



California Debt Limit Allocation Committee

915 Capital Mall, Conf Rm 587
Sacramento, CA 95814

August 11, 2021

Committee Meeting Minutes

1. **Agenda Item: Call to Order and Roll Call**

California State Treasurer Fiona Ma, CPA, called the California Debt Limit Allocation Committee (CDLAC) to order at 11:02a.

Roll call included:

Voting Members: Fiona Ma, CPA, State Treasurer
 Tony Sertich for Betty T. Yee, California State Controller
 Keely Bosler for Governor Gavin Newsom
 - Teresa Calvert stepped in for Bosler after vote on Item 6

Advisory Members: Gustavo Velasquez for the Department of Housing and Community Development
 Kate Ferguson for the California Housing Finance Agency

2. **Agenda Item: Approval of June 16, 2021 Minutes**

MOTION: Sertich moved to approve the June 16, 2021 minutes from the CDLAC committee meeting.

Second by Bosler.

Motion passed unanimously via roll call vote.

3. **Agenda Item: Executive Director's Report – Presented by Nancee Robles**

There are three new staff. Tracy Sullivan, an executive assistant, and two new managers, DC Navarrette and Christina Vue. DC has a decade of housing experience working with the State including having worked at the California Tax Credit Allocation Committee (CTCAC) previously. Christina has a variety of finance and lending experience including previous work with the State Treasurer's office in CPCFA.

The Executive Director reported that she used her delegated authority to approve a \$82,300 contract with Sjoberg Evashenk Consultants to assist CDLAC and CTCAC with strategic planning to better integrate the two committees where they share similar regulations, applications, and procedures.

Robles reported there were several groundbreaking and grand opening ceremonies in June and July, some virtual and others in person. Solvita Commons held a virtual grand opening of its affordable housing in the City of Clovis in Fresno County. The Treasurer and Executive Director also attended three groundbreaking ceremonies together. The Archway II in Modesto is a second phase project totaling 150 affordable housing units. ARY Place on S Street in Sacramento is an apartment with retail space on the ground floor and will provide 111 low-income housing units. Pony Express will provide 59 deeply affordable units for Seniors in Vacaville.



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Robles then reported that tomorrow (August 12, 2021) there would be a groundbreaking event in San Jose in the Bay Area. This San Jose project received over \$34 Million in bond allocation from CDLAC and about \$2.5 million in tax credits from CTCAC. Other speakers at this event will be Mayor Sam Liccardo and Councilmember Raul Perez. This project in the Bay Area will have 87 units for low-income families with cost savings to tenants that include solar hot water, water efficiency, energy efficient heating, air conditioning and appliances.

The Housing, Economic Development, Jobs & Opportunity Zone Ad Hoc Committee created by the Treasurer had its quarterly meeting in July. There were speakers on some ongoing committee items like Dr. Angelov Farooq on Military Base Reuse, James Reynolds on Accessory Dwelling Units, and Dalila Sotelo on Public Partnership Schools and Housing Initiative. In addition, Marlene Orozco gave a summary of the 2020 State of Latino Entrepreneurship.

In mid-July staff met with the Working Group that has been collaborating to come up with solutions and recommendations to modify the CDLAC and CTCAC competitive process to create the most equitable system while keeping the states policy goals for affordable housing at the forefront. During that meeting a tentative schedule was agreed upon for drafting and publishing regulations. This group will provide recommendations by September, with publication in October, and staff will have a Recommendation for Committee Adoption in December to prepare for implementation in 2022. Staff are also developing a more robust competitive process for Exempt Facility (EXF) Bond Allocations which will follow the same schedule for implementation.

There were 129 applications, totaling \$3.6billion in allocation requests.

The online application system is up and running, so will be available to use for Round Three applications. Furthermore, the universal spreadsheet model is progressing as anticipated.

Committee Comments:

Velasquez reported there is a plan being worked on to get \$100 billion for homeless programs, with \$10 billion of that set aside for affordable housing.

