California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

November 17, 2021

Committee Meeting Minutes

1. *Agenda Item:* ***Call to Order and Roll Call***
The meeting was called to order at 11:04a.

Voting Members:	Fiona Ma, CPA, State Treasurer Tony Sertich for Betty T. Yee, California State Controller Gayle Miller for Governor Gavin Newsom
Advisory Members:	Gustavo Velasquez for the Department of Housing and Community Development Tiena Johnson-Hall for the California Housing Finance Agency

2. *Agenda Item:* ***Executive Director's Report*** *– Presented by Nancee Robles*
After 27.5 years of service, CDLAC's Richard Fischer is retiring as of December 1, 2021. On behalf of the team, Executive Director Robles thanked him for his service and wishes him well in his retirement.

Ms. Robles had the honor of being voted in as a Member of the Board to the Council of Development Finance Agencies (CDFA). CDFA is a national association dedicated to the advancement of development finance concerns and interests. Members are state, county and municipal development finance agencies and authorities that provide or otherwise support economic development financing programs. During the meeting the Board was extremely complimentary of the California Treasurers Office and The Treasurer's assistance in sending support letters to the legislature for the bond related items in the Infrastructure Bill.

Ms. Robles reported on the progress of the strategic planning consultant. During this reporting period, Sjoberg Evashenk continued to map business processes and refined draft profile summaries. They met with CDLAC and CTCAC to discuss potential modifications to the mission and vision statements given the legislative origins of both CTCAC and CDLAC as well as the State Auditor's recommendation to transfer CDLAC functions to CTCAC and began drafting potential mission and vision statements for a consolidated agency. They developed a resource allocation model and asked both CDLAC and CTCAC to identify how management allocates existing staff resources to achieve core agency functions, information that will be used to map a functional organization chart for a consolidated agency. Additionally, they continued the research and analysis into CDLAC regulations and its method for tracking and managing the status of emergency and permanent regulations.
Ms. Robles further stated that for the month of November, Sjoberg Evashenk plans to:

- Draft and submit a deliverable outlining the current condition of CTCAC and CDLAC. This deliverable will outline the organizations' responsibilities, organizational structure, business processes, resources, and other features of the agencies, as well as the key challenges each faces.
- Meet with agency management to discuss the financial condition of each agency, its approach to managing resources, and the sustainability of operations.
- Continue walking through key business processes, databases, and record-keeping processes, and working with CTCAC and CDLAC management to determine and map out the allocation of staffing resources.

Ms. Robles summarized the presentation given by Secretary Lourdes Castro Ramirez at the last meeting regarding the States 2022 Priorities and Refinements for CDLAC. She also stated that in the days following the presentation, the Secretary followed up with a Technical Recommendation memo that was shared with staff, the Committee Members, the Working Group, the CDLAC list serve, and is published on the CDLAC website. The priorities included:

1. Creating more affordable housing, with deep affordability, while continuing to emphasize cost efficiency.
2. Preventing and ending homelessness, through the production of housing, including supportive housing, for individuals experiencing homelessness.
3. Affirmatively furthering fair housing choice.
4. Aligning policy and funding cycles across State housing finance agencies.
5. Reducing barriers for new and historically excluded developers.
6. Encouraging location- and climate-efficient site selection.

To reach these goals it was recommended to:

- Change the tie breaker to weigh public benefit compared to the total state investment.
- Adjust the point category for projects located in High/Highest Resource Areas
- Adjust the Homeless set aside to promote integration with HCD programs
- Work closely with the HCD's Opportunity Mapping Task Force
- Recommends an annual review

Ms. Robles stated that the working group will use this information to make recommendations to the CDLAC staff. Once received, staff will begin the process of reviewing, drafting, vetting through legal, creating a schedule for public comment, Committee approval and adoption, and filing of the regulations. It is likely the regulations will be adopted at the first meeting in January of 2022. Staff's capacity to produce a final draft will affect the schedule for 2022; that will be presented at the December 8, 2021 meeting, yet could also be subject to change. This means the first deadline for applications will be 30 days from that date of mid to late February. Staff is working diligently to produce this work as quickly as possible.

