California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

December 8, 2021

Committee Meeting Minutes

1. *Agenda Item:* ***Call to Order and Roll Call***
The committee meeting was called to order at 11:02am.

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: **Approval of the Minutes of the November 10, 2021, and November 17, 2021, Meetings**
Committee Comments:
There were no committee comments.
Public Comments:
There were no public comments.

MOTION: Mr. Sertich motioned to approve the November 10, 2021, and November 17, 2021, meeting minutes. Ms. Miller seconded the motion.
Motion passed unanimously by roll call vote.

3. *Agenda Item:* ***Executive Director's Report*** *– Presented by Nancee Robles*
Ms. Robles reported she has been asked to participate as a new councilmember of the California Interagency Council on Homelessness led by the Homeless Coordinating and Financing Council; a division of the Business, Consumer Services and Housing Agency. She stated this will allow her to collaborate with state leaders to further impact the prevention and end of homelessness in California.
Ms. Robles reported last Friday she attended a Groundbreaking Ceremony for Sugar Pine Village in Madera and presented a certificate on the Treasurer's behalf. Sugar Pine Village has 52 units of affordable housing, 20% of which is for homeless housing. The land was donated by Darrel Ridenour, the owner of Darrel's Mini Storage. Along with Bond Allocation and Tax Credits, this project received No Place Like Home funds and was strongly supported by United Health Group and the Madera County Behavioral Health Department. One of the speakers was a future tenant who is a single mother who expects to move in in two weeks; grateful that her two young daughters would be able to stretch their legs out on a real bed instead of curled up in the back seat of the car. It was a great reminder of the Committee's mission.

Ms. Robles stated at the November 29th meeting, the committee concluded they could not establish the annual meeting schedule until direction was given regarding regulations, allocation of the pools, and determination of the number and frequency of rounds. She requested a Committee Meeting be held on January 19, 2022, at 11:00 am to conclude the business matters of (but not limited to):

1. the calendar schedule for 2022
2. the Determination and Adoption of the 2022 State Ceiling
3. and the Consideration and Adoption of the Apportionment of the Pools

Committee Comments:

Ms. Miller asked about the timing as there are some outstanding issues on the regulations, asking if this would wait until the January 19, 2022, meeting since there are 3 large outstanding issues to address. Regarding the pools and the timing, she asked if there could be an additional meeting before the end of the year.

Ms. Robles clarified those agenda items would be regarding the calendar, the apportionment to the pools, and adoption of the State Ceiling since those were typically approved in January meetings.

Ms. Miller agreed, there could be another meeting to finalize the decision points on the regulations, then a later meeting to discuss the regulations.

The Treasurer called for comments from the public.

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*

There were no extension requests to consider.

Agenda item 7 was taken out of order.

7. *Agenda Item: **Recommendation for Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects** – Presented by Nancee Robles*

This item was taken out of order since it is not related to affordable housing.

Sugar Valley Fuels is requesting $400 million in exempt facility allocation. There is $85,600 in the exempt facility pool. Sugar Valley indicated they would accept that amount if offered. The project qualifies for staff to recommend it for approval for $400 million or less if there is not enough remaining in the pool.

Committee Comments:

The Treasurer stated there was an issue with Sugar Valley at the CAEATFA meeting.

Ms. Robles stated, at the California Alternative Energy and Advanced Transportation Financing Authority meeting Sugar Valley Fuels' request for an extension of its used sales tax exemption was denied.

Mr. Sertich stated at the last meeting they asked to come back to discuss their progress. He expressed concern they would give an award and the award would not go anywhere.

Ian Parker with Sugar Valley Fuels stated they were granted $37 million in sales tax waiver by CAEATFA to California Ethanol and Power 8 years ago and has since been rebranded as Sugar Valley Fuels. State resources should not be out there for 8 years. The roles have changed, so the board recommended they reapply, under different parameters as policy has since changed. The company is in the application process for the sales tax exemption. He acknowledged it is important to be prepared when coming to the state for resources. The application will be reviewed by CAEATFA next month. Mr. Parker stated he has email confirmation from a Spanish equity firm who is working on a term sheet to invest $125 million into Sugar Valley Fuels, and have been diligent for the last two months. This deal was starting to be marketed in October. Everyone is talking about inflation, and their numbers have been readjusted to reflect the reality of their situation to show performance has improved. There is a fixed price contract for EPC and there are investors who are in contract and waiting for the end of January. They are marketing through Baker Tilly, and have information out to 26 investors. Mr. Parker emphasized the company is ready to move forward and have learned to only come to the state when they are ready to move forward. They have been working with another company on private placement debt, and the rest will be through CPCFA, and hopefully with the tax-exempt bonds for $85 million.

Mr. Sertich restated Sugar Valley is working with the private equity, which would be at the end of January, so asked if the bond would issue after January. Mr. Parker said it would, and will be moving forward in January with marketing and other investors, and would be in a disclosure document. It would be one of the first advanced biofuel CBI green bonds certified, going on to say Europe seems to be more interested in it thus far than America has been. He stated the hard part is getting the equity. Mr. Sertich said his concern is there are still some hurdles to get by, but if the $85 million is tied up and they don't move forward, the money is tied up. He further stated he would feel more comfortable if they came back in 2022 with the request.

Ms. Miller appreciated Mr. Parker's willingness to recognize the benefit of the state programs and work with the state. She expressed all the projects need to be shovel ready before coming for resources since they are so scarce. She appreciated what they are doing and values the project but is not at a point where she is ready to move forward.

Mr. Parker said they will be done by April and have equity now and are ready to go.

Mr. Sertich reiterate there is typically 180 days for projects to issue their bonds, and with the end of 2021 approaching, there is the possibility of losing the $85 million, but is more comfortable considering the project for 2022 bonds.

Mr. Parker stated they will resubmit the application.

