the kind of volume of applications and projects that might have been a result of the policy, but I think this new policy and really giving them a real solid prominence in the program is probably going to result in the development community moving in that direction and trying to build more projects in those areas, which, you know, we understand to be a policy goal.

So, I think that's kind of just a quick summary. The working group's edits to the previous administration’s proposal are in yellow. This is all available on the CDLAC’s website for people to see. The administration made comments, and you can see those clearly. I think I will just highlight some of those areas where some more work might need to be done.

Also, I did want to mention that four members of the Black Developers Forum joined our last working group meeting and that was productive. I think, for us, we really wanted to understand sort of the things that they cared about and maybe the criteria for experience. What we did do, and I think the administration, generally supported what we did as a working group, is we essentially encouraged the program modifications to include ways for either those minority-based developers to either partner with a larger, maybe more experienced organization, but also to have a path forward that they could pursue independently of a partnership, so trying to make sure we didn't have to mandate joint ventures and produce an opportunity where they had a way forward. And that's reflected under category number 6, the general partner experience really has three ways to qualify for any developer: the traditional way, let's say, and then the joint venture way, and then finally, the CBO/CDC independent way. We thought that was a good outcome.

We know there is more work to do in specifying the exact definition of the qualifications to be a CDC and CBO. We are looking forward to hearing what that might include. But we considered the set-aside or pool as was proposed by the administration, and I think as a working group, we were supportive of that.

We certainly appreciated the contribution that the black developers made to our working group and the perspective they brought, and that was valuable for us to hear and to help us get a better understanding of some of the challenges that they face in developing projects.

Maybe I will just kind of point your attention to a few things in the proposal that really do advantage High and Highest resource area projects. Those being in category number 4. You can look at the details in the notes tab, but given where the administration landed and kind of in concert with our proposal, projects in High and Highest Resource Areas do have a distinct point advantage, even albeit one point, but nevertheless a distinct advantage to prevail in the system and score maximum points where all other applicants wouldn't necessarily be able to do that in that category. So just note that.

In categories number 8 and 9, the qualifications to achieve those points were basically reduced in half for High and Highest resource area projects. We thought those were good ideas to help encourage those types of projects.

And then finally, if you shift over to the tiebreaker, giving a boost for High and Highest resource projects to have them have a better tiebreaker score also ended up in the proposal. So, I think High and Highest Resource Area projects will have some significant status in the program and will likely prevail, if they apply.

I will note one other item that was a discussion we had with the administration. If you are familiar with High and Highest Resource Areas and their applicability, they mostly apply to large family projects. And there are no other housing types that really qualify for those points. The administration introduced an idea of having permanent supportive housing in High and Highest

Resource Areas qualify for that tiebreaker credit. Please note it really is not anywhere in the HCD system or TCAC 9% system, but it is being introduced in the 4% program here with the bonds. Doug and I discussed as a policy matter and saw some value in that. And so, without talking to the full working group, we generally were supportive of the idea of including permanent supportive housing and the tiebreaker element as the administration has proposed.

So that's the main stuff. I think what I would say is there is probably 20 things that probably need a little more specificity, but that can all be handled in the regulatory process. As we craft regulations and review those and comment on those, that is where the public process will really be valuable; the details often come out in those discussions. Staff does its best, but they cannot think of every iteration in which the regulations are going to play out. And so, this is where the public comment process is valuable on the technical nature of the specific language.

And so that is a summary. I will just close by saying on behalf of the working group we are very appreciative of the process and allowing us to actively participate. We are appreciative of the Black Developers Forum for coming to the table and being a participant. We know there's more work to do when we get to the regulatory elements but I think we are kind of settled on the fact that we have a really good work product, working in partnership with the controller's office and the administration and your office, Madam Chair, and we're ready to stand by and see where we can be helpful going forward as we work toward final adoption of the regulations. So, I'll stop with that.

>> Okay. Gayle.

>> Thank you. And Madam Chair, I think you deserve some type of award for patience and flexibility and just really having this incredible process. I think we really learned a lot, and I am grateful, especially to those for coming forward and really educating me personally.

And, obviously, to the working group, I know this was not easy and we're asking you to not necessarily do business as usual, and you really seem to be up to that challenge. Obviously, as we look at 2021, we will look forward to continuing this conversation to really see how we can move development and to make sure that this is an accurate way to measuring public. And to the controller, I really appreciate all the work that they've done around that.

I think this is obviously a marathon and we are in mile three. So, we still have some work to do, but I think this is a huge opportunity. And I also want to thank the legislative staff who worked on AB83. And I really appreciate how mindful everyone was that that was kind of our beacon and our guiding light, and the work that we have done to make sure that we implement AB83 I think is phenomenal.

The Secretary, last time, laid out the three main priorities that the administration had: breaking down segregation with more diverse income ranges in lower income communities and more deeply affordable units in high opportunity areas. Cost containment remains a really big commitment of ours. And removing these barriers to entry that we've heard of for black and brown developers I think are really important. I think we are close, but we still have a couple more changes.

And to Director Velasquez, just his incredible commitment to making sure the AFFH programs, the Affirmatively Furthering Fair Housing, is a major priority of the administration's. It's an area where the Secretary and the Director have incredible expertise and a history, and I think really can move us in a way that the state has never seen before. So, I'm personally really excited about that.

And so our first changes really try and adjust the way that we can combat segregation and not create these high concentrations of poverty, and we think that the point system should kind of more clearly differentiate between the high resource and the moderate to low resource areas. So, to that end, we suggested decreasing the point totals for all but that first category, or so we said one point less for large family projects located in a moderate and highly segregated area of high and moderate poverty. So that would go from a total of 20 possible points to 19. It's a really small adjustment, but it does signify the priority and the importance of the types of projects we're funding.

I am happy to share my screen if this would be helpful, just to point out where specifically -- with your permission, Madam Chair -- we are looking at changes. These are posted on your website as well. Is it okay to share my screen, Madam Chair?

>> Yes. Please.

>> Okay. But I am disabled from doing that. So, if you guys could fix that, and I'll keep talking.

And again, this idea of the wide range of incomes so that we don't create past mistakes, I just think is really, really key to this. I don't think we're going to get all the way there, and we need this to be incremental but as long as we can really sort of get there in the future.

And then the second point is that we recognize that building in high resource areas can be more expensive. So, we are proposing a change to the tiebreaker to increase the highest high resource area bond adjustment from 10% to 20%, and also, we're proposing to add permanent supportive housing in addition to large family projects to that area. And because these projects take so much time, we think this adjustment appropriately helps ensure more projects in the higher resource areas are built and also sends an important signal to the importance of this issue and as we move into these 2022 discussions.

And the third, we already laid out the policy objective that we find and finance projects in areas that are not high opportunity. We must serve a broader range of incomes than the projects that we currently do. And this is a big change and the reason that the Governor has committed so much money to these issues. And because the needs of these communities are varied, we want to do a better job of ensuring there are ladders of affordability for households in these communities. And we propose that the difference between the lowest income tranche and the highest income tranche represent a broader range of area median incomes of at least 40%. It's currently 30%. So, the idea is that we could sort of widen the aperture and allow for more income areas in that space. And so, if you had 30% AMI units, you would also need 70% AMI units. And that way, we are not concentrating developments in the lower end.

And we also want to make sure that we go all the way up to 80 in that same regard -- 80% of AMI in that same regard, to meet the diversity targets. And this idea that we continue to allow this income averaging as allowed under the low-income housing tax credit at TCAC.

And I do just want to give a nod to, in addition to our changes to the tiebreaker, we understand how important it is that we may need to keep working on that. And we also recognize that this is our signal for the beginning of the regulatory process. So we would just really like to commit ourselves to continue the administration's internal working group to work with all of us to make sure that we are getting all of this right and do whatever additional work is necessary. We really hope that we can continue to have these conversations that you have had so much patience with.

So those are the big changes. Okay, I can share it now. Just to give you an idea: on the far-right corner lists the differences from the working group's proposal that is online. And so you'll see here under the Affirmatively Furthering Fair Housing scoring some of the significant changes where we go from 10 to 9 points for all -- for 2, 3, and 4. One is this idea of really stretching those income areas as much as possible. Director Velasquez can speak much more to how AFFH is really going to move the needle on this in a way where we could be a leader in the nation. And then this number 3, where you see this 40% delta, and that's not a 40% of AMI. That is saying we want to broaden as much as we can the availability of incomes in each of these developments, and that is where the concern about the concentration of poverty is. So that's the big reason we go down to 9 in those areas.

And then in terms of our other changes, they're all indicated in the working group. I think the rest of them are in the tiebreaker. And so, you will see that we have made edits to the highest and higher resource. We went from 10% to 20%. And we also added permanent supportive housing projects because we thought that was really, really important in order to make sure that we actually met our priorities and our goals.