Ms. Robles then reported on returned allocation. CA-21-494 Perris Sterling Villas III returned $34,192,698 in allocation. They were awarded this allocation at the April 28, 2021 meeting, and returned the allocation in October. This allocation was reverted to the Mixed Income Pool and will be reallocated at the December 8, 2021 Meeting. Perris Sterling Villas III will request to waive forfeiture of performance deposit and negative points, which will be discussed agenda item #5.

In addition, Ms. Robles reported that Valley Green Fuels LLC Renewable Fuels Plant returned its allocation of $116,940,000. This allocation reverts to the Exempt Facilities Pool making that total $185,600,000. This pool is still oversubscribed with $535,000,000 in projects to be considered today in agenda item #4.

Ms. Robles then reported on the Demand Survey:
The 2022 Demand Survey was conducted with a deadline for submissions of yesterday, November 16. The preliminary results show over $10 Billion in demand.

- $6.5B for QRRP Qualified Residential Rental Projects
- $400M for Single Family Housing
- $3.4B for Exempt Facilities

Once the following information is finalized, it will be posted on the CDLAC website and broken down in Pools.

BIPOC		$ 69,563,311
Homeless, ELI/VLI		$ 2,988,372,493
MIP		$ 950,470,000
Rural		$ 23,000,000
Preservation		$ 132,500,000
Geographic		$ 1,783,637,564
TBD		$ 566,864,827

Ms. Robles reported on the progress of the State Audit Response. A State Audit was conducted and published on 11/17/2020 that made several recommendations that staff responded to in January 2021, May 2021 and Yesterday November 16, 2021.
The audit required responses to its recommendations to:

- Consistently align bond allocation with state priorities and disclose any allocation lost to the public.
- Identify areas that have not received tax credits and incentivize developers to build affordable housing in those areas
- Take meaningful disciplinary action against housing project owners that show patterns of noncompliance
- Report all instances of noncompliance to the IRS.

Staff addressed all issues and completed the responses on time. Ms. Robles anticipates another annual review and response to occur in November of 2022.

Committee Comments:
The Treasurer verified the returned allocation from Perris Sterling is going back into the mixed income pool. She also thanked Richard Fischer for his long state service especially with the

Treasurer's Office and wished him a happy retirement.
Mr. Sertich congratulated Ms. Robles on her CDFA appointment, and thanked staff for the hard work to get the audit response in.

Public Comments:

Cherene Sandidge with the Black Developers Forum requested a copy of the bullet points from the Secretary's presentation for CDLAC and CTCAC at the previous meeting. Robles stated it is available on the CDLAC website.
The Treasurer asked to have the Executive Director's report in the meeting materials, and to start with Agenda Item 4 before circling back to Agenda Item 3.

3. *Agenda Item:* ***Recommendation for Adoption of Emergency Regulations*** *– Presented by Nancee Robles*

California has been allocated $4.3 billion in bond authority for 2021 of which $3.9 billion has been allocated by the Committee for tax-exempt bond authority for affordable housing projects. The schedule for awards includes a Committee Meeting on December 8, 2021 by which time these emergency regulations must be in effect in order to allocate the prescribed $1.5 billion allocation remaining for affordable housing in a manner that complies with all statutory requirements and also provides fair and consistent requirements for applicants. Timely allocation will address the existence of an affordable housing crisis in California as proclaimed by the Governor and the State Legislature. The amendments proposed by this promulgation will assist the Committee to meet those goals.
At the September 29th, 2021 meeting, the Committee approved a package of emergency regulations to reinstate earlier regulations that had since reverted due to a staff error. The Committee recommended staff take care to ensure the proposed emergency regulations were not altering guidance that was altered by subsequent emergency packages. After the approved package was submitted to the Office of Administrative Law (OAL), staff opened up a dialogue with OAL to ensure the Committee's concerns were addressed. OAL recommended staff withdraw the emergency package and resubmit the changes combined with the re-adoptions of two other outstanding packages. This would allow the clarity necessary to address the Committee's concerns and ensure staff intent with these changes was clear.
All of the regulation changes being proposed today have already been approved by this Committee at the following meetings: April 3, 2020; May 20, 2020; December 21, 2020; and April 28, 2021. The Emergency Regulations were approved by the Committee and filed with the Office of Administrative Law (OAL). Due to staff error the final step of completion, the filing of a permanent regulation packet, was not performed during the required timeframe causing expiration and necessitates the re-adoption of these Emergency Regulations. Staff recommends approval of the emergency regulations.