Dave Rubenstein with Sugar Valley Fuels reiterated they are excited for the project, and to help the farmers get fuel within the state. The sales tax issue was a bit of blow but they will apply again, and try again to get some of the volume cap. That would help fill some of the holes and also sends a message to potential investors and the county that the state is in favor of this kind of project. He agreed they applied for the sales tax exemption too early. Having the Spanish firm and a potential Asian firm [investors] reiterates the importance of what they are doing.

The Treasurer echoed Ms. Miller. She stated many of the biofuel companies have the same timeline issues and are asking for extensions. She agreed there is a great need for volume cap and encouraged them to come back to apply next year for the sales tax exemption and bonds with the

full project. She recommends returning the funds back to the pool and discuss with the committee how to use the bonds.
Mr. Sertich stated it is not so much about taking a step to show investors the state is behind it, but to have it the other way around.
The Treasurer acknowledged Mr. Rubenstein working with the state for the last 14 years on this project and looks forward to continuing to work with him.

The Treasurer recommended to put the volume cap toward ELI/VLI projects.
Ms. Robles reiterated there are no additional exempt facility projects for 2021, so urged the committee to act consistently and allocate those funds to ELI/VLI new construction.
The Treasurer called for comments from the public.

Public Comment:
There were no public comments.

MOTION: The Treasurer motioned to move the $85 million exempt facilities remaining set aside of volume cap to ELI/VLI new construction projects.
Mr. Sertich seconded the motion.
Motion passed unanimously via roll call vote.

5. *Agenda Item:* ***Consideration of Appeals for Award of Allocation to Qualified Private Activity Bonds for Qualified Residential Rental Projects -*** *Presented by Nancee Robles*
There is one appeal from Mercy Housing for Stockton Boulevard project in Sacramento. The first appeal was submitted to the executive director who denied it. Mercy Housing is appealing to the committee. The application was submitted in the ELI/VLI pool incorrectly. They are not asking for an exception, only an opportunity to confirm that had they been afforded the opportunity during the deficiency process, the conversation would have come sooner. In light of the reallocation [of the exempt facility pool to ELI/VLI new construction pool], the appeal would not affect any of the other items on the list.
Doug Shoemaker of Mercy Housing stated there was an inconsistency in what the posted regulations were and what his staff saw. The relied on what they understood the regulations were. As soon as they saw the discrepancy, they reached out to express they were happy to conform to the rules of the ELI/VLI pool, but needs a little time to do it, though are committed to do it and conform to the 50% requirement. He expressed the desire to be allowed back into the ELI/VLI pool and appreciated Staff’s willingness to work with them to address this.
Mr. Sertich appreciated Ms. Robles and Ms. Burgos working to keep the website updated, correct, and consistent so this issue is not recurring. He stated there are no losers here since there are the state tax credit constraints as well. He believes, based upon the information, he supports the appeal.
Ms. Miller agreed, and appreciates Mr. Shoemaker’s remorse over it, she expressed the importance of having worked with him, and want to continue to work with the team at CDLAC to make sure they’re all complying.

The Treasurer reiterated when the government is wrong, they should err on the side of the taxpayers, and acknowledged the challenges faced at CDLAC, with the goal of getting as much housing out as possible. She further touched on the amount of confusions surrounding the emergency regulations. She thanked Ms. Robles for her leadership at CDLAC, putting the pieces together, and trying to right the ship.
Mr. Shoemaker thanked Ms. Robles, Ms. Burgos, and Mr. Walker for addressing the difficult situation, saying he is sure his staff never tried to evade the regulations.
The Treasurer called for comments from the public.

Public Comments:
There are no public comments.

MOTION: Mr. Sertich motioned to approve the appeal for Stockton Boulevard in Sacramento.
Ms. Miller seconded the motion.
Motion passed unanimously by roll call vote.

6. Agenda Item: **Recommendation for Award of Allocation to Qualified Private Activity Bonds for Qualified Residential Rental Projects** - Presented by Emily Burgos
Ms. Burgos stated she planned several scenarios but did not a plan for what was just voted on. Since the committee voted to allocate the $85.6 million to the ELI/VLI pool, it is likely they will be voting on projects that have not yet been reviewed and have not yet been informed.
Adding the $85,600 to the ELI/VLI pool, there were some changes to the list. It adds two projects, CA-21-767 and CA-21-747. The surplus from that set aside was moved to new construction surplus. CA-21-710 was added, but two projects were bumped from that pool: CA-21-763 and CA-21-676. That provides awards to 62 projects for just under $1.638 billion.
Committee Comments:

Public Comments:
Doug Shoemaker of Mercy Housing asked to confirm they were added back to the ELI/VLI pool.
Ms. Burgos acknowledged they were.
Mr. Sertich stated this affects the CTCAC side. He expressed concern that some of the projects being approved have requested state tax credits but will not receive those credits. If the projects are not able to move forward without the tax credits, the regulations allow for 90 days to replace those funds. He urged the projects to return the funds as soon as possible if they cannot fill the gap. He asked what the plan is if the project comes back in a week to return bonds.
Ms. Burgos pointed to the regulations - any reversion before the end of the year would go to new construction projects. They would be sorted from highest to lowest tiebreakers and make awards from top to bottom with no provisions for skipping. Any project awarded has 20 days to return bonds without penalty. However, projects being awarded that do not get state tax credits have 90 days to fill that gap without consequence.
Mr. Sertich pointed out the majority being awarded in geographic regions and new construction are also requesting state tax credits. He asked if there was a grey area to allow those bonds to be

reallocated within the geographical reason. He expressed concern that the awards would go from some of the higher cost regions to the lower cost regions otherwise.
Ms. Burgos stated there is a waitlist of the remaining projects, sorted from lowest to highest with no other differentiation of region, etc.
Ms. Robles restated allocation returned before the last day of the year, if they are put back in the geographic region, that, if available, they would find the next item in line. If that is the case, the committee would need to grant her, the Executive Director, the authority to approve those projects since there would not be time to bring it back to the committee for approval, which is farther down on the agenda.
Mr. Sertich clarified they are not approving a waiting list and expressed concern that there would not be a geographic distribution, and it would encourage developers to have the funds remain in the region.
Ms. Johnson-Hall asked if bonds [allocation authority] are returned after January 1st, will returned bond cap go to the issuer as carryforward?
Ms. Burgos confirmed that is correct. She further asked how much bond cap could be left over.
Ms. Burgos stated if the awards are made as they are, there will be approximately $1.9 million leftover from the 2021 bond cap.