So, I appreciate your patience. Happy to answer questions. Again, we put this up as soon as we could yesterday. I hope it was enough time. Certainly, happy to answer questions. And Ms. Von Koch-Liebert is also on the phone from the Business, Consumer Services and Housing Agency -- I always get that acronym wrong -- as well as Director Velasquez. So, I would love to answer any questions that you have, Madam Chair, or anyone else, that we can answer. I am just going to turn it to you for a second to make sure I did not miss anything in terms of scoring or anything like that.

>> Thank you. No, I think you did a great job and summed up everything that we did.

>> Okay. Tony?

>> Yeah. I just have one concern about some of the changes that were made. But one major concern is this idea that high resource areas would sort of dominate the scoring over anyone else. I value building in high resource areas. I think that's very important. I don't think that it should trump everything else, just looking at it alone. I think we need to make sure that we are taking the other policy priorities into account. How did you arrive at 20 versus 19?

>> Gayle Miller: I think that is a good question. That is why we want to leave a lot of room in the tiebreaker because we totally see how easy it may be to maximize the points and so I think that was part of the reason we think that we need to make sure that we remain really flexible in the tiebreaker. I think that we did think about it and that is why we added Permanent Supportive Housing too. I do not think that there are a high number of projects in this category that make it to CDLAC because of how difficult it is in our system, so we are trying to really stretch as much as possible. And I understand how difficult that is to see if we can accommodate that need in the market since we have not generally been able to fund them. And that is what we have seen, and that is what all our data shows; they are not the projects necessarily get funded in CDLAC. So, what we are trying to say, if you are in a higher resource area, you should get a little bit of a bump at CDLAC. In general, we are not able to build at the same rates as all the other types if developments in these high resource areas. So that is why we thought we should prioritize them. We don't think they can

maximize points in the same way that other types of developments necessarily can. So that is how we arrived at that conclusion. Because of the limitations we have in volume cap, we are hoping that more of these projects get awarded so we can see more of them being built, because that is where we see the major need.

And the final thing I will say is the number of projects expected will not meet any of the demand that we see because what is in the pipeline now would not necessarily eat up all the volume cap. So those are the reasons. But it's a really good question. And this is what Director Velasquez talked about the last time in terms of making sure that we really did use the data that we were seeing coming into this about where the greatest demand for volume cap is and how we can build to the State's priorities in this way. And we're trying to get more entrants into the market in these high resource areas, and this was one way to do it.

>> Anthony Sertich: I think there's definitely a need for a bump on the tiebreaker but I do worry about it in a maximizing system that we're giving up either affordability or units by focusing specifically on this. And I think all of those have a value. I know a lot in the past has been focused on how many units we're building, and I think there's more to that. There's definitely more to housing than that. And what we have been talking about over the last several months is maybe narrowing it down to four top priorities. We have units, affordability, location, and population that's being served. I think those are all four important criteria. I don't want to have one trump the others, and that's my one concern about layering that on. I would rather give a bigger boost on the tiebreaker than give a point on the scoring. I do think that many projects that come in will maximize their scoring in this system. And so, a lot of them will float under the tiebreaker. And in the high resources -- again, I think it should be prioritized, but I do not think that every high resource project deserves to win over every other project.

And I also agree that we're not going to have three and a half billion dollars of high resource area projects coming in, but if we have a billion and a half, which I think is possible in this system, we need to make sure that we're balancing that and making sure that the right balance is there. That's my concern about messing with the scoring in this way and allowing that. And that is also what our proposal was focused on, saying every piece of policy priority has a value, and we need to figure this out so our numbers may be off a little bit. And I think there's plenty of debate for that. But I think we need to value that and make sure we're maximizing the total value that we put out here, as opposed to these -- allowing everything to come down to one or two factors. We're never going to maximize the overall priorities that we want to get to. And I feel right now we are coming down to high resource, leverage, and ultimately the tiebreaker would be cost containment.

>> Gayle Miller: I am going to defer to Director Velasquez here and then I just have one more comment.

>> Gustavo Velasquez: Thank you. I think Ms. Miller did a great job presenting some of the things that we are proposing here. And I hear Mr. Sertich. I think he mentioned four things: affordability, people, location, and I do not recall the fourth one.

>> Anthony Sertich: Units built.

>> Gusatavo Velasquez: Yeah. So, what I will say this is probably a bit of a corny answer, but this is a reason why we approach this in the administration from a value or principles perspective, right? The reason we have not seen the number of projects built in the higher opportunity areas is because we just have not been able to direct that priority in a way that really differentiates the significance of doing that. And here we have an opportunity to do that. And I would argue that if we do that, we will be incentivizing more projects. By making that differentiation at every possible level, the development community will build in those higher opportunity communities. And if we do that, then I think we will accomplish the other objectives. So, starting with people, housing facilitates access to opportunity. And so, the intent is to develop a value system that corrects the inequalities that have existed in affordable housing across the system. The data is conclusive that access to opportunity in these communities through housing has not been seen in a robust way. We do not want to continue concentrating poverty in certain areas, because we want to open these communities

to more low- and moderate-income people. So, I would argue that in doing this, we are fulfilling the other objectives, especially the ones that really address residents that will be end up living in these communities.

>> Anthony Sertich: And I appreciate that. And I'm definitely not arguing against providing a benefit for high opportunity areas. I think it's really important. But one of the things that we create in our scoring system was looking at research done on the value of growing up in high opportunity areas by Raj Chetty and others. Their research shows the outcomes of growing up in different locations and there is a value to that. What I am also concerned about is building a thousand less units because certain areas are costing more to build in; that could be a thousand more people that we're not able to house from a homeless perspective. So, there's always a trade-off, and I just think we need to make sure that we're valuing that trade-off in a way that is thoughtful and deliberate, as opposed to just saying this is a priority over this. I just want to make sure we are being thoughtful about it and really using data to get to the right answers here.

>> Gayle Miller: Madam Chair, this is obviously super interesting. We did also use data to get here, obviously, just to make sure that we knew what had and had not been approved in the past. But I would really love to hear from other folks, and, obviously, you, Madam Chair, to see if there is a little bit of middle ground. We saw a lot in the controller's proposal that is remarkable and would like to keep working on those four priorities. And I do think that location is an important one now, and as we move into 2022, we expect to really see others as well. So, I cannot make that point clearly enough that this is just kind of the three-mile marker out of the 26 miles we still must go.

>> Anthony Sertich: And I would just like to point out that we have been working on this for almost two years now, and I think we should be further along. I do not want to use the excuse that we are just starting as a reason that we have not made more progress on this.

>> Treasurer Ma: Caleb.

>> Caleb Roope: Just one technical issue for the administration and maybe

Mr. Sertich too. For 2021, this 19 versus 20 points will differentiate those projects in High and Highest Resource Opportunity Areas. When we move into 2022, assuming that the committee adopts this framework, that's when the existing or newly proposed tiebreaker evaporates, and we move to a final scoring category that the controller's office has put forth. And this 19 versus 20 points issue evaporates instantly when that happens. So just know that that will occur, and then it is going to depend on how much value you assign to these areas under the controller's proposal re the final scoring category. We move from basically a tiebreaker-based scoring system to an uncapped scoring system.

But for 2021, I also would just add that it is difficult to find projects and bake them and get them ready for CDLAC in any area, certainly in High and Highest Resource Opportunity Areas. The amount of High and Highest Resource projects is pretty much set for 2021, for the most part, and those projects with a 19 versus 20-point situation are going rise to the top if they are shovel ready. Generally, I think that is what you can expect from 2021. But as we move into 2022, the controller's proposal is really meant to place more weight on overall scoring. So just know that that's probably a change coming, and we can look at that in more detail as we move through the process. >> Treasurer Ma: Okay. I am going to open for public comments. Go ahead, Cherene.

>> First of all, good afternoon, everyone. Before I get into a couple of the changes that we'd like to propose, I want to start off by saying thank you to the Secretary's office for convening and loaning your staff to help walk us through some of these issues. Would you please share with Secretary Castro Ramirez that we did get her email last night. Unfortunately, we were tied up on the phone call with Lynn. We thank you for the effort.

We thank you for understanding our issues, and we would like to ensure that going forward, the Black Developers Forum will be involved and engaged.

To Treasurer Ma, thank you so much for adding four people to the working group whom you have had a long-term relationship with: Don Gilmore, Ken Jones, Michael Johnson, and Charmaine

Curtis. I hope they were instrumental in bringing forth the issues from the Black Developers Forum's perspective. So, if you ever need more voices, we are available.

I also want to just say quickly, thank you Gayle Miller for listening to Don and I rave early on a few months ago. We should be all excited about where we are right now. I know we're smiling. And we want to thank you, Gayle, for publicly pushing this issue forward for us.

To Tia Boatmen, in her absence, I want to thank Tia personally for talking me down off the ledge. It may not be known to all, but this entire Black Lives Matter Movement has created high emotions and frustrations in the black community. Tia talked to us and said, "They will listen, Cherene. Negotiate with them, hear them out, work as a team." And hopefully that's where we're at today. And so, I want to publicly thank her.

I know that Ms. Blackwell is unavailable, but she started some initiatives a few months back and we hope to see her back in the saddle as we move forward.