Committee Comments:

There were no committee comments.

Public Comments:

Mark Stivers with the California Housing Partnership appreciated the effort to reup the regulations. He noticed the ELI / VLI pool, there used to be a 50% AMI. This language is now completely gone from that section. Previously there was an and/or regarding it, but not any longer. There were a couple other things that he specified he would take up with Ms. Robles, but this potential error was significant enough to take to the committee. Miller specified she wants to adopt the regulations with a stipulation to include that language.

Joe Mota with Lift to Rise in Coachella Valley wanted to talk about the recent regulation changes increased the unfair disadvantaged of rural and inland communities such as Coachella Valley. Without a fair and level playing field, their community cannot compete and will continue to suffer disproportionately despite their great need. He urged the committee to revise the regulations to increase fair and equitable access to serve the needs of the rural and inland communities.

Frank Martinez with the Southern California Association of Non-Profit Housing, hope the allocations taken away from the Southern California regions would be withdrawn as part of the proposed regulations.

Mike Walsh with Riverside County Housing and Workforce Solutions understands these are emergency regulations, to adopt what was previously done. But the process to get to this point is flawed with minimal public outreach. Particularly the rural communities where the changes made would greatly affect Riverside County who saw a 12% reduction in eligible bond allocations. Though they understand why it was done, they are not happy about it. They want to see greater transparency and geographic equity in how the resources and distributed so all Californians can receive the housing they need.

Rusty Gonzales spoke on behalf of the city of Coachella in Riverside County. The City has been monitoring and there have been significant revisions to the regional allocations and methodologies to the detriment of the rural inland communities like the city of Coachella without an opportunity for robust public discussion. Without a fair and level playing field, they cannot compete, and the residents will continue to suffer despite their great need. He urged the committee to revise the regulations to be more fair and equitable with equal concern for the rural and inland communities like Coachella. They are not asking for favoritism but are instead asking for a fair opportunity to compete for state resources.

Melissa Fox whom has been working in affordable housing for over 10 years as both an elected official and a commissioner and as an attorney spoke. She now lives in the Coachella Valley and is concerned about the changes to Section 5022, which takes allocations from 4 regions including the Inland Region and gives them to the Bay Area Region. Additionally, the changes to Section 5231g1 which has the affect of inflicting a 13% penalty to the Inland Empire in statewide and regional competition. Coachella Valley desperately needs housing. They have a lot of communities of color in low wage jobs such as agriculture. They are not asking for favoritism but are asking for a level playing field to compete. The emergency regulations were drafted in an emergent basis, so urges the committee to take the time to make it right. There were unintended consequences to divert resources from an area that desperately needs it. They are asking for an opportunity to be able to compete with the Bay Area Region.

Lydia Ponce urged the committee to deny the request for the $1.1 billion private activity bonds for Poseidon. In light of the sea level rising, she questions how anyone could fund such a project. There is a need for affordable housing. Tomorrow in Venice unhoused people will be swept with their belongings. Their personal effects will be thrown away and crushed. We need affordable housing throughout the 58 counties in California. We should no longer fund private industries to extract from the oceans and land. We need to do something radically different in response to climate