Frequent updates were requested on the strategic planning consultant progress by Sertich, who also requested updates on regulation changes. Bosler reiterated the request to be updated on regulation changes to ensure there is clarity and fairness in these changes.

Ferguson asked if there was a specific work group for working on the Exempt Facilities competitive process, and Robles stated CDLAC is gathering input from CPCFA and other Exempt Facility issuers, however this is primarily a CDLAC task.

Public Comments:

There were no public comments.

4. Agenda Item: Consideration of Extension Requests for Qualified Residential Rental Projects Allocated in 2021 – Presented by Nancee Robles

The previous authority the Committee granted to the Executive Director to approve extension requests was for projects receiving allocation in 2020 and needing more time due to COVID -19 delays. Projects that were allocated in 2021 are now also requesting extensions. The CDLAC regulations only allow the Executive Director to grant a 5-day extension and all of the requests



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presented today are for longer time frames. There are three projects requesting extensions more than 5-days.

CA-21-497 803 E. 5th Street, and CA-21-537 Washington Arts Collective each requested 90-day extensions, from October 25, 2021 to January 24, 2022; and from November 8, 2021 to February 8, 2022, respectively. Andre Perry with the City of Los Angeles Housing Department stated there are still COVID-related economic impacts on the soft lenders, local agencies, and state agencies, with the lack of staff. There is also a cap of 55%, which is lower than the previous 60%. With construction costs so high, it becomes increasingly difficult to meet the 50% test. Additionally, the City of Los Angeles has been a prolific issuer of bonds, so also has a high number of projects finishing timely. The area is costly to develop and requires participation with additional sister agencies. Mr. Perry suggested the 55% cap be changed back to 60% to enable issuers to hold the volume cap for the deal and weather the storm of cost increases after closing.

CA-21-510 Vermont Manchester Senior Housing is requesting a 180-day extension from October 25, 2021 to April 29, 2022 in order to align this project with Vermont Manchester Family Housing, which are in the same building yet two separate projects. Kimberly McKay with Bridge Housing reiterated these two projects need to simultaneously close. Though Vermont Manchester Family Housing was not selected during the first two rounds for allocation this year, it is on the preliminary list to secure HCD funding. The goal is to not have to return the allocation and risk having a ripple effect. With this allocation, the senior component is fully funded, but the family component is pending funding from HCD. It was specified the 180-day extension was due to being unfamiliar with the HCD process. It is recognized streamlining the various funding sources would be beneficial. When it came to light the family component was not selected for round one allocation, the sponsor immediately reached out to CDLAC identifying the mis-alignment, and did re-apply for the family component in round two. Outside of the lack of funding for the family component, the soft-source funding is secure, as well as everything else to move forward with the projects.

Committee Comments:

Sertich asked how many extension requests have come for 2021 allocations, and Robles responded there had been no other extension requests than these three for 2021 bond allocations, though there were numerous for 2020 allocations which were all approved. The regulations specify projects need to be “shovel-ready” when they apply and have 180 days to issue the bond.

Public Comments:

There were no public comments.

NO ACTION TAKEN on Agenda Item 4.

NOTE: Agenda item 7 is being considered at this time as item 7 may impact agenda items 5 and 6.

- 7. Agenda Item: Consideration of Appeals for Award of Allocation of State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects (QRRP) – Presented by Nancee Robles**



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There were two appeals. CA-21-593 Bascom Apartments and CA-21-641 Villa Oakland.

Bascom Apartments was added to the preliminary approval list after some movement due to an unrelated application error and application withdraws from the list. As such, Bascom Apartments need not appeal yet retain their right to appeal should there be issues later.