I just want to say that as we continue as the Black Developers Forum, we sort of became like superstars. We're being asked to be everywhere in all places.

What we decided to do early on is not to hold press conferences until we could speak as a unified voice from this committee. I think it only serves all of us well if, in fact, we have a successful vote today and we can move forward. So, I want to thank everybody in the Black Developers Forum who gave their time at many long meetings. Right now, some members are participating on panels with NPH and so are not able to be at this meeting. We see this environment as a snapshot to where our black community is right now. Now we are working as a collective, cohesive group. And so, to them, I say thank you.

And now I am just going to jump into the three little areas that we shared last night on the call. We were not able to make the changes today, but I am going to ask for the changes to be adopted when you adopt this overall plan. So, if I may start with the pools. We have heard from several people in the industry, from our colleagues, some of our friends, people we have done business with, that the black community has been impacted. And to the degree -- and I hear you, Mr. Sertich, sir, that high resource areas may dominate, but I can tell you from the projects I see, they're all still being built in the black community. So, we want to hold fast to the description as listed in this pool that says, "CDCS/CBOS."   We would like to add BLO, Black-Led Organizations/Others, because that is something, we are going to take into the public comment regulatory period. That coupled with the notes, unless something has changed, it has always been my understanding that individual people cannot apply for bonds. So, if that is the case, we are not clear why it says "and/or other persons of color." So, I think if you are talking about other organizations of color, you need to remove the "person" out of it unless the program has changed, and individual people can apply for bonds.

The second area is the general partner and management and company experience. Like we shared with Lynn last night, we are 90% there except for the clause in 6b. Where it says, "management structure in an equity share, a joint venture between a 'let's say Black Lives Forum folks' and a general partner meeting 6a." Well, what if we do not use a partner to meet 6a? If we wanted to joint venture with a Don Gilmore, for example, who's been in the industry for 30 years, who's done different project types in different locations, we can't joint venture with him because he has not done five projects in the last ten years. It too restrictive and we would like this changed.

And lastly -- well, a couple things. First, we want to say we appreciate how difficult it is to do the Affirmative Fair Housing in high resources area. We have heard from colleagues on both sides of the argument. So, we have to support Secretary Castro Ramirez' recommendation and understand that this will be an ongoing dialogue.

So, the last thing we wanted to weigh in on is the tiebreaker. When we talk about tiebreaker points, that, again, this definition of CDCs, CBOs, we need BLO or Black Lives Organizations, in here. I looked at this prior proposal from two lenses: as a professional practitioner who has been in this industry for 40 years and in redevelopment for about 15. And I get that it is well-written. However, it does not say one thing about black people or the black community. And I need that to be said and recognized here. Now, I know during our regulatory process that some lawyers are going to say fair housing this, that or the other, but that is not what this document is. And that's where we'd like to recommend the adoption of those changes to this document.

>> Treasurer Ma: Next speaker. Jerry?

>> Yes. I'm sorry if I don't have all the background on this, but I've been hearing many references to the Black Developer Forum. Are they engaged as a consultant to the State on this? Or it just appears that they have been given a particular participation or access in the process, and I am just wondering, if going forward, whether other groups will also be heard from.

>> Treasurer Ma: Okay. Jerry, this is our eighth meeting. When did you join us?

>> Jerry: I am sorry. This is the first time, and I'm sorry about that.

>> Treasurer Ma: Okay. So, we have been working with a stakeholder working group. It is about 35 members that are representative of our state: They are large and small firms, nonprofits and for profits, rural and urban. They have been convening as a group and trying to come up with proposals that match the administration, the controller, as well as my policy objectives for moving forward.

The regulations have not been revised in a couple decades. Additionally, the 4% tax credits matched with the bonds were not competitive in the past. And now we find ourselves in a competitive situation thanks to Governor Gavin Newsom for allocating state tax credits to ensure we build affordable housing more efficiently and effectively.

So, the Black Developers Forum joined us en masse at the last meeting we had, and really wanted to weigh in on some of the proposals. They also asked to be included in the working group and four members joined the last meeting. So, for the last 10 days, the working group made the changes that the administration asked for. And, of course, the CDLAC board members continue to provide input on policy items.

We are trying to meet an end of the calendar year deadline and vote on the new regulations so we can apply these new regulations for the 2021 allocation round. So that is where we are right now. And if we can vote on a proposed general format, working format, today after eight meetings, then the staff can go back and start crafting the legislation. We will go through a public comment period and then we'll come back to the Board for a vote probably at the December meeting. And then we have another January meeting where we are going to talk about allocations and setting the volume cap for affordable housing projects and non-affordable housing projects and then apply the new regulations to the first round probably in February.

Anything board members want to add? But I just gave a high-level summary. The last Minutes of our Meeting is 32 pages long and can be found on our CDLAC website. We have pretty much transcribed what everybody said, including those who have provided public comment, because we want to make sure that we are being as transparent as possible and folks can follow along with the discussion over these many months. I encourage you to go to our CDLAC website if you would like to catch up with us.

>> Anthony Sertich: Madam Treasurer, I just like to add, I mean, anything we approve today is still subject to the formal regulation change process.

>> Treasurer Ma: That is correct.

>> Anthony Sertich: So, we are still going have plenty of public input and the thing we approve today is the CDLAC policy framework?

>> Treasurer Ma: That is correct. Once the regulations are drafted, an extensive public comment is going to happen where everyone can submit comments in writing, and they will be part of the record as well.

>> Anthony Sertich: Can I add something? As Treasurer Ma articulated, this process is focused on scoring. And just as a reminder, we need the Demand Surveys back by October 2nd. We will use the Demand Surveys to apportion the state ceiling and for creating the pools and sub polls at

our January meeting for our January apportionment of the state ceiling and for creating our pools and sub pools.

>> Treasurer Ma: Back to public comment. Don Gilmore.

>> Thank you, Madam Chair. I just want to echo some of the sentiments that Cherene mentioned about Gayle and Lynn and you, Treasurer. It has just been great to have you all embrace the matters that we put in front of you. You know, a lot of times, as one of our members said before, we find ourselves with our head down doing the work and then we look up and then there's a regulation that's really pressing against us from moving forward. But we got together to address some of the issues that have been impacting us, and we are very thankful to you for building capacity for organizations that don't have the opportunity to do so and for allowing us to participate fully as partners and also as sole proprietors.

What is taking place right now is historic. But we are not done. There are other things that we will be proposing to correct systemic issues have been going on for a long time; we know they are not going to change overnight. But we thank you for being receptive to those areas that need to be improved and we thank you and we appreciate the inclusiveness of the working committee. We will be diligent in bringing forth those issues that matter to the black community.

Having said that, we would really like to see some of the data and projects that have been funded. I have been a black developer for over 30 years, and I qualified for the 4% tax credit program in the last two years, but not even the 9%. Perhaps now maybe I can compete in the 9%. And there used to be another 20 or 30 black developers behind me, but now there are many less, like one or two: one nonprofit and one for-profit. However, this is a historic change if it takes place. We may not have it completely right, but I think this is a great start, and I commend everybody that was involved in and supported this effort. So, I thank you for that.

>> Treasurer Ma: Thank you. Adhi, you are next.

>> Hi. I'm Adhi Nagraj, senior vice president, McCormack Baron Salazar. I also wanted to offer my support, specifically as it relates to the AFFH items. I think the proposal and the scoring system does a good job of supporting our goal to do a better job of integrating our affordable housing as opposed to segregating our affordable housing. And I see many areas where non high-opportunity area projects can score well. They're certainly in the set-aside for homelessness. There's a set-aside for locally funded projects. And even within the AFFH scoring category, regarding the 19 points versus 20, there are ways that non high-opportunity area projects can basically score within a point of a high opportunity area project. So, I think this proposal balances the desire that we all have to diversify where we build while also providing mechanisms for non-high-opportunity area projects to get funded.

Specifically, I like the changes on cost containment and leveraging soft resources. As we all know, building in high-opportunity areas has more expenses associated with it related to land and entitlements costs, and yet they can take advantage of those boosts that are proposed for type I, type III projects, podium projects, because a lot of projects in high-opportunity areas tend to be wood frame construction. So, I think adding those extra boosts on points makes sense.

And leveraging soft resources. A number of projects in high-opportunity area markets don't have the support of the localities, and they don't have the leg up that they need. And so, I think giving them a boost on that is helpful.

The main reason that more of us don't approach more high-opportunity area projects is the entitlement risk and the well-funded opposition, often lawyers who live in the communities who then fight projects and the risk of putting a million or two million at risk of loss. I think you would see more of us looking to do projects in high opportunity areas if there was state facility, any kind of predevelopment entitlements facility that could help lower our risk.

But that's just one idea. And overall, I just want to offer my support for where we've landed. Thank you.

>> Treasurer Ma: Thank you. Jeff Jaeger.

>> Thank you, Madam Chairman, and the group. I just want to second and say that I also think that you all have done a great job in putting together the resources for New Construction and tailored an improvement in the scoring system for those projects.