change, but first we need to house people. The committee may need to explain to the public, the funds for permanent affordable housing are a racial, social, and economic injustice for California. They deserve it. No desalination.
Analisa Valdez lives in the Coachella Valley in the city of Indio. She is the community organizer with Communities Renew with Education Fund. She urged the committee to revise the regulations for the allocation of funds to make it equitable, that provides equal respect and concern for rural and inland communities. Going forward, it's important for rural and inland cities like Coachella and Indio to have a seat at the table. As the new scoring system is being drafted, she urged the committee to not make a motion so rural and inland communities have more time to review the regulation changes and provide feedback.
Yvonne Martinez Watson, chair of the Environmental and Social Justice Committee for the Sierra Club of the Los Angeles chapter asked the committee to deny Poseidon's request for $1.1 billion in private activity bonds. Public funds should benefit the public and not private equity corporation for their own profit-driven projects. Staff reported on the need for affordable housing, which is why the majority of the $4.3 billion funding pool should go toward as many affordable housing units as possible instead of to projects like Poseidon. In additional, this committee needs to ensure a robust tribal consultation and environmental justice analysis before making decisions about rule making and allocations of funds to any project including Poseidon. She finds it distressing to hear members of environmental justice committees come before the committee and have to plead to make sure they are included with a seat at the table.
Pat Goodman lives in Huntington Beach and requested Poseidon be denied private activity bonds. They have other sources of funding from water districts and other such projects. Goodman believes CDLAC money should go directly for affordable housing. California is on the cusp of doing significant good work for affordable housing and hopes they will improve the systems for analyzing projects and the benefit to provide affordable housing and incentives to developers to bring this to fruition.

The Treasurer reiterated this is a motion for emergency regulations.

MOTION: Ms. Miller motioned to approve the emergency regulations, pending inclusions of the 50% AMI for the ELI / VLI pool. Mr. Sertich seconded the motion.
Motion passed unanimously via roll call vote.

The Treasurer asked if it was possible to discuss 2022 regulations, and Mr. Walker stated it would have needed to be put on the agenda. Ms. Robles stated the intent was to have the regulations discussed at the Dec 8th meeting but don't have recommendations from the working group and just received the recommendations from the Secretary very late on Monday night The Treasurer asked to have recommendations put on the website and discuss regulations at the December 8, 2021 meeting. Ms. Robles said she did not believe there would be additional information in the next 10 days. Miller stated she wants an additional meeting. She suggested discussion on regulations, tie breakers, cadence of applications and when they'll be expected so the public knows what to expect and when the committee will be discussing allocations and pools.
Doug Shoemaker asked for clarity on behalf of the working group since they did not feel there was enough information for another report without clarity on those key elements.

The committee agreed to meet again on November 29, 2021 at 1:30p to discuss:
2022 regulations and the suggested Calendar for applications for 2022.
Pool allocations would be discussed at the December 8, 2021 meeting.

Public comment:
Andrea Leon Grossmann of Azul, an environmental justice organization, stated California is having the worst housing crisis in history and needs to use every tool in order to build affordable housing. This needs to be addressed so everyone in California can have a roof over their head. These pools are oversubscribed for the last couple years, but affordable housing needs allocations more than ever before. The committee needs to make sure at least 95% of all bonds to affordable housing because not prioritizing affordable housing hurts the most vulnerable. Poseidon Desalination Plant is asking for $1.1 billion in allocation which is more than ¼ of the allocation for the year. This is over $2 billion in federal subsidies. The committee is obligated to ensure public benefit not the viability of a project that can be financed by the for-profit companies that back it. Brookfield is a $600 billion asset management firm. There is a need for a scoring system to include public benefit, sustainability, energy requirements, climate change mitigation, and serve the vulnerable populations, as well as job creations that includes additional subsidies and metrics. This will provide a transparent methodology for the public to understand and comment on. She agreed with the last speaker, saying there is a need for a level playing field. This would provide a transparent methodology for the public to comment on. Allocation of this type of system is ripe for (undescernable) and the actions taken by public officials not taken in the public's interest. A fair scoring system needs to be put in place immediately and before the decision on Poseidon moves forward. CPCFA is supposed to allocate bonds to decontaminate sites for affordable housing or to clean polluted water waste, not to a give bonds to a public corporation who has publicly stated the will pollute to the tune of 50 million gallons of toxic slime and chemicals every day in to the ocean for 50 years. CDLAC must undertake a more robust tribal consultation and environmental justice analysis before allocation bonds to specific projects. It is CDLAC's obligation to make good by tribal communities and communities of color and low income communities that will be affected by Poseidon. Aside from lobbyists advocating for $1.1 billion allocation, the unhoused are not able to afford even half of a lobbyist. That is why she is there asking the committee to protect affordable housing, human rights, and water.
The Treasurer asked those who want to talk about Poseidon to wait until general public comment.