Public Comment:
Yusef Freeman, the Senior Managing Director of the Jonathan Rose Companies, thanked the committee for bringing up the issue of geographic equity. He pointed out the scale they are discussing, regarding deals receiving bonds but not credits will be north of $500 million in bonds that could come back. Reviewing geographic equity, the higher cost regions such as Los Angeles do not have additional projects there. He suggested having those funds go to future allocations within those geographic regions. At this scale, and the amount of projects potentially needing to return funds, there won't be the geographic diversity the committee is aiming toward.
Cherene Sandidge of the Black Developers Forum stated there were two projects removed from consideration and wanted to know how that happened if the list was being approved last week. She asked if they should have submitted for reconsideration in the way of an appeal after those issues are addressed, since it did not seem like something did not calculate correctly.
Ms. Burgos stated when the funds were added to the ELI/VLI pool, it shifted how much went to the new construction pool. When that amount was shifted, some projects were pulled up. The two projects that got bumped, scored lower than the ones that were pulled up.
Ms. Sandidge ask how the two projects got shifted if the list was previously approved.
Mr. Sertich stated there was not a list previously approved.
The Treasurer specified this is the first list being approved since August.
Ms. Sandidge asked how CA-21-763 and CA-21-676 fell out.
Ms. Burgos clarified there were additional monies added to new construction which allowed CA-21-710 to move forward, which had originally been skipped since it was too large, and did score higher than the two projects which were bumped.
Ms. Sandidge requested to have the numbers and the lists shared, so the public can see how decisions are made on funding.
Ms. Burgos confirmed they will be posted when the meeting ends, or early tomorrow.

Alice Talcott of Midpen Housing stated when the committee decided to put the reverted funds in to the ELI/VLI pool, only a portion of that will go to the ELI/VLI pool and more money would go into the new construction pool. Their project in San Francisco was the last [on the list] not funded in the MIP pool for $14 million, and there was too little in the pool to fund it. The project is not requesting state credits so can immediately move forward. She pointed out projects not in the specified pool are being funded but may not be able to move forward. She wanted to raise that up, so that projects that can move forward can get funded.

The Treasurer specified that is what is being evaluated since there may be up to $470 million allocated without tax credit estimating about 14 projects. They are encouraging developers who cannot close to give funds back as soon as possible, which may free up funds for projects not requesting state credits.

Mr. Sertich stated they may want to consider this at the end of next year, with the other pieces Ms. Sandidge brought up regarding skipping. They should review how those are being allocated so there are not projects coming in and going out as more money becomes available, with a third of the projects losing out.

Ms. Johnson-Hall asked for her staff, Kate Ferguson, to speak.

Ms. Ferguson stated their developers are given 90 days to fill the gap left by lack of state tax credits. CDLAC will ask the developers who can determine if it is not possible to let them know by the end of the year so it can be reallocated. For developers who choose to use the entire 90 days, any bonds allocated related to those deals, may be returned in 2022, and would become carryforward. She asked if it was up to the issuers to determine where the bonds would go.

Mr. Sertich stated the committee would need to approve the projects.

Ms. Ferguson thanked Mr. Sertich for the clarification then asked how much bond cap is being allocated with a state tax credit cap.

The Treasurer stated it is estimated to be $480 million.

Ms. Ferguson clarified there is the potential for $480 million if the gap cannot be filled.

Todd Cottle with C&C Development is with CA-21-676 which was removed from the list, reiterated some of the conversation surrounding returned bonds potentially being allocated to projects within the geographic regions. He stated they are in support of that but asked if the committee would consider funding bumped projects before sending the money to the geographic regions, especially considering his project is shovel ready.

Jeff Jager with Standard Communities has a similar issue as previous speakers, specifically in the shortfall of the state tax credits. There are deals that don’t need tax credits, such as one in the Bay Area New Construction pool, which is ready to go. The deal was at the cutoff line, above the threshold for points, but there was not enough volume cap remaining. He asked there be a method for reallocating before the end of the year. Some of the volume cap will extend through next year since some developers will wait the full amount of time to fill the gap. He asked the carryover allocation stay with the issuers since there are some deals with those issuers, if there will be the ability to go back to the committee to get an award to fund those in the near year as well.

The Treasurer stated the committee members are still debating that question.

Darren Bobrowsky of USA Property Funds agreed with Mr. Sertich. He wanted to raise a potential issue in that in the Bay Area, a project is being skipped that is not requesting state credits, but the project below is being funded with a lower tiebreaker, and that project is requesting $11 million in tax credits, which may not be able to be filled. The Bay Area will end out being shorted. He reiterated Ms. Talcott's suggestion of considering not allocating the $85 million to the ELI/VLI pool, but use it to fund the overages in the geographic pools where projects are a little short of bond cap and are not requesting tax credit to maintain a proportionality of bond cap being used in the geographical region. If the committee relies solely on bond cap being returned, the bonds may go to fund projects that have a lower cost to develop and not in high cost to develop areas.

Samir Srivastava with ABS properties stated his project is CA-21-714, will not get state tax credits since there are not enough. He stated if they return the volume cap, they will reapply next year at a higher cost. He asked if there was a way for the committee to help fund the gap so the project can move forward. He further asked if they reapply, can they change the parameters, restructure the project and change the point score or tiebreaker in order to make it work.