I want to speak a little bit about the category of Preservation, which is what we specifically focus on in our business. I think there is a need to adequately fund the Preservation pool. The last iteration of the Working Group Allocation System recommendations had $175 million in it for Preservation, which was 5% of the total bonding out for the year. So, I wanted to talk about the differences between these high-opportunity cost areas. First off, I think the last thing we want to do is lose some of the housing that is in those locations. Over the last 20 years, we have lost an average of about 600 Project-Based Section 8 units per year. To replace those units with the new construction that we are talking about would cost billions of dollars of additional state resources. And while these preservation deals require more volume cap (a federal resource) and 4% tax credits (again a federal resource), they do not require any subordinate or soft financing that's required from a lot of these local municipalities.

I would be a huge fan of trying to see at least the Preservation category preserved in the same amount that was allocated this year ($522 million or 15% of the total multifamily allocation). The 2021 proposed allocation is about a third of what it was for this year.

The Rural pool was proposed as the same amount although demand has been much lower for rural projects. They can also compete in geographic set-asides for New Construction, as well as in the Other pool within New Construction.

The other thing the committee should consider is that with these preservation projects, by limiting the Preservation pool, what might happen is that more of these Project-Based Section 8 deals will be pushed into applying for the 9% tax credits, which are really precious and highly competitive federal resources awarded by the state. Thus, keeping the Preservation pool slightly larger on the CDLAC side would allow those projects to use 4% credtis and might prevent competition with new construction projects in the 9% pool.

The other thing I would like to address is certain concepts for New Construction that have been pushed into the Preservation category in the point system. Some of that has to do with restoring the taxable tail to leveraging points, which has been eliminated in the Working Group's recommendation. This issue will likely be an internal tiebreaker in a competitive environment because these are projects that can be done without any soft money, and therefore they will lose eight points just because they are not getting additional state resource. So deals that can proceed without soft money, which we think should be encouraged, especially because we are focused on cost containment in the current environment, will be at a great disadvantage. And this is consistent with the Governor's policy goals of cost containment on many of these projects.

So, again, there has always been a priority in TCAC, as well as the CDLAC side, for the leveraging of local resources. However, because of the federal support that has been put into Project Based Section 8 projects, these do not need those sorts of resources, which is a positive.

The other thing that we would like to recommend is that for preservation points, we propose increasing the period for consideration of being at-risk from five to ten years. Given that it is really in year six to ten where these projects are still within striking distance of when these projects might opt out. A lot of times you already have an owner who has already taken steps to remove the project from the program within the 5 years. In fact, it takes probably two to three years to remove it from the program anyway. So, we would love to see some more time given. Quite frankly, the sooner we can get projects that have never been in the TCAC program into a TCAC program, the better. But again, the five-year window we think is too short.

The last thing I will say, which I think happens a lot in the Preservation category, is something that is inconsistent with the way TCAC has been awarding projects for several years. In TCAC, when there are projects that are above and below the line, meaning that with their score they would be partially funded by the remaining resources, TCAC will borrow from the future round to make sure that shovel-ready projects are able to get funded at that time. We would love to see that on the CDLAC side for Preservation deals that are ready to go and to the extent resources are available and pull from future allocation rounds.

>> Anthony Sertich: I really appreciate your comments Mr. Jaeger. I think it is a big issue that we need to get a better handle of in this committee and whether these deals compete in the Preservation or New Construction categories in TCAC. I think right now the focus has been on New Construction, but I do think that we need to evaluate this situation a little better regarding the cost efficiencies. I've tried to in the past think through ways that projects could compete against one another on equal footing, as opposed to setting up pools, because one of the problems with pools is once we set them up, then they become fixed and not accommodating the pipeline of projects that are shovel ready. I do think next year that we need to carefully revisit this and see what the amount (in the Preservation Pool) should be. The amounts that are in the proposal today are our starting points. We won't decide that formally until January. So, I think we have a little bit of time, but I do appreciate your thoughts on that. And I also really appreciate your thoughts on the allocation methodology. At CDLAC, we have not really thought through that nearly as much as TCAC has, and I think we need to think through how we can more efficiently get the money out more quickly.

>> Jeff Jaeger: Thank you for joining me. I will just say, and I am the first one to say that I think there needs to be most resources in New Construction to solve the problem. I guess my point here is that 5% is not the right number for the Preservation category.

>> Treasurer Ma: And the markets are changing as we know and who knows what is going to happen on November 3, as well. So, having that discussion in January, I think is a good time to have it. And I do also think that we need to think about preserving those true at-risk units so that they are

not converted to market rate and that we can bring them into our system and set them at a 55-year term sooner than later, Right now there's a case in Los Angeles City Councilman Gil Cedillo's district, He's battling a developer who wants to raise the rent on an old 80/20 deal. We have been trying to help him and the tenants, but we do not have a mechanism or any funding/financing mechanism to help him in this situation. It's really, really sad what's happening.

I do think we should preserve existing low-income buildings since they cost less than New Construction. A lot of seniors are living in these units and people with disabilities that do not have lots of options if their rent is significantly increased or they get evicted. So, thank you for your comments.

>> Jeff Jaeger: I'll just leave you with this last parting thought, which is that if you go back and you analyze the preservation deals and the Project-Based Section 8 deals, from what we can tell there's about 40% of the capital stack that's being used in those deals that's not been using soft funds for those resources. And so, from a $1 allocation standpoint of budgeted dollars for preservation deals, a quarter of what is needed for the new construction deals in terms of overall resources when they compete for the same pool. Therefore, with the same amount of bonds and credits, you can effectively do a massive amount more Preservation deals than you can with New Construction.

>> Treasurer Ma: Keep educating us on those HUD properties. And I know Gustavo probably understands this a little bit better with the REAC scores and everything, but I am learning as well. So, thank you, Jeff.

>>Treasurer Ma: Okay. Ann Wilson. Please unmute yourself.

>> Thank you. Regarding the discussions about Affirmatively Furthering Fair Housing whether you could post on the website the studies that show the current allocation of where the affordable housing is located and what the percentages are. I know there's a big, huge report on the HCDs website, the AI report, and in searching it, it's not easy to find. So, I just think that would inform people better as we are discussing it.

And this program has a goal of at least 50% of the projects to be in disadvantaged communities. I do wonder whether the administration has a goal of what percentage they would like to see in high resource communities, or whether that is relevant to the discussion around the scoring system. It is unpredictable in California in a competitive environment. So, if we are going to drive more projects in that direction, to what degree? I am reminded of Ruth Bader Ginsburg when she was asked when "will there be enough women on the Supreme Court…she said, 'When there are nine.' People are shocked. But there's been nine men and nobody's every raised a question about that.". So, 100% in High Resource areas…. Is it 60%? Is it 50/50? Or do we have a goal in mind ? The policies are open.

>> Madam Chair?

>> Yes?

>> Gayle Miller: Ms. Wilson and I completely agree with you on the nine on the Supreme Court. But in terms of the pool and the high resource areas, I would like to wait. We are happy to publish the data that the Secretary presented at the last meeting.

I wonder, Mr. Velazquez, if you have a better sense of this. We do not think it would be more than a billion and a half of the 4 billion volume cap, but even that may be overestimating it based on what is in the pipeline. And that is why we are trying to see if "location" is one of our big priorities, whether we can make those projects the priority. And Francesc as well, who I do not see anymore. Oh, there you are. I'm sorry. If this would be the discussion for January in terms of the pools and as well as the scoring system. I just wonder if it has place in both. You're concerned that we've prioritized with the scoring system that the pools won't matter as much. Is that what you're saying?

>> Ann Wilson: If you are asking me, no. I would like to see the data and understand if the administration says $1.5 billion of the $4 billion would go towards high resource areas, that is half of the rental money. Is the goal to get to 60% or 70%? Some of this has to do with investments in lower income communities which are also important. They are areas now that are -- up until the

pandemic, have seen gentrification in some affordable housing communities. Some of the projects are the first new construction that has been done in some communities for a long time, for decades. So, we are just trying to understand the goal and the administration's goal.

>> Gayle Miller: Though the Chair, I do not know where you are seeing that. But the question or the argument makes me think that we have not talked about something important, but it is okay because we are just beginning the process of formulating this regulation. So even though a lot of work has happened, we are in a way just in the beginning stages. And that issue has to do with how we define and differentiate between high opportunity, moderate opportunity, and lower opportunity areas. And it is the point of this speaker's comments. I think it goes to the "moderate" because I think we have a better sense of this. There has been a lot of work between our department and TCAC, at least regarding the opportunity maps. I just want to emphasize that the administration wants to enhance those maps to truly reflect higher resources areas. I think there is a lot of data out there that can point in that direction. We have some of that data posted on HCD's website.

The moderate resource areas are the one that is something that I look forward to hearing from the public because of the proximity to high resource areas. It touches on gentrification, in coastal areas, and high-cost neighborhoods. But we know that there is a lot of displacement pressures for low income residents. And so, we do need to pay attention to that as well.

So, I think in moderate resource areas, we need to think about the points in the AFH categories and where we need more feedback from the stakeholder community.