4. *Agenda Item:* ***Recommendations for Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility (EXF) Projects*** *– Presented by Nancee Robles*
TAKEN OUT OF ORDER: This is the recommendation for Exempt Facility Projects. There were 3 that applied and will be taking them one at a time. Usually they are heard together, but these [projects] are ranked. Tier One, Athens, is a small business that has a regulatory mandate. Tier Two, Mannco, has a regulatory mandate. Tier 3, Sugar Valley, has neither.

Staff recommends approval of the Athens Services Project, which is Arakelian Enterprises Inc. doing business as Athens Services. They are requesting $100 million.
Committee Comments:

There were no committee comments.
Public Comments:
There were no public comments**.**

MOTION: Mr. Sertich motioned to approve Athens Services for $100 million. The motion was seconded by Ms. Miller.
Motion passed unanimously via roll call vote

Staff recommends approval of Mannco Solutions LLC. This is an electronics recycling facility requesting $35,855,000. [for the record, this was stated in error; Mannco is a Biosolids Drying and Pyrolysis with Electricity Generation Project]
Committee comments
There were no committee comments.
Public comment
There were no public comments.

MOTION: Mr. Sertich motioned to approve Mannco Solutions LLC for $35,855,000. The motion was seconded by Ms. Miller.
Motion passed unanimously via roll call vote.

Sugar Valley Energy, LLC is a biodiesel plant requesting $400 million. However, there is only $50 million remaining in the pool for Exempt Facilities. Staff recommends approval for the remaining amount if Sugar Valley is willing to accept the smaller amount.
Committee comment
The Treasurer stated she heard Sugar Valley in the California Alternative Energy and Advance Transportation meeting yesterday and they moved to pulled back the used sales tax exemption since the company not applied for the property in 8 years. The board was not confident the timelines were realistic.
Mr. Sertich asked if allocation is given in this meeting, but Sugar Valley cannot move forward, to please return the allocation by end of year so it can be allocated elsewhere. Ms. Robles said this can be in the resolution as a requirement. The Treasurer reiterated the allocation is contingent upon the project being shovel ready, but specified she is inclined to deny the request for allocation because they are asking for $400 million but there is only $50 million remaining, as well as the decision made by CAEATFA, she would prefer they reapply when they have all of their permits in place. This way those funds can be reallocated to other projects, particularly in housing.
Mr. Sertich agreed with the Treasurer and wants to provide Sugar Valley an opportunity to come back for discussion in December since the bond is not going to be issued in the next couple weeks. The Treasurer and Ms. Miller agreed.
Public comment
(undescernable) with Sugar Valley stated they are absolutely willing to go with the lower amount. Regarding the sales tax issues, all the permits have been pulled and all the entitlements have been cleared and held public hearings. All of these things have been finalized and they plan to issue the bonds in first quarter. Sugar Valley would appreciate the remaining balance and will be issuing in

first quarter of the year. The speaker said they are willing to go with the recommendation of the board members to carry the request for allocation over and have it heard at the December meeting, saying they can have Ian Parker from Royal Bank of Canada attend to provide more clarity. Mr. Sertich agreed it may be beneficial for the committee members to see how the financing will play out, since the committee does not want to award allocations if the project is not viable. The Speaker for Sugar Valley stated they are actively filling the hole, this can be overcome, and they are still moving forward.

The committee agreed to carry the request to the December 8, 2021 meeting.

5. *Agenda Item:* ***Request to Waive Forfeiture of Performance Deposit*** *– Presented by Nancee Robles*

Staff does not make a recommendation regarding requests to waive forfeiture of performance deposits as this is a committee decision. Perris Sterling returned allocation of $34 million as well as their tax credits which were just over $8 million. They were having issues with investors and financing so could not pull the project together in time.