CA-21-641 Villa Oakland applied in Round 2 and was not included for recommendation of allocation since there was not enough allocation left in the pool to fund a minimum of 80% of the project. The applicant made a request to lower its bond amount to meet the 80% test and be funded in this round. This request was made after the preliminary list was published. CDLAC staff did not allow this as it would give the applicant an unfair competitive advantage and would set a precedence that applicants could change their applications in a way that affects its competitiveness after submission. Bond amount aside, the project does not meet CDLAC's minimum criteria in its regulations for debt service coverage and was informed of this deficiency. Villa Oakland is asking the committee to overlook a regulatory debt service coverage deficiency and allow the applicant to reduce its original requested amount in order to meet the 50% test, then "forward fund" from the Bay Area Pool. Elizabeth Brady advocated for CA-21-641 Villa Oakland, stating they are willing to lower the bond amount requested in order to take advantage of what is available in the Bay Area pool. Brady claims they are able to conform to both the 80% and 50% tests and meet the 1.15 debt service ratio. Additionally, she claimed there are no deficiencies in the application. She stated, this project will have the ability to serve over 300 homeless youth over the next 10 years and are ready to match and secure funding by December 31, 2021.

Darin Ranelletti, the Policy Director for Housing Security for the Oakland City Mayor reiterated the need to provide shelter for those who exit the foster system, especially since as many as 50% will experience homelessness.

Elizabeth Brady specified the goal is not to create an unfair advantage and they are willing to work with what is recommended in order to secure funding, with the understanding the scoring and tiebreakers would not change, only the amount requested.

Committee Comments:

There were no committee comments.

Public Comments:

There were no public comments.

NO ACTION TAKEN on Agenda Item 7.

5. *Agenda Item: Discussion of Consideration to Re-allocate \$200M Previously Dedicated to an Intercity High Speed Rail Project Presented by Nancee Robles*

With the return of the allocation from XpressWest due to the withdraw of its application, the committee agreed in January 2021 to determine whether or not to reallocate the \$200 million, and if so, how to reallocate it. If the Committee decides to allocate to QRRP, staff recommends it be allocated to Round Three.

Committee Comments: The committee debated reallocating the funds that were returned to either



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QRRP Round Three, or to the exempt facility pool. A motion was made by Bosler with a second by Sertich for the \$200 million to be allocated to the multi-family housing program.

Public Comments: Joyce Nguyen from the San Francisco Mayor's Office of Housing and Community Development stated it is good to reallocate these funds to QRRP. San Francisco is underfunded at 21% though they can produce a similar amount of projects near transportation, so is therefore requesting this go to the Bay Area Pool.

Dave Hackett with Valley Green Fuels, who intend to build a renewable biodiesel plant in Kern Valley, states California is clear on climate and air quality goals. They reduce pollution while creating jobs. Reallocating the funds to exempt facilities provides the potential to carry out this mission. Removing this allocation from the exempt pool will complicate the capital stack of exempt facility requests for allocation.

[undiscernible] with California Housing Partnership. In favor of reallocation to QRRP. It is fair to say Exempt Facilities is also oversubscribed, however, it is not to the extent the QRRP pool has been. It is appropriate to return the bonds to QRRP due to the changes in the budget to address the housing crisis and falls in line with what other bodies of the state have taken.

Robin Singler supports reallocation to the QRRP, and requests a set aside for projects with expiring designations of DDA.

Marina with the California Housing Consortium supported the reallocation to the QRRP.

Avi Nackage supported the allocation going toward the QRRP and specified it should not be split among all of the set asides and pools, but instead put evenly toward the ELI/VLI and homeless pools.

Brandon from the Antone Development company appreciated the allocation going toward the QRRP, but prefers it to go to Round Two applications.

There were no additional public comments.

MOTION: Bosler motioned to reallocate the funds to the QRRP. Sertich seconded the motion. Motion passed unanimously via roll call vote.

The second portion of this agenda item is to decide how to allocate these funds in the QRRP. Staff recommend allocating to the Round Three applications.

Committee Comments:

Velasquez noted the ELI/VLI pool is the most oversubscribed with 60 applications, however, only 8 were funded.

Ferguson reiterated the homeless pool tends to roll into the ELI/VLI pool once those funds are exhausted. To allow time to adequately review applications, it was recommended to allocate these additional allocations to Round Three.

Chair Ma noted there are other considerations to put on the table, such as expiring DDAs.