So, I am sorry I am not giving you a specific answer. I was just confused about where you've seen what appears to be like thresholds of higher opportunity versus not higher opportunity.

>> Treasurer Ma: Ms. Wilson, are you asking about the higher resource area point system and the tiebreaker? Maybe if you could clarify your question.

>> Ann Wilson: I am just saying there has been discussions of data. It would be nice to see the data re the current and past allocation of TCAC projects and bond projects throughout the high

resource and lower resource areas so that we can see where we are today. Looking at the maps, it is different in different geographies. The AI report from HCD points some of that out, but I just ask if there's a common data set, it would be good for everybody to be able to look at it because we're now putting a lot of emphasis on it and I think it could help explain some of where we are today and where we want to go to.

>> Gayle Miller: Yes. We'll make that available. Thank you, Ms. Wilson. Thank you. Madam Chair, if that's okay with you, we'll send it to you for publication?

>> Treasurer Ma: Sure. We will put it up. Next, let's hear from Dana Trujillo.

>> Good afternoon, Treasurer Ma. Thank you for the opportunity to comment. I want to point out that, Gustavo, I think you really hit it on the head when you were talking about the way we define the opportunity areas and not addressing certain categories of location. We really do need to address that. I mean, specifically in Los Angeles, as soon as a transit expansion is announced or planned, you start to see land bought up around that proposed transit site, and those range from low opportunity to moderate opportunity. And for the affordable housing community to be disincentivized from participating in those acquisition opportunities, is basically offering it up for market rate developers and to future gentrification. So, I think we need to think more strategically about not playing catch up, and then always trying to invest in the highest cost areas when there's the ability for us to sort of project some of the beneficial future development sites.

I also want to address, Gayle's question about the 19 versus 20 points affecting any of the set-asides or pools. And that's one of the concerns that I have is that specifically in the homeless set-aside, that a large family project that had met the minimum requirement of the 25% set-aside would score higher points than a 100% Permanent Support Housing project that was serving chronically homeless individuals. So, I do not think that is the policy that the administration is trying to achieve because they are trying to aggressively address homelessness. So, I would recommend for that set-aside, that we increase the percentage of units that you would need to participate in that set-aside to maybe offset that possibility and maybe set it at 50% if you wanted to continue to really incentivize and keep the point differential because those projects will not make it to the tiebreaker. They will lose out on points.

>> Gayle Miller: Could you say that one more time Ms. Trujillo. I do not think I fully understood it.

>> Dana Trujillo: So, in the homeless set-aside, the proposed definition for projects to compete in that set-aside is to have 25% of your unit’s set-aside for homeless housing. So, a large family high resource project that has the minimum of 25% of the unit set-aside would score higher than a project that had a 100% of their unit’s set-aside for homeless. So, I think that there is a little bit of a mismatch of the point system within that set-aside, because what we're really trying to do is prioritize housing of homeless, regardless of the resource area for that set-aside. So, I was saying that one way to address this would be to increase the percentage of units that you had to have in your project to compete in that set-aside to maybe like 50%. And then the last point that I wanted to make was to state how much I fully support the working committee and the administration's efforts to expand the program and try to provide opportunities to those who have been disadvantaged from participating and to acknowledge, in particular, the obstacles that people of color have faced. The tax credit and tax-exempt bond program has a huge barrier to entry for new and emerging companies and those that have fewer resources who possibly have participated but at smaller percentages of equity. But I want to make the point that I brought up at the last meeting that to encourage the committee to acknowledge gender inequalities that have existed within the tax credit program, which are not currently being discussed.

In thinking about the comments, I made last week, I reached out to the two other women-owned businesses that participate in the tax credit program: Ginger Huetsch and Sydne Garchik. And I also emailed Ray Pearl at California Housing Consortium to see if there is anyone that I was overlooking. He was going to check his records. But anecdotally, I was the only one that he could think of that was a women-owned business that was a member of CHC. So, there is so few of us whose voices are not being heard. And the comments and suggestions I'm going to make is not just on behalf of the three of us in California, but on behalf of all of the women that face huge barriers to entry of starting their own business and accessing capital, and historically, the discrimination we faced in being able to secure mortgages for our homes and other types of financial disincentives that have been placed on women for decades. And it's because of that, I think it's really important that we include women in this discussion.

And so, I have four suggestions as we're thinking about this pool. One is that we think about changing the name to the Equitable Opportunities Pool, as opposed to CBO/CBU. I'm not opposed to the specific calling out of black-led organizations in the definition, but I think calling it an Equitable Opportunities Pool captures the purpose and the spirit of what the pool is trying to accomplish.

The second is that we look at the definition for the general partners who would qualify as MBEs, WBEs, and nonprofits that are led by an executive director or the CEO that's a person of color or a woman, and that their Board also has to have 51% people of color or 51% women, so the equivalent of a WBE or an MBE but on the nonprofit side. Because from a woman's perspective you will find, or in nonprofits, where the CEO is a woman or the CEO is a person of color, the Board really does not reflect that leadership. And so, it's about leadership, but it's also about control. And so, I think we need to really qualify the organizations in both leadership and control when looking at ownership.

The third is that requiring that the qualifying general partner is receiving at least 50% of the equity, the cash distributions, the developer fee and the partnership management fees, and that their participation isn't being minimized if they are entering into a joint venture.

And then last is I have significant concerns that this pool is going to be monopolized by large organizations who have participated in the tax credit program for years, and I think that we should limit the organizations that qualify to those that have done. So if you're an organization that has done

15 or more deals and the ownership is not 50%+ women or minorities, then you really should not be able to qualify in this pool because this pool is about expanding opportunities, and we don't need to include organizations who have had adequate access to the tax credit and tax exempt bond program.

Again, I really am in support of acknowledging the difficulties that people of color have faced in this program, but I want to reiterate on behalf of -- maybe there's one more out there, but on behalf of the three of us and all of the women that were trying to pave the path for to come behind us, that it is extremely difficult to break out of the nonprofit sector where you're really an employee and you don't have an ownership stake, you don't have an equity stake and to go out on your own. And I know there's a lot who have the desire to do that but just face a really uphill battle. So, I'm trying to plead this case for not just ourselves, but all the women behind us.

>> Treasurer Ma: Thank you, Dana. I am reminded that Prop 209 is still in existence, and really, I like your terminology "equitable opportunities pool." Re Prop 209, we could not use Minority/Women Business Enterprises (MWBE), so we went with Disadvantaged Business Enterprises (DBE). And so, we must think about the specific language we use. Thank you for representing the women developers. Gayle.

>> Madam Chair, we do agree with Cherene adding BLO,
Black-Led Organizations, and also Ms. Trujillo in adding females to the list. When you are amenable, we have mocked up the scoring sheet again just so we can show you where we added those changes. If you would allow us to share our screen one more time. But then definitely agree with you in terms of the pools and even the conversation around homeless. I think we should reserve that discussion for January just to make sure that we get what we need to get things done now with this framework that leads into the regulations that leads into the pools. I think if we try and do it all today it will be hard to continue this forward momentum that we need to get to January. We would just like to support you, Madam Treasurer, in having the full discussion in January.

>> Treasurer Ma: Let us continue with our public comment. Alicia.

>> Hi, I'm Alicia Matricardi. I'm Director of Real Estate and General Counsel for New Economics for Women. So, I am incredibly pleased to follow Dena Trujillo's incredible suggestion to address more minority-led and more women-led CBOs and CDCs into conducting this work. New Economics for Women has been active in affordable housing for the past 20 years. So we would like to say to all of our wonderful partners, many of whom are also on Zoom today, that while we appreciate their involvement and want to continue in this regard, we have to be recognized for that work. And we do this work to build up our ability to build affordable housing and build opportunity also for women, and the women who will live in the housing units that we are building. I am really in awe of the work that you all are doing, impressed by it, and honored to be among you today. New Economics for Women stands in full support of what the working group is working on.

>>Treasurer Ma: Alice Talcott.

>> Good afternoon, Madam Treasurer, and Committee. I'm Alice Talcott with MidPen Housing. I wanted to speak specifically about the Affirmatively Furthering Fair Housing scoring category in regards to family projects in low and high segregation and poverty areas. I have some concerns about this. I think this is going to be an area that's going to need more conversation. And as part of the regulatory process, I think that the proposal could really work in many areas, but I'm concerned that it's a kind of a one-size-fits-all for not really recognizing all of the variety of situations and kinds of communities those are. I'm particularly concerned about those that are in rapidly gentrifying areas where we have local communities and jurisdictions where people are really being displaced and their concern is really making sure that we're keeping those people in their units and that the income affordability targeting that allows for that.

I have some concerns whether that kind of mixed income targeting is going to be appropriate everywhere and not to do something just to get points that really does not make sense for that community. I think that is also true in rural areas, that there could be some real disconnects there between what is really needed in those areas, especially when you are talking about things like farmworker housing.

I think the other thing is median income varies throughout the state, for example the income levels are vastly different in the Bay Area than it is, say, in the Central Valley. So, you know, one of our concerns certainly is what the rents would be in some of these areas. 80% of median income in Alameda County would mean a three bedroom 80% AMI rent of $2,750 a month versus Santa Clara County would be $3,285 a month. So that just really may not make sense, in terms of the marketing in those areas.