The Treasurer stated that is what they are discussing.

Capri Roth with the Easy Bay Asian Local Development Corporation asked Mr. Velasquez if the $480 million could be reduced if some of the California Housing Accelerator program, on the eligibility list, could be used to bridge the gap.

The Treasurer asked if any of the projects intersected with HCD's program.

Mr. Velasquez stated there may be potential for that. He went on to state he was checking with his team to see if the statute does not have a restriction, as part of the second tier, there could be a possibility some projects could apply to fill the gap within the 90-gap left by not getting state tax credits. He specified, this is for projects that have an HCD award in them, it would be a matter of CDLAC and HCD staff working together to identify what those projects are, yet needs to verify if there are restrictions surrounding that.

Mr. Sertich appreciated the idea of using those funds for this purpose but does not want to give false hope to those projects potentially delaying the return of the bonds.

Mr. Velasquez agreed with Mr. Sertich that the committee should not take HCD into consideration when deciding what to do with the gap left by not having state tax credits, and staff can work together on it later for projects that have an HCD award.

Ms. Miller stated a decision needs to be made today since most developers take the full 90 days, if they want the $85 million to be used for projects not relying on tax credits. This would require the committee to rescind the action where the bonds went to ELI/VLI.

Mr. Sertich stated the $85 million is a separate argument from the $480 million. He stated the $85 million can be put in any of the pools and putting it in ELI/VLI as the committee has done in previous meetings makes sense, but having it go back to reversion does not make sense or solve the large issue they are debating.

Ms. Johnson-Hall agreed with Mr. Sertich. She asked if there could be an accounting of the issuers who would have carryforward as a result of the lack of $480 million in state tax credits.

The Treasurer stated there are staff with this information.

Ms. Johnson-Hall asked what the penalty is for developers who take the full 90 days, or if there is one.

Ms. Burgos stated there is no penalty as they have 90 days to return the allocation if they cannot fill the gap. Part of the reason for last minute changes on the list was due to some developers immediately returning the allocation when they learned they would not get state tax credits.

William Leach of Kingdom Development pointed out some of the returned allocation may go to a project that may not be able to use it. He recommended having staff prepare a waiting list of projects not needing state tax credits, instead of a list littered with projects that may not be able to move forward. He pointed out there may be a future need to have regulations in place regarding this and reevaluate how carryforward works. Currently, carryforward an issuer may have goes to the highest-ranking project, regardless of there the project is located. Mr. Leach stated he believes this causes a lot of question on how much each region gets. He went on to state there are a couple ways to handle carryforward, and if there is a lot of carryforward to consider spreading it evenly throughout the pools instead of at random.

Ms. Miller agreed with Mr. Leach, since the allocation needs to be returned by the end of the year in order for it to be used most efficiently and wanted to review this for next year. There are projects not needing state tax credits that could go through and increase production, but the 90 days is past the end of the year. She also agreed with splitting the list to indicate projects needing state tax credits and those not, which may also increase production.

The Treasurer agreed if the committee could award any excess that comes back to those projects not needing state tax credits in an effort to best use the resources. She agreed with Mr. Leach's concern about projects being reallocated funds, but still not being able to use the funds by the end of the year.

Mr. Sertich generally agreed, but stated he worries about awarding projects in the wrong order, if they have the authority to skip higher scoring projects on the waiting list.

Caleb Roope of Pacific Companies and the working group asked if any of the developers were on the list who notified staff they would not be able to go forward.

Ms. Burgos stated they were not, which was the reason for the changes on the final list.

Mr. Roope stated he has several projects on the list not getting state tax credits. He stated he will lead by example and encouraged developers to immediately notify staff the money can be available for projects to go forward that do not need state tax credits. The regulations specify a waiting list needs to be established after the meeting, in rank order without the ability to skip projects. CTCAC has delegated the Executive Director authority to call developers to ask if they can use the allocation and move down the list that way. He further encouraged developers to return bonds if they cannot fill the gap as soon as possible. Mr. Roope stated there is $100 million he can return, so they can start moving down the list to call to see if allocation can be used. There are 8-9 developers with this situation being presented, and only a couple of the projects can likely make it without the state tax credits, stating one of his may be able to, but is not yet sure. He asked what staff's capacity is to review applications before the next meeting, get through the list, know what projects can score and be funded, send the allocation to the issuers as carryforward, and from the waiting list, as applications can be reviewed, officially award those allocations at the following meeting instead of scrambling at the end of the year. He further encouraged developers to return allocation as soon as possible, then have staff process applications as they have time, then have the shovel ready projects move forward now. Mr. Roope specified the last project that popped up is one of his projects and has a large state credit request, so he is not going to take it. He stated there are enough developers on the list that will do the responsible thing and return the allocation since the state tax credit requests are so large and have a way for staff to move down the list of projects not needing state tax credits. He identified he will be returning over $100 million plus the allocation from the El