Additionally, there are returned bonds from the denied extension requests which would go back into those pools and potentially benefit the bumped projects. Unused allocations from the BIPOC pool will also roll over. This totals approximately \$37.3 million. For the projects that were bumped, this may be a consideration for the next meeting.



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It was considered to allocation the funds to DDA preservation projects and ELI/VLI, however, Robles specified there was a recent ruling providing another extension to DDA projects.

The committee determined the allocation should go to the ELI/VLI pools since it is the most oversubscribed and there are projects in those pools that cascade into other set asides and pools.

Public Comments:

Leann Thomas from Anton requested the funds be allocated more evenly as there were only two of twenty homeless and ELI/VLI projects allocated in Northern California, which is much less than half. Additionally, since there are escrow and other issues that arise while waiting for funding, there is a request to extend the reallocation from 180 days to 190 days.

Betsy from Self Help Enterprises requested the funds be reallocated to the projects that were bumped. Specifically, Sante Fe Commons that is shovel ready since they were anticipating being funded.

Caleb Roope with the Pacific Company stated CDLAC and CTCAC are capable to do the sorting of the applications, it is common to have the list change, and appeals happen. He further stated there is a need for a standardized process with a further need to follow that process and not deviate from the rules. He reiterated that until the committee votes it is possible to get bumped.

Elizabeth Brady of Oakland Housing requested this money be reallocated to Round Two, and is requesting the unspent money be combined for redistribution among the pools.

Todd Coddle with CA-21-615 Orange Corporate Yard requests the funds be allocated to fund the bumped projects.

MOTION: Bosler motioned to allocate the funds to the ELI/VLI pool in Round Three. Sertich seconded the motion.

Motion passed unanimously via roll call vote.

NOTE: Bosler left the meeting, and Teresa Calvert entered the meeting in her place.

6. Agenda Item: Recommendation for Allocation of State Ceiling on Qualified Private Activity Bonds for Exempt Facility (EXF) Projects Presented by Nancee Robles

Robles reported there were three applicants totaling \$418 million and only \$199M available to allocate. All of the applications are Tier 1, as small businesses, and therefore scored equally.

Robles recommended project CA-21-012 CalPlant for the requested \$18 million and CA-21-011 Camston Wrather for its request of \$75 million.

CA-21-010 Valley Green Fuels requested \$325 million. In order to have been able to recommend Valley Green Fuels, the high-speed rail bond would have needed to be allocated to the exempt facility projects, which it was not, Robles stated she could not recommend this project.

Committee Comments:

Sertich requested information on the scoring system used for exempt facilities. Robles clarified CDLAC is looking at ways to create a competitive scoring process for applications since there presently is only one way to score exempt facilities. This is the first time there are equally scoring applications, making it necessary to look for other ways to determine how to best allocate the



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funds. As such, CDLAC staff looked to state policy and mandates when reviewing these applications.

Public Comments:

Ben Parker with CMFA for CA-21-011 Camston Wrather thanks the board for the opportunity to apply and welcomes additional questions they may have.

Dave Hackett with CA-21-010 Valley Green Fuels expressed disappointment at not getting funded, but is willing to accept reduced funding as its product will help create a transition to the next generation of fuel on the path to the state's goal of having zero emission vehicles on the road in 2035.

Robles stated, in light of Valley Green Fuels willingness to accept reduced funding there is approximately \$106,940,000 remaining in the exempt facility pool that is available to allocate.

John Spaulding of Kern County Building and Construction Trades Council supports the reduced funding since this will provide job opportunities, help with reducing the reliance on fossil fuels, and reduce smog.

Ron Blake with California Ethanol and Power stated he submitted an application for the next round and is looking for any and all allocations. It would be extremely helpful for the community which is very much needing economic activity. It is a green project, it will be a green research campus as well, for low carbon footprint energy projects.

Ian Parker of RBC in San Francisco, a huge advocate for housing, commends the committee for looking at better ways to score exempt facility applications as the state's priorities move forward, and with the federal government adding categories to exempt facilities.