In addition, re the concentration of poverty, I just want us to be really thinking about what these income levels are that we are really talking about in these areas. We work in the Bay Area so that is what I am familiar with. AMI has gone out 34 to 41% in the last five years in the Bay Area. So, in San Mateo County, 60% of median income is 104,400 for a household of four. And when you are talking about concentrations of poverty in San Mateo County, it is different than if you are talking about one of the counties that has a median income that is half of that. Santa Clara 60% is $94,740 versus Alameda is $70,300. So, I just think we need to be really careful about a one size fits all approach to this.

And the other concern we have is just how is this going to align with our existing pipeline and with existing HCD policy? We have projects that have commitments from HCD where we're planning to come apply next year where we got commitments based on a point system and an incentive that did not incentivize those affordability mixers, and right now they wouldn't be able to do that. For example, we have a family farmworker housing project in Watsonville. It has got incomes from 30 to 60% of AMI. To meet your requirement, we would need HCD to give us permission to change that at this point when we are ready. We've already gotten a commitment based on that and based on the scoring system for that. Same thing for another project in Sonoma County where we have HCD and

IIG (Infill Infrastructure Grant) monies that was based on rules around the affordability as far as the size of the loan and all of that doesn't really fit into this.

They also for example noted that when you put up the MHP application list. There were 91 applications and the average affordability there is the tiebreaker; there is a lot of projects on there that are 25 to 30% average affordability. So, I'm concerned about that this fairly big pivot in state policy, and how do we make that change, and how do we do it given that we have pipelines and funding has already gone to these programs. I think that's something that will really need to get worked through in this process. Thank you.

>> Treasurer Ma: Thank you, Alice. Anyone on the phone?

(Conference phone voice: You have three questions remaining.) First speaker on the phone.

>> Hi, this is Lydia Ely. I am Acting Deputy Director of Housing at San Francisco Mayor's Office of Housing and Community Development. We sent a letter earlier today. I just wanted to pipe in on a few of the topics that have come up repeatedly today. And first of all, express strong support for the recommendations that create the CDC or CBO pool to support organizations that are either in or owned by persons of color. This is very much in keeping with work that the City & County of San Francisco is doing to create more opportunities and cast a wider net for development opportunities. So, we really wanted to speak out in favor of that.

On the pools, not surprisingly, we would love to see a larger allocation for the Bay Area, and we would encourage the black society to apply based on historical demand. And similarly, in that vein recommend that the calculations reflect the true counting level basic limits, instead of having these caps at 30%, that we really reflect what's going on in our communities.

And then, lastly, I could go on for a longer time, but I do want to speak to the topic that's come up a bunch today around the higher resource areas. We do support encouraging new construction projects in higher resource areas. We also see the need to increase opportunities in lower resource areas, especially those that are undergoing rapid changes. So, we urge a specific community revitalization category, but there are some changes that we suggested in our letter today that would widen the range of this kind of subcategories in community revitalization areas.

So, we are working hard in San Francisco to build 5,000 homes a year. A third of them have to be affirmatively affordable. So, we rely extremely heavily on our co-partnerships with the CDLAC and TCAC, and thanks so much for the opportunity to comment.

>> Treasurer Ma: Thank you. (Conference phone voice: You have two questions remaining.) Next speaker.

>> Hi, this is Joanna Ladd with Chinatown CDC in San Francisco. Chinatown CDC is a PFC lead developer that has a 43-year history of fighting for the preservation of Chinatown as a low-income immigrant gateway right in the heart of downtown San Francisco. So, we appreciate the opportunity to provide the committee with feedback on its proposed directions for these regulatory reforms.

I'm going to speak to a couple points, and our Executive Director Malcolm Yeung is also on the line. So, Chinatown CDC contributed to and strongly endorses the comment letter that was recently submitted by the Nonprofit Housing Association of Northern California. There are actually two recent letters. So, I'd encourage you to reference those for our full comments, but I'll just highlight two key points that we still are really concerned about: (1) maintaining a pathway for rehab and preservation projects through the “Other” rehab pool because San Francisco's Chinatown is an immigrant gateway because of its large stock of naturally occurring affordable housing. And we are deeply engaged in having preservation both through acquisitions of rent-controlled buildings that are at-risk of going to market and through renovations of Chinatown's existing hundred-plus year-old stock of affordable housing. And so the direction that we've worked on with NPH for the “other” rehab pool will allow us to continue this work to prevent displacement and gentrification in a neighborhood that has been up against intense gentrification pressure for virtually its entire history.

(2) We also wanted to comment on the proposed adjustments to the cost containment and leveraging scoring. We understand that selective concern about scarce resources and making sure that they are spent wisely, but as we know the committee is aware that over emphasizing cost containment measures, without respect for geography, disadvantages communities of color in high cost urban areas. And so, at CDC, we want to strongly encourage you to base the cost containment measure off the Working Group Proposal, which considers both geography and unit size in analyzing project costs. We'd also like to point out that the shift in allocating more points to the cost containment as opposed to leveraging does hurt developers in the high cost urban areas and disincentivizes local governments like MOHCD, who just spoke, from financially supporting these projects.

And this comment would also apply to the tiebreaker.   I believe the CHD Working Group is developing proposals for the tiebreaker that adjusts for geography and unit size, and we feel that this is a much more equitable direction than the current proposed tiebreaker which would disadvantage buildings that are in urban areas and/or have family-sized units. So, thanks very much, and thank you very much for the opportunity to comment.

>> Treasurer Ma: Thank you. Next speaker.

>> Hi, this is Malcolm Yeung, Executive Director of Chinatown Community Development Center. I just want to echo some of the comments that Joanna Ladd just made, and I want to speak specifically to the segment on Affirmatively Furthering Fair Housing. While we certainly understand the broader social goals for that, a lot of other speakers have commented the thing that we're deeply concerned about is the degree to which that would disinvest from low income communities that are proximate to opportunity. Chinatown, as Joanna has mentioned, has been a gateway. It's been very successful in that regard. The high level of affordable housing in Chinatown allows folks to come in here, start a new life, get a starter job in the community, but immediately access the economic opportunities that are literally next door in the financial district, Nob Hill, North Beach, other areas of

San Francisco where there is significant economic opportunity. If we create a scoring system where low-income community proximate to a higher opportunity area is scored lower, that creates a huge problem and frankly opens the door to an increasingly transit gentrification.

Toward that end I just want to also point to the fact that coming out of the last recession, I think the thing that we all understand was that in urban jurisdictions, because of the lack of housing preservation and the lack of new affordable housing construction, we saw a massive growth in wealth inequality, and we just don't want to see that happen coming out of the recovery that we know is going to happen after we lick this pandemic thing. So, I think we really need to look forward. And I would urge us to really look closely at the AFFH provisions to ensure that we are not reinforcing the gentrification trends that we have been seen going on the last 10 years. Thanks.

>> Treasurer Ma: Thank you, Malcolm. Yes Gustavo.

>> Gustavo Velasquez: Just to reiterate that we want to enable the production of more affordable housing in higher resource areas. It does not in any way diminish the importance of those areas, especially in high cost places that have been gentrifying for a while and where we need to make sure that more affordable housing is also created so that low income people are not displaced. That is why I made the earlier point about looking forward to getting a lot of comments during the regulatory process specifically on the moderate-income areas specifically when we are talking about gentrifying neighborhoods in urban areas. But, again, it is a slight differentiation. The priority is not diminished in any way. Affirmatively Furthering Fair Housing is about a balanced approach between investments in distressed and also gentrifying areas and higher resource areas. So, our AFFH approach does not diminish what the last commenter mentioned. We believe it's very important as well.

>> Anthony Sertich: Yeah, I agree with Mr. Velasquez that it is especially important, the higher opportunity areas. But I think the way the scoring system works is if 90% of the projects are going to

get full points and the high opportunity areas have a higher chance to get the full points, it will differentiate in that regard. Running this through a tiebreaker, whether it is the one that CHC proposed or a more inclusive one that includes more of a public benefit, I think would be a much more balanced way to accomplish those goals. And that's my concern along with some of the commenters. I just want to make sure that we're not prioritizing this one goal over everything else, and that sort of seems like what we're doing if we add that extra point to those projects.

>> Treasurer Ma: Francesc.

>> Yeah. So, I want to add to Mr. Velasquez and Ms. Miller's comments. I think we have a responsibility as public officials to do everything we can to prevent the occurrence of segregation while addressing the housing crisis. So, we think that the administration's tweaks are reasonable and thoughtful and help us not just further us on the path of fair housing in alignment with priorities as Secretary Castro Ramirez outlined earlier this month.

Change and reform are always an iterative process and we should all at least keep an open mind to further perfect the housing finance delivery system. But I think we're within reach of an important milestone here, and we're within reach of our supplying certainty to our housing partners in 2021.