Dorado project, which can go to the waiting list. Mr. Roope asked what state tax credits may be available toward the end of the year, if they come in after the first of the year, if they go back in to that pool for the next round, or what happens with them. He said developers hold out the hope there will be some pathway forward.
Mr. Sertich thanked Mr. Roope and encouraged developers to return their allocation if they cannot move forward with their projects.
Ms. Miller agreed with Mr. Roope, stating if funds are returned before the end of the year, the committee has more control over the funds and the ability to increase production, and is willing to work over the weekend to do what she can.
The Treasurer asked how long it takes to go through applications.
Ms. Burgos stated for CDLAC, it takes approximately one to two days per project, which does not include the week or so to correct deficiencies. Additionally, CDLAC is required to review and send letters for every DDA preservation before the end of the year, so there are some other important things that need to happen before the end of the year.
The Treasurer stated there has been a lot of leniencies regarding curing deficiencies since previously applications were denied completely. Developers requested some flexibility and pointed out it takes away from staff productivity to request that information. She asked if it has gotten better.
Ms. Burgos shared she has seen an improvement, it is a cooperative process, but can be time consuming. There are fewer appeals, which shows the level of understanding and cooperation has increased.
The Treasurer thanked everyone for working together on this.
Ms. Johnson-Hall offered her staff to help with the reviews, which they have done previously, especially if it helps move shovel ready projects.
The Treasurer reiterated they are trying to hire staff, but it takes longer due to COVID, taking as much as 6 months, so appreciates Ms. Johnson-Hall's willingness.
Ben Barker of the California Municipal Finance Agency stated he went through the list, and it seems to be mostly CMFA, CalHFA, and CSCDA deals, which makes it easier for staff to work with. Issuers can't issue bonds until they file tax forms. As they figure out how carryforward will apply, they cannot legally close 2021 deals until they have filed their tax forms. There will be many deals, because of how the closing deadlines are in January, there could be many deals unable to close since they can't close due to carryforward. He reiterated Mr. Roope's plea to developers to return the allocation as soon as possible since it would cause all the developers delays in closing. Since there would be no meetings, there would just be failed issuances.
Mr. Sertich stated there should be a cut off date for whatever issuer is assigned the money, it is just considered carryforward, whether it stays with that project or is carried forward to another project.
Mr. Barker stated it is easier with only a few issuers carrying the bulk of it.
Mr. Sertich asked if there issuers who were not frequent users of the program.
Mr. Barker stated he did not see any, that it is mostly CMFA and CalHFA, so could not see any issues.
Ms. Burgos stated the Housing Authority of San Diego, and one with the City of Los Angeles were part of the list, and are often-seen issuers.

MOTION: Mr. Sertich motioned to approve the list as recommended and read by staff most recently.

Ms. Miller seconded the motion.
Motion passed unanimously via roll call vote.

8. *Agenda Item:* ***Request the Committee Grant Delegated Authority to Executive Director to Allocate Remaining and Reverted Volume Cap*** *– Presented by Nancee Robles*

The request is to grant authority to the Executive Director delegated authority to distribute year-end allocation or reversion to the top three issuers, as a consistent method going forward and to avoid additional committee meetings at the end of the year in order to make these decisions. In May of 2021, staff responded to the State Auditor regarding how remaining resources were distributed by reporting the Committee's decision to allocate $79,385 of remaining resources in 2020 to CalHFA to be used as carryforward for 2021 projects. The Auditor's response was, "The Debt Limit Committee should also consider demand for bond resources use of previous allocated funds, documented legislative priorities, and risk of allocated bonds being lost, which has not been done." In conversations with the auditor, they indicated a consistent methodology based on these factors given would satisfy the request. Staff analyzed the last two competitive years and determined that the auditors request could be fulfilled by awarding remaining resources to the top three issuers in any given year since they meet the demand to have successfully and continuously issued bonds, meet legislative priorities by providing affordable housing, and have not lost bond allocation in the past. Granting authority today to the Executive Director creates a consistent method and eliminates the need for year-end meetings for the Committee to make this decision.

Committee Comments:

The Treasurer clarified the recommendation is for the bonds to be equally divided by the top three issuers.

Ms. Robles agreed. She went on to report there is no 2018 carryforward remaining, the City and County of San Francisco is the only issuer holding 2019 carryforward in the amount of $12 million and is not one of the top three issuers in the last two years, and all of the 2020 carryforward was utilized. Ms. Robles stated this has occurred since the new regulation went in to place that the staff assign carryforward to the top ranked projects on the list.

The Treasurer recapped that her first year, the committee voted to allocate the remainder of carryforward to CPCFA. The second year they voted to allocate carryforward to CalHFA and did the same last year. The lack of consistency is what the Auditor does not like to see, therefore the proposal is to split what remains equally to the top three issuers.

Mr. Sertich agreed it makes sense from a carryforward perspective the projects would still need to be approved by the committee and be Qualified Residential Rental Projects. He acknowledged there is less and less carryforward due to the hard work of staff and developers. Mr. Sertich specifically wants information on how to move forward on reverted monies.

Ms. Johnson-Hall asked who the top three issuers are.

The Treasurer restated they are CMFA, CalHFA, and City of Los Angeles.

Mr. Sertich asked if the plan is to give basic direction on how to award allocation of reverted funds, if there would be an additional meeting or to delegate the authority to award those projects from the waiting list.

Ms. Burgos shared the regulations state - at the last allocation committee meeting of the year, the Committee shall establish a waiting list of new construction projects exclusive of rural projects that have not received allocation in the final round, ordered from highest to lowest ranking. In the event the allocations are returned after the final allocation and prior to the end of calendar year, the Executive Director may allocate bonds to projects on the list in order.
Mr. Sertich verified if they need to approve a waiting list or not.
Ms. Burgos stated the regulations specify the Committee shall establish a waiting list but the list is already established in rank order, according to the regulations.
Ms. Miller stated she was comfortable with what was done before, giving the remaining allocation to CalHFA, especially since they are one of the top issuers. However, she stated she does want it to be consistent. She asked what the benefit is in dividing the funds between three since it is not much money.
The Treasurer reiterated it speaks to how efficient the system is, as well as how competitive. There are many developers who have projects, and it is a public/private partnership, which is why all should have an opportunity. The Treasurer called for comments from the public.

Public Comments:
Ben Baker with the California Municipal Finance Authority stated the Executive Director needs to have this flexibility due to the reversions that come back every year. If CalHFA received all of the reversion, but needed to close on the first or second, they would not be able to get all of the reversion back from CDLAC, so there would be wasted volume cap, which is what happened a couple years ago. That necessitated the reversion moving around before landing on San Diego Housing they had not filed yet. The goal is to not waste what does come back.
Jeff Jager with Standard Communities asked for clarity, stating there seems to be a process for the end of year with people returning their allocations, and having a process to reallocate it. He asked what would happen if someone takes the full 90 days and it does not come back until next year.
The Treasurer stated there would be no penalties.
Mr. Sertich said it would go to next year.
Mr. Jager asked if there are different projects that are ready to go, can the allocation be preserved and not have to reapply at a higher construction cost.
Ms. Robles stated that could be considered for the future, but that is not how the regulations are currently written.