Committee Comments:

Mr. Sertich does not believe the circumstances presented are very different from other projects who have requested to waive forfeiture of deposit in the last few meetings. He specified he wants to waive negative points because they returned the allocation in a timely manner when they knew the project was not moving forward. Ms. Miller agreed only to waive negative points.

Public Comments:

Stewart Boyd, a consultant on the Perris Sterling Project, asked the committee to reconsider the bond portion. The situation during the last month was unusual. They relied on a firm and confident syndicator during the application process who said they would be able to place the equity. When the time came to close the deal, they discovered 2/12 investors in their multi investor fund objected, so chose not to close on Perris Sterling. The unusual situation was they had responded to the change of the required percentage of the LIHTC that was passed in December in the project so the total LIHTC in the project was only 50%. They discovered at the same time, the market for credits had shifted due to oversupply in the market, and there was a huge degree of uncertainty of what would happen with the tax credit marketplace with the expectation of new legislation coming out in congress. They believe they were correct in having moved forward with the 50% project with the firm belief the syndicator was being up front and believed they would be able to close so did not believe it was due to any fault of their own. They did find an investor who would be willing to take both the tax credits and the bonds, but it was so close to the deadline that they were apprised of this information, they were not able to close. They are asking to use the money to apply in the new round and waive the penalty.

MOTION: Mr. Sertich motioned to waive negative points for Perris Sterling, but not the performance deposit. Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

6. *Agenda Item:* ***Public Comment***

Craig Ferguson with Golden State Finance Authority stated in 2019 they were allocated $178 million of single family allocation which were converted to Mortgage Credit Certificates. That resulted in over $220 million in mortgage financing which allowed 642 low to moderate income households to obtain homeownership. In 2020, the committee voted to defund the Mortgage Credit Certificate program in order to allocate multifamily. They are supportive of multi family and participate in CDLAC's multi family allocation and we have issued hundreds of millions of multifamily tax-exempt debt. They still emphasize the importance of single family home ownership and completed a survey for 2022 and are going to request $200 million of single family allocation, which will be converted into $250 million of mortgage financing. This would enable about 700 low to moderate income families to obtain homeownership. He asked the committee to reconsider single family a small portion of the allocation towards single family to allow for the continuation of the very successful Mortgage Credit Certificate Program.

Lydia Ponce from Venice believes it is absurd to spend allocation on private industrial corporate interest for their profit. This puts public dollars to things like desalination. It's not keeping to the 58 counties in California that are more than deserving of permanent and affordable housing. The pandemic is putting people at jeopardy of living healthy lives, thriving, and moving forward with these challenges as a community. Provide any kind of public funding for private industry such as Poseidon is … The committee will have to explain it to the public. The community is deserving of a fighting chance to survive the climate crisis and survive the pandemic. People are placed in jeopardy when misplacing the funds when it needs to go to Coachella, to Northern California, Central California, and Southern California. It should not go to an industry that has a headquarters in Canada. The communities are becoming more food insecure and water security can be answered with other means. That does not mean there is a need the desalination monstrosities killing whatever additional food we can be derived from our oceans.

Cherene Sandidge thanked Mr. Ferguson for his comments on the MCC Program since it is imperative to affordable for-sale housing. Ms. Sandidge stated that though she is unfamiliar with the Perris Sterling Villa III project of the four to five projects she is working on in the Bay Area, it would be a problem with the investors. If investors give out commitment letters then back out, what are the developers supposed to rely on? If investors give letters of commitment to purchase bonds, then back out if the market is really active, then investors should be penalized. Investors should not have free reign on making those arbitrary decisions. It is already difficult to make housing affordable and then to have one or two people in an investment pool of 12 decide they don't want to move forward is ridiculous. From a developer's standpoint, having been in the industry for 40 years, it is now time for the state to start holding investors accountable as well. There should not be a penalty against the project when they acted responsibly and immediately notified the state of the issue.

7. *Agenda Item:* ***Adjournment***