And I do want to add on behalf of CalHFA, I want to show our most emphatic appreciation for the work, the working group, the committee, the treasurer, the administration and controller's office, legislative staff, and stakeholders have put into this proposal. I think we have a real opportunity to move in the right direction here.

>> Treasurer Ma: So, Gayle, I know you had some edits you wanted to propose.

>> Gayle Miller: I appreciate that. AFFH remains a big priority for the administration. I understand it. It is not part of the status quo. We completely agree with you, Mr. Sertich. We cannot even tell you how much that we need to address every version of public benefits in 2022. We think

we're getting closer and closer and we look forward to continuing to work with you on the controller's proposal.

Okay, my screen sharing is disabled now. I think what we are trying to do is thread the needle to get to work in 2021, and I think we do feel like we have done. So, what we did on this scoring system in general. As you can see -- I hope you can see my screen. I know it is hard -- is we added the Black Leadership Organizations and Female Experience here. And then in the notes we did refer to CDC, CBO, and female in each of these categories. Obviously, this all needs to be worked out.

And then in order to address the issue that we don't want to recreate the problems by having the 6A, experience, we just said in the case of a joint venture, it's not always necessary to have a general partner to address this concern; that if you do have a general partner, say for example, if you were to be on your own, that's no problem. Obviously, this needs to be refined. But we thought these were two changes would change the point system. And then to the MidPen point…

>> Treasurer Ma: Gayle, before you go on 6c, I think you want to add also BLO and female.

>> Gayle Miller: Oh, you are right. Sorry. I missed that. Yes, I agree. I will change. And then on the points about how AFFH is working specifically. Obviously, you know, these 2 through 4 were the compromises from the working group that tried to mitigate some of the concerns around moving in this direction of AFFH; really trying to move away from the mistakes of the past. And obviously this is only one-point category and then we still have to work on the pools. So, two points on the HCD programs. But in ELI and VLI pool, we will discuss in January. We think that is important. Number one, when we are talking about only going up to 50% of AMI, we do see that as important. The spread that allows us to go up to 80%, this 40% spread is really what we're trying to say is if you don't have those spreads of incomes in these communities, that's when we start to see the segregation. So, to Alice's point, I think we can continue to work on the definition of AFFH to make sure that we're including HCD programs in it because we know those are statutorily required, but we absolutely

remain very committed to those programs with the rents that are defined and think it's really important.

So, these are just kind of four different ways that we would want to see people move towards more of an AFFH model because we know that that works in terms of moving the concentration.

And then so, Mr. Sertich, I just want to make sure I understand. Your concern is on the way we did AFFH, or your concern is on the 20% and the tiebreaker?

>> Anthony Sertich: I appreciate the 21% in the tiebreaker. I mean, I think that is where it should be done, as opposed to the point differential if we really want to incentivize it, as opposed to providing a guarantee.

>> Gaye Miller: You feel like the AFFH is the guarantee?

>> Anthony Sertich: Yes, I think that's part of the problem with the scoring system now is there's certain projects that just by the nature of the scoring system have the ability to maximize out at a higher point score than others just because it's not necessarily tied to the holistic policies trying to drive. I think providing an incentive through the tiebreaker or through some other scoring mechanism is the way that we really want to do that because as many were saying, a lot of these gentrifying areas, it could be because it's a transit-oriented project or because in five years from now they may be considered high resource areas, but we're not allowing affordable housing to be built in those areas, or we're reducing the chance of affordable housing being built in those areas by only providing that extra point to projects that are in a higher or Highest Resource Areas. And so, we are ignoring the transformative nature in a community. We're ignoring the deeper affordability targeting that certain projects may be able to do what we want to benefit in those higher resource areas. And so, I just think that we need to think through that a little more about providing that one piece allowing them to maximize at a higher score than any other project.

>> Gayle Miller: I hear what you are saying. I think our concern is the status quo, and this is where we really agree with you that the point system in and of itself is what needs to be fixed.

Absolutely. We do not think we are there yet. We need to do it in 2022, and we should start that immediately. I agree with you on all those points. If I could just ask one more question, Madam Chair, on the scoring system that we put out here. I just am I am wondering, Mr. Sertich, if we kept this at 30% here rather than the 40% spread, does that resolve any of the issue or are you still concerned?

>> Anthony Sertich: Well, I am generally not concerned about these definitions specifically. I think the definitions you have in here specifically about those types of projects, getting those advantages I am fine with them. I think from a policy perspective, whether that is 30 or 40%, I think there's arguments that could have been made on both sides. So, I have no specific concerns about that. I think my bigger concern in terms of being available to everybody and making these specific projects score.

And I did look at last year and this year and we have only had $515 billion (?) projects in the higher and Highest Resource Areas. So I'm not really concerned about that being super oversubscribed this year, but my other concern is that the time that it took us to get through these regulation changes this year, I am concerned that we will be stuck with this longer than the one year and that we're going to start driving longer term behavior, and if we don't really focus on that, and really guarantee that we're going to make bigger changes next year that ultimately get to where I think we need to be, that's my argument…. more from that point than I am from these, that specific issue that I think every project next year is going to have to be in the high resource area. But I don't think that will be the case. But I am also concerned that if we allow those high resource projects, and they meet the cost containment because of all of these bumps that were given on the threshold basis limits, and we may be able to just run numbers, instead of 12,000 total units built next year, we get 11,000 total units. So, we do get them built in higher resource areas, but we also have 1000 fewer units that we had for folks for affordable housing for people to live in. So that's the trade-off. That's what I'm saying. It's always a trade-off in everything that we do. And I think we need to be a little more thoughtful about these trade-offs that we're making in doing that.

So, do think folks in affordable housing units will be in better situations, or will there be more people that do not get affordable housing. I think we just need to think and understand that we're making that decision.

>> Gayle Miller: Right. Yeah, I hear what you are saying. We have an internal administrative working group. I feel like we have the infrastructure. We are 100% committed to making sure that we continue working on this. So, you have our absolute commitment to that this is not the end of it; that we understand this is incremental and not all that is necessary. So, on that point, we could not agree with you more.

>> Treasurer Ma: Okay. Do you have more?

>> Gayle Miller: That's all. But Mr. Roope asked if I could continue sharing my screen.

>> Caleb Roope: Thank you. Just one last thing to point out, Ms. Miller. And on that same screen that's up now if you go up to number 2, I just want to point out a couple things that might address some concerns that were mentioned today, as well as to pay attention to HCD previous awards. Right now, the working group took a stab at what qualifies you for the extremely low, very low-income category. And you will note the distinguishing factor there is between ACD funded projects and locally funded projects. But what we had proposed is that the income targeting in the original HCD award would qualify you for the set-asides so you wouldn't have to rejigger it, and this kind of addresses what Alice was talking about earlier, so just note that.

And then Ms. Miller, to the extent the administration does want to produce a bigger spread between the AMI, let's say it's 40%, you might just have a look at this number 2, as well, and just see, because those categories are kind of meant to match up between the Affirmatively Fair Housing category and this category, this set-aside, as far as locally funded. So you might want to consider changes in there as well, that match your changes in number 4, mainly for the sake of if we can have as much consistency as we can between set-asides and pools and different things, and it just helps the development community I think respond a little bit better to avoiding making mistakes or having to tweak here and there. That kind of stuff would be helpful. So just want to draw attention to that, is all.

>> Gayle Miller: So, you are saying to be consistent with HCD, this number 3 does need to come back down to 30? Is that correct?

>> Caleb Roope: No, I am saying if you look at what's in the set-side for "extremely low" and "very low" is meant to have two ways to qualify for it, right? One is a HCD-funded, the other is locally funded. But if you had an HCD project, let's say, the idea was to try to not have to rejigger the income targeting for those previous awards, right? So, it might be an order in number 4 to allow for that HCD targeting to prevail, as a trump card to any of these categories, to sort of address this. I think that this addresses some of the sort of pipeline issues that people are concerned about.

>> Gayle Miller: That's a fair point. Mr. Velasquez, could I just say… does that make sense to you in an overall context that we are cognizant of the statutory responsibilities of HCD as we go through this regulatory process? So obviously, if we were to adopt this framework today, we would remain flexible to the extent this conflict with the statutory obligations of HCD, we would obviously want to change it. That's not the intent whatsoever. Does that make sense, Mr. Roope?

>> Caleb Roope: That does make sense. I will make a note here "no statutory requirements". This all kind of centers around that alignment issue generally, Ms. Miller, of the programs and the agencies being aligned. And so, this is kind of an attempt to do that, but that's where this issue gets to. And obviously, as we get to full efficiency, it'll be alignment across all the agencies in this won't even be a conversation going forward. But that'd be a great goal.

>> Gaye Miller: Okay. That makes sense.

>> Treasurer Ma: All right. Seeing no public comment, I've got a couple things. Let's see. The SRO types, will they be in the other affordable or preservation category? You do not have to answer me. The SROs are important, especially in San Francisco. I want to make sure those properties get rehabbed as they become available since most of the folks that are homeless, we bring

into a navigation center, hopefully get them stabilized, then move them into SROs as the first kind of affordable housing that is available to them.