MOTION: Mr. Sertich motioned to grant delegated authority to the Executive Director to allocate carryforward to the three issuers as designated per staff's recommendation. The Treasurer seconded the motion.
Motion passed unanimously via roll call vote.

9. *Agenda Item: **Presentation of Strategic Plan by Sjoberg Evashenk Consultants** – Presented by Nancee Robles*
George Skiles gave a presentation. See Attachment 1 for presentation.

Committee Comments:

The Treasurer verified Sjoberg Evashenk interviewed staff, and asked if Stakeholders were interviewed.

Mr. Skiles stated they had not [interviewed stakeholders], that they were focused on the internal operating condition of CTCAC and CDLAC. They are willing to speak with stakeholders and share their experience. He stated he will make his contact information available.

The Treasurer stated they have a robust stakeholder group, with a large working group, and encourages them to reach out to Mr. Skiles. She thanked Mr. Skiles for their work and recommendations, acknowledging it is not easy for staff when there is a lack of standard processes or automated processes, etc.

Ms. Robles echoed the Treasurer's appreciation.

10. *Agenda Item: **Discussion of Distribution of 2022 Allocation to Pools** – Presented by Nancee Robles*

In the last meeting, Executive Director Robles stressed the need to have all of the outstanding emergency regulations put in to a permanent package to go through the approval process with the Office of Administrative Law before creating new emergency rule making for the 2022 regulation changes. This could seriously hold up affordable housing production. The Committee agreed to hold the first round of allocations and awards under the existing regulations, and the second and third rounds under the new regulations. There is now a need for discussion on how the 2022 volume cap will be distributed. There are two factors: what percentage of allocation should be distributed in each round, and what percentage of allocation should go to pools established for Round One and how it will be disbursed after Round One, and if any categories will change. Staff looks to the Committee for direction for proposals to take to the January 19, 2022 meeting.

Committee Comments:

Mr. Sertich asked if this is a discussion only on Qualified Residential Rental Projects, or overall allocations.

Ms. Robles confirmed this is regarding overall allocations.

Mr. Sertich stated starting high to low makes more sense than the other way around. When discussing overall allocation, one thing to keep in mind the subsidies for the different kinds of bonds. With the multifamily allocations, there are also 4% tax credits to consider, tax exemptions on single family bonds, and the value of the mortgage certificates. All of the programs are valuable to the state, to include home ownership, pollution control, waste facilities, transportation facilities, etc.

Mr. Sertich stated if they can find a way to leverage as much federal money as possible to multi family, then use other state programs to subsidize the other programs, it could be a way to grow the pie, so more allocations can go to the state as a whole. It's not that simple, but with the current surplus of the state, the programs exist such as CAEATFA and CPCFA for some of the other exempt facilities, and CalHFA, HCD, and CalVet for home ownership programs. Leveraging these programs can help drive home ownership and exempt facilities to stretch the federal funds.

Ms. Johnson-Hall wanted to explain CalHFA's bond needs for 2022, as previously laid out in a demand survey for the Committee. She wanted to revisit it, in light of decisions made at that last meeting, stating they would need $650 million in the mixed income pool in order to run a viable mixed income program. In addition, a bond need was identified for $396 million for CalHFA's Conduit program, which is not specific to any pool. She reminded the Committee the MIP was created to deploy a continuous revenue source allocated to HFA by the legislature under SB 2, specifically for MIP. They need the $650 million in bonds in order to affectively deploy the SB 2 revenues available for next year. They are anticipating an allocation of state tax credits for the MIPs and have submitted a request for that as well. The MIP is an important component of maintaining a balanced CDLAC system. A robust MIP allocation will blunt the affects on production that they are going to feel and will likely see in the regulatory changes in 2022. MIPs are some of the most cost efficient in the CDLAC system and are often the fastest to execute while promoting fair housing by providing integrated living patterns, and inclusive communities. They feel strongly to efficiently run their program and capitalize on speed, CalHFA needs the entirety of allocation available in Round One.

The Treasurer clarified that they previously allocated $450 million.

Ms. Johnson-Hall started that is correct but have a pipeline in excess of $625 million. They have a defined pipeline of $650 million, which they believe they can deploy quickly, and are poised ready to do that. She specified $650 million needed to meet the minimum needs of the program.

The Treasurer stated they try to fund in three rounds, so allocating all in one round is not something they have discussed.

Mr. Sertich stated in the past they have moved money around, from one round to another, and can be discussed. However, he stated if there are three rounds, they would likely want them to be as even as possible, across the three rounds, especially in light of the discussion of running out of state tax credits on the CTCAC side.

Ms. Johnson-Hall concurred with Mr. Sertich about allocating over three rounds. She pointed out the longer you have a shovel ready project out, the more it costs. By delaying these shovel projects, it only adds more costs and makes them less efficient. Ms. Johnson-Hall reiterated they have shovel-ready projects ready to go now and urged the Committee to get through the projects as efficiently as possible by not making them apply in different rounds, that the pipeline is quite deep.

The Treasurer asked what Ms. Johnson-Hall meant by “ready to go” since there are usually other things to consider such as financing and the banks won’t allow the money to be open all year and asked about loan commitment letters.

Ms. Johnson-hall clarified that was not regarding the entire pool. The projects that were not allocated in 2021 will carry over to next year. In order to apply for the program, they need to have initial commitments, full entitlements and approvals, as are the requirements for the SB 2 program.