Staff Comments:

Robles identified there is an additional \$10 million in the Industrial Development Bond (IDB) pool that could be reallocated since there are no deals in the pipeline. She suggested this amount could be added to the exempt facility pool for a total of approximately \$116,940,000 to be allocated to the Valley Green Fuels project. Robles recommended there be a shortened deadline to issue the Valley Green Fuels bond in order to avoid carryforward to the next year.

MOTION: Sertich motioned to approve the CA-21-012 and CA-21-011 as they are requested and on the typical 180 day timeline for issuance. Sertich included in this motion a reduction in the requested amount for CA-21-010 to \$116,940,000, which will include the allocation from IDB to Valley Green Fuels, with an issuance deadline of November 24, 2021. Calvert seconds the motion. Motion passed unanimously via roll call vote.

8. Agenda Item: Recommendation for Award of Allocation of State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects – Presented by Emily Burgos

There was movement on the list after the final report was posted which created a domino effect. CA-21-620 (BIPOC pool) and CA-21-605 (Rural New Construction pool) withdrew their applications. CA-21-620 was the only application for the BIPOC pool.

The withdraw of CA-21-605 allowed CA-21-634 to be added to the Rural New Construction pool. CA-21-648 identified an issue with the application, so was moved out of the ELI/VLI set-aside into the Coastal region, which bumped CA-21-647, CA-21-579, and CA-21-615.



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CA-21-593 was added and CA-21-621 moved from the Inland Region pool to the ELI/VLI set aside. CA-21-619 was added to the Inland Region pool, and bumped CA-21-651. Staff have not been able to review CA-21-634, so are recommending approving the applications contingent upon staff review.

Committee Comments:

Sertich requested clarity on why the changes were so last minute. Burgos stated there are factors to determine which projects are selected. Aside from the withdraws causing a domino effect, there is also a skipping process, which allows the skipping to a smaller project if there are not enough funds. There is also a deficiency process, which causes a project to be removed if the deficiencies have not been cured. The largest change was due to the applicant informing CDLAC of an error in its application, which caused it to switch pools. Sertich sought further clarification regarding CA-21-576 requesting over \$80 million. Robles replied that the 2021 state ceiling request was only \$63,440,432 and the remainder was carryforward from 2020.

Public Comments:

There were no public comments.

MOTION: Sertich motions to approve staff recommendations, contingent upon staff review of CA-21-634 to ensure the accuracy and competitiveness of the application. Calvert seconds the motion.

Motion passed unanimously via roll call vote.

9. Agenda Item: Public Comment

Sean Spear of Community Housing Works noted the project sponsors who were bumped did not receive notification from the issuers and were not afforded the ability or opportunity to file appeals. Appeals are not permitted after the committee meetings, only before.

Spencer Walker of the State Treasurer's Office recommends the motion from agenda item 8 be rescinded via vote, then reopen the agenda item for further discussion and vote.

MOTION: Sertich motioned to rescind previous vote on agenda item 8 and reopen the agenda item. Calvert seconded the motion.

Motion passed unanimously via roll call vote.

8.1 Agenda Item: Recommendation for Award of Allocation of State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects – Presented by Emily Burgos

Due to the lack of time allowed for appeals for projects that were bumped from the final recommendation list, an additional committee meeting will be held within the next three weeks so the projects that were bumped can have an opportunity to appeal. If the projects appeal and are approved, they would still be considered part of Round 2, funded by what remains from Round 2, and forward funded from Round 3 from the pools they were bumped from. The rest of the final recommendation list does not need to be affected by the appeals process for the bumped projects.



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Public Comments:

There were no public comments.

MOTION: Sertich motioned to approve the final updated staff recommended list, contingent upon staff review of application CA-21-634. Calvert seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Sertich motioned to hold a special meeting within the next 3 weeks, as soon as conveniently possible. Calvert seconded the motion.

Motion passed unanimously via roll call vote.

10. Agenda Item: Adjournment

Meeting Adjourned at 1:58pm