Then the TODs for those that are really building on transit-oriented development, like BART. We are expanding many of our BART lines and those and I want to make sure we give more points for developing around real transit hubs, because we want to get people out of their cars, have them live close to a transportation centers so that they can access quality work opportunities.

I am also interested in hearing, not today, but if you want to write us what type of processes, procedures are redundant, unnecessary, or creating burdens for some of the developments. Like the performance deposits, I believe we should only require a performance deposit when the bonds are allocated and not when you apply. I think that decrease some tedious work for some of our underwriters, but this high performance deposit is a barrier for some of the smaller developers who may not be able to come up with say $100,000 to submit with five or six applications and therefore they're putting all their eggs in one basket, and then the money may get tied up for a little bit so that they can't access that capital to deploy for other projects. So that would be one of my proposals.

And then there are several reports I understand that are expiring. People are asking if they have to do them during COVID. So, if those reports are redundant or you feel are unnecessary and just busy work, especially for the staff, I would like to also get feedback about this. And, of course, the preservation of Section 8 properties. I'm going to meet with Gustavo on this so I better understand what these properties are, but I understand there's maybe 1,000 units in California that potentially may come on the market within our time here at CDLAC and TCAC. So, I just want to make sure that we're able to build that into the scoring system and the regulations so that we don't have to keep coming back say in five years to try to change it.

So those were kind of my some of my comments. But Tony, Gayle, are you ready to vote on this?

>> Gayle Miller: We're ready, Madam Chair. Obviously, the screen we shared, we're comfortable with. I just -- Mr. Sertich if we went back to 10 points just in --

I appreciate your comments, Madam Chair, around cost containment. I think that's important.

If we went back up to the same amount of points for every AFFH category with -- would you be more comfortable with that? I'm still struggling with how to kind of address your issue, other than going to a whole different system.

>> Anthony Sertich: Well, I think there's two -- I think A, that would help. I would be much more comfortable with a larger adjustment in the tiebreaker than I would as a point differential.

Also, I think the other thing is, I still have a concern with, and I think we need to think through generally how the tiebreaker itself because ultimately it's working against that together all we're trying to propose, cost containment it's working against the transit-oriented, the high opportunity. So, I think having that adjustment in there for the high opportunity solves that one issue, but I think it still hurt some of the jobless and the transit-oriented that we're trying to address.

>> Gayle Miller: We completely agree with you on the tiebreaker and would like to continue working on that. The reason specifically in AFFH we think it is so Important to move the way -- if we keep all four categories at 20 each, we really are keeping the status quo. And again, we've all had to move a lot because all of us wanted a system that rewards people in a way that we haven't in the past and new developers. So I mean, we're comfortable with the 19 versus 20, just so we can really start to say the state will no longer prioritize those kinds of concentrated developments, and that's really what this AFFH thing is saying above all else. And Director Velasquez can speak to this way better than me. So we have strong preferences to keep it at a slight difference in points and see where it goes and then we can, I think, by next year we'll have a much better sense when we do hopefully create a whole new system that doesn't sort of rely on the old point system.

I think you are right. This has been a long process that has really missed the fault lines, and I think we have a much better system going forward to address this new system in 2020.

>> Anthony Sertich: And that is fine. But, you know, going forward. I appreciate the hard work you guys have put in on this, and I am not trying to kick it to the curb and say it is not workable. I just want to understand that I think what the outcomes may not be exactly what we're hoping for in total on this. If that is the number one priority the administration wants, I can go along with it, and we can make it work.

>> Gayle Miller: Mr. Sertich, the last part you said, the outcome may not be what we want…I am just trying to figure out your concern. Is that because you don't think we'll come out with the number of units at the end of the day that the state would want to produce? Is that what you mean by that?

>> Anthony Sertich: That's one of the negative outcomes for sure. I think there's also in the past, and I know we've dropped a little bit this year, is really this focus on transit-oriented development is really built into the scoring system outside of the minor adjustment on the amenities points. So I think some of the environmental concerns may not be as focused either in terms of what we've done in the past, so I think there's a couple things that, like I said, if we look at the totality of what the policies that we were thinking about a few months ago, I think we're narrowing in on one policy, which is an important policy, but I don't think it's the only policy. So, I do think that to your point,

Mr. Velasquez, we will drive more development in high opportunity areas, but I think we are losing some of the development on like permanent supportive housing on homeless projects. I guess I have a question for you, Ms. Miller, on the adjustment for permanent supportive housing that was made on the tiebreaker, but it was not made on the point scoring system. That was solely for large family. I wasn't sure if that was meant to be there or not. So that's another issue that we may be losing out on.

>> Gayle Miller: Yeah. I think that may be a good point. Mr. Sertich. I wonder if we missed that. I agree with you that we need a lot more work on this tiebreaker. So, I think this is just a starting

point, and we would love to work with your office and the Treasurer on how we can better and more precisely make sure the tiebreaker address public benefits as well. So, I agree with you on that. And so, I think this would be kind of the first step. And then as it goes through the regulatory process, we would love to figure out, even have a meeting, Madam Chair, committed to this idea of the tiebreaker. So, with that we completely agree with you. And then, you know, obviously, as we go through the regulatory process, we agree that we may need to add permanent supportive housing and other parts as well, if we missed it in the point system, and we may have. So I think that's the benefit of the way we've set up this framework, but I think we're all reserving the right to make changes as we go through it to make sure that what we were thinking kind of translates that into the regs. So, I think my super long way of saying yes and yes.

And I understand that this is, like I said, from the beginning, this is not a final, nothing's final until it's fine, which is not going to be for a couple months, and I think, you know, we all understand that.

And, you know, one thing I would like to point out in that spreadsheet, there is another tab that has our thoughts about how to slim down our original proposal into a tiebreaker sort of mechanism. And so that would be something that we would be comfortable -- we think it takes into account a few more of the state priorities. It's that benefit efficiency 2022 tab that takes into account some of the policy priorities that we think are out there, including affordability, population served and -- if you scroll down, and some of the other location adjustments that we wanted to focus on.

>> Treasurer Ma: Well, so I am going to schedule after our TCAC meeting on October 14th, a CDLAC meeting. There was an item that was supposed to be on the agenda today that was left off, and therefore, we are going to schedule another meeting on October 14th.

>> Gayle Miller: I think, Madam Chair, we are ready if you are comfortable to move this framework to begin drafting the regulations. And then I do not know, Mr. Sertich, if you would be

comfortable addressing the tiebreaker then on the 14th, or if you just want to address that through the regulatory process.

>> Anthony Sertich: I mean, I think it depends on the timing from staff. I think we need to start getting the regulations drafted sooner rather than later. So, I'll leave that to the staff and chair to let us know how they would want to move forward.

>> Gayle Miller: Okay. I would move this -- I would move the framework as I've shared it on my screen with a few adjustments. Does that work, Mr. Walker?

>> Motion to move the framework as revised.

>> Spencer Walker: Yes.

>> Gayle Miller: Very good.

>> Treasurer Ma: Okay. Thank you. I will second that motion. Okay I see Staff has some comments?

>> Evan Kass: Yeah. Well, we both have comments. I just want to stay that the working group has done such a great job and the administration and all the feedback we have gotten is fantastic. CDLAC staff was not directly involved in the working group, but it does set the stage for a good structure. And just as a reminder, as we go into regulation writing, we must work within our federal limits for CDLAC, which are specific to CDLAC. There are some things that are not, such as our definition of restricted units and how that gets incorporated. For example, we have from the IRS a strict 60% limit, and we don't have the income averaging option that that TCAC does as an election, an official election. So, there's a few couple of things that we have to work through. And we have done some TCAC/CDLAC meetings talking about alignment. And as we go through the process and how things fit in with borrowing from the 9% or using references, I think all of that will be flushed through as we go through it. So, in terms of a general structure this is okay, but of course we must work with how it all fits within our federal regulation.

>> Sarah Luster: That was my comment.

>> Treasurer Ma: Okay. So, there is a motion to second. Any members of the public wishing to comment? Okay. I think we've exhausted everyone. All right. Anthony, please call the roll.

>> Gayle Miller.

>> Aye.

>> Anthony Sertich.

>> Aye.

>> Fiona Ma.

>> Aye.

Yeah. All right. Let's all give a clap.

(Applause and cheers)

>> Treasurer Ma: This is just a start. I think we are more than mile three in this marathon. I would like to say we are like on mile ten. So, I think at least we have a starting point to start to draft the regulations. Everybody understands some of the policy, the policy issues, and concerns. Maybe we'll have a discussion about the tiebreaker, and we'll put it on the October 14th as a discussion item. Tony, want to discuss it or not, but I think it's worth another discussion.

And anything else on the agenda? Oh, we also have to discuss the 2021 calendar at some point.

>> Evan Kass: It is on the November 18th agenda.

>> Okay. Item number 4, public comment. Any item not on the agenda this is the time for the public to comment. Anyone on the phone?

>> No hands are up. All right. Thank you for your patience and your cooperation. This meeting is adjourned.