Mr. Velasquez welcomed the comments on the pools and set asides but won’t have much to say regarding the volumes and distributions. He wanted to give some clarification on the Administration memorandum since there were some details related to regulatory changes that have yet to be discussed. He asked if those were necessary to take back to the Committee or if it could be a staff-to-staff conversation to deliberate on those points that were included. Some of those points were related to the pools and set asides, for example the Committee had made a recommended change to the homeless pool, the 49% instead of 100% of homeless units. It is less to do with the volume in the set asides, and more how to determine the pools and set asides.

The Treasurer stated Mr. Velasquez and Ms. Robles can meet afterward to determine if another committee is necessary or if it can be a staff-to-staff conversation.

Ms. Robles asked if this was the memorandum put out on the memorandum, which has to do with regulations. She specified there will need to be another meeting to discuss this since it will need to be agendized.
The Treasurer mentioned Mr. Velasquez providing another memorandum outlining what has yet to be discussed.
Ms. Miller stated if there will be another Committee meeting, asked if today's meeting can be broad and brief, then discuss the final regulations more in depth before the end of the year with more clarity on pools, then make final decisions regarding the pools in January. Ms. Miller asked to see the demand survey in writing since it could be helpful.
Ms. Robles stated it is published on the website and encouraged the Committee to look at the demand survey as projections for next year. Though the demand may say a certain amount, it does not mean that is how many applications will come in. She urged the Committee to review the demand survey against what has been received over the last couple years. Ms. Robles offered to send over additional information to Ms. Miller that she had requested. Specifically, Ms. Robles asked the Committee members to evaluate in all the categories, the applications that did not receive awards for what the totals were, locations, how many units were to be produced, etc, since that is more indicative of how many are shovel ready.
Mr. Sertich acknowledged the demand survey is helpful to see what the demand is to evaluate the pools and pointed out exempt facilities had about $400 million in demand, which is the same on the multi-family side. It is useful for the Committee to determine how to use the pools to drive their priorities.
The Treasurer asked for clarification on the survey, that "units" should say "projects". The Treasurer summarized that when they discussed rent savings calculations, one way to moderate that those who may not win based upon higher rents would have the ability to compete with the tiebreaker categories.
Mr. Sertich stated reworking the categories rather than having the set asides and geographic separate, they are combined in a way. For example, if all of the projects in the Coastal Region are winning with ELI/VLI, there would be less available in the geographic region, which could help with geographic equity. Mr. Sertich reiterated they are going to be revisiting it to make sure it works.
The Treasurer called for public comments.

Public Comments:
William Leach with Kingdom Development advocated for more resources more geographically distributed. He agreed with Mr. Sertich's statement of having the set asides count against the larger geographic apportionments. Certain geographies will do better or worse in state competitions based upon the new scoring system, and also what is in place now. He stated the more resources in the hands of the regions, the more likely there will be geographic equity.
Mark Stivers with the California Housing Partnership spoke to what programs the Committee allocates bonds to. The leverage opportunity when putting bonds into the residential rental program is $0.80 on the dollar. For every dollar allocated, there is about $0.80 in 4% low-income housing tax credit equity. If Build Back Better passes, the leverage will go up to about $1.50 or so. If all of the bonds go to rental housing, the state stands to gain. $1 billion in bonds is about $10 million in present value of interest savings over the life of the project. Mr. Stivers stated it would be smart of

the state to give a $10 million grant to some of the projects rather than use bonds for that purpose. It has the same benefit to the project and is a better investment for the state. Regarding the regional discussion, following up on what Mr. Leach said, Mr. Stivers said his preference is to apply the regional allocations to new construction pool and count the set asides toward the regions instead of moving bonds from the set asides to the regions. This still ensures there is a high percentage going toward the homeless and ELI/VLI population. Looking at all the awards in the new construction across the regions and set asides, the regional level makes the most sense.

Andrea Leon-Grossman with Azul stated that she also spoke on November 17 regarding the choice before CDLAC to provide $1.1 billion to Brookfield Asset Management and Poseidon so they can [indiscernible] the water supplies. She encouraged the Committee to direct those funds to desperately needed affordable housing to support California. She acknowledged Ms. Burgos reaching out to legal to inquire about adequate access for the public. Ms. Grossman said the current public platform of conference call is not the best method to communicate. They are unable to see slides shared during the meeting via Zoom. There are many who would like to participate on specific important issues and hopes the public agency who issues billions of dollars would have access to platforms the other agencies use. Most agencies use zoom, and asked CDLAC to return to this platform. She requested a recording or transcripts of the meetings instead of minutes which are summarized notes, as well as access in Spanish. Ms. Leon-Grossman further stated she hopes Californians suffering from the worst effects of the ongoing crisis are served affordable housing funds before they are allocated to for-profit issuance. Privatizing the water supply instead of affordable housing has generational affects. The Committee's decision will echo for decades. Driving $1.1 billion to affordable housing triggers nearly $1 billion in federal funds. Failing to do so will prevent those funds from going to the elements that will work to solve the housing crisis and reduce affordable housing funds. She urged the Committee to choose California over multi-million-dollar corporations. She pointed out CDLAC is consistently oversubscribed, which means CDLAC will be making multibillion-dollar decisions without clear metrics on how they are doing so. The scoring system prioritizing projects seems to be the appropriate way moving forward allowing the public to participate in the process and understand how the decisions are made. The scoring system should also consider the metrics [indiscernible], environmental justice procedures, and source of energy. Ms. Leon-Grossman continued - the negative environmental effects surrounding Poseidon and the potential lack of affordable housing should Poseidon get an allocation.

Alejandro Sabrera (spelling?) of Orange County reminded the Committee they should be using funds to primarily help low-income Californians find affordable housing. It is important to remember California is in a crisis with too many people living on the streets. The desalination plant has applied for $1.1 billion and is unacceptable. The company in charge of the project was praised by Wall Street for using state resources for private benefit. In 2012 Poseidon received an allocation of $332 million in private activity bonds to finance the bulk of the construction, which is owned by a foreign private equity firm. The focus should not be on funding foreign companies, it should be on projects that will help California. Investing in affordable housing also triggers federal tax credits, therefore funding Poseidon means California loses out on $1.9 billion in investments that could go toward housing Californians. He urged CDLAC to deny Poseidon, and direct at least 95% of federal activity private bonds to housing projects. He reiterated comment of Ms. Leon-Grossman that the public should have access to audiovisual of the Committee meetings, especially since the Committee is allocating

so much money there should be more modern forms of communication. Offering public testimony at the end of the call means he needs to be on the phone all day while working, and urged the Committee to consider taking public comments at the beginning of the meeting.
The Treasurer clarified Poseidon has not applied for allocation, and requested callers simply echo previous speakers or offer new information.
Susan Jordan, Director of the Coastal Protection Network, stated there is an active approved application with CPCFA for $1.1 billion for Poseidon. They have applied, and received an approved initial resolution, and is active through 2022. They have applied for $1.1 billion and the total pool for exempt projects last year was $600 million. This is an initial discussion, and acknowledged this discussion is what leads to final decisions. It is important for the public to weigh in early so they are understood and that is why there are so many testimonies. She agreed with other callers about using a better platform for Committee meetings, siting other agencies use Zoom to improve communication. Ms. Jordan thanked Ms. Robles and Ms. Burgos who were very helpful, understood the concerns, and reached out to facilitate communication. She reiterated it is difficult to follow along without visuals on what is presented.
The Treasurer stated she has not seen the application for Poseidon.
Ms. Jordan offered to fax it to the Treasurer since she has it.
Ms. Robles stated CPCFA has received an application for an initial resolution, but there are two more steps before it goes to the CDLAC board. They would need a final CPCFA resolution before applying to CDLAC. CDLAC does not have an application at this point for Poseidon.
Ray Hiemstra, Associate Director of Orange County CoastKeeper, echoed other speakers. He said it is easy to not hear about Poseidon and asked the Committee to be clear they will not give what is being asked for. The Committee needs to focus on housing in California, expressing he is concerned about housing for his daughter and granddaughter. Additionally, there is a lot of discussion about projects being shovel ready, Poseidon has been dragging on for 20 years because there are no customers. The Committee needs to broadcast allocations will go to housing.
Greg Rodriguez, the Government Affairs and Policy Advisor for Riverside County Supervisor Perez, stated Perez is part of the advisory Committee on homelessness, and many discussions center around the need for better tools in rural areas to provide permanent and affordable housing. Recently, the issues of rural affordable housing were brought up and inequity in the weighing and set asides. As the Chair of the county's COC, they are doing excellent work in Riverside County with outreach, case management, and transitional housing, but are lacking affordable housing. Regulations are basically set but wants the Committee to review how the regulations are preventing in the Inland Empire and Coachella Valley to qualify for tax credits. Transit requirements and weighting measures are impossible for them to meet, and cannot be expected to meet the RHNA numbers if they are not provided the tools to do so. They need to review how to increase the rural set aside to counter the inequity of current and future regulations. It should be at least 20% set aside for rural allocation as a majority of the unincorporated counties are rural, it is critical to increase the rural set aside to meet the RHNA numbers, let alone the need for affordable housing. Riverside County is the fastest growing county in the state, seeing resident moving from Los Angeles, Orange County, etc since it is more affordable. This growth has caused an alarming increase in housing costs. Mr. Rodriguez shared in two years, the value of his home has $475,000 to $625,000. He and his colleagues get daily calls regarding seniors and residents who cannot afford

their residences. In coordination with Lift to Rise, the county has concrete plans for building affordable housing, but cannot accomplish these goals without targeted assistance.

Theresa Gunn, Deputy Secretary of the Department of Veteran's Affairs Home Loan Program, provided an application [a request] for an allocation for next year. She wanted to comment on CalHFA's request to have the full funding available during the first round. If the first round funds that entire program, it may disallow the Committee from funding other programs such as hers, that needs the allocation before moving forward with providing veterans loans for their homes. She discourages using the entire allocation for one program.

Eric Tiche with CalVet wanted to confirm the Committee received for consideration their $100 million first time home buyer program allocation requests for issuance in 2022. Without this funding, they cannot provide home loans to low-income veterans and their families. In a 2020 resolution 47% went to veterans with service-related disabilities, as well as many minorities and wounded veterans. They receive letters of thanks daily, expressing how happy they are to make their home theirs, and building home equity. In addition, the allocation funds the CalVet residential rich neighborhoods, veteran communities. These communities are 100% affordable housing. This request helps serve veterans and low-income communities, and does it at zero cost to tax payers.

Mike Walsh with Riverside County reiterated what Mr. Rodriguez said. Compared to other state programs, there is a rural set aside that has a 5% cap, and the 9% competition is 20%. The multi-family housing program is 20%, the state program is 10%. There are a variety of housing needs, but placing a cap on rural set asides at 5%, even if in their region they cannot compete unless it is homeless projects. This means they need to either erase the cap, or create additional flexibility. Mr. Walsh stated he was at an unpermitted mobile home park that the state awarded $30 million to relocate, in rural Riverside County. They cannot effectively move forward with a 5% threshold floor. He encouraged the Committee to prioritize resources to the residential rental program. It is an important program and feels it is in greater crisis than the other ways of achieving home ownership and other programs. They have other avenues that do not exist for multi-family projects.

Nancy Ricana with [indiscernible] is concerned about the possibiltiy of giving $1.1 billion to Poseidon. They are spending a lot of money trying to change public opinion about the public's need for Poseidon's facilities. She echoed other speakers, and wanted the Committee to be clear the money would go to affordable housing and not to a multibillion dollar corporation.

Lydia Ponce from Venice gently reminded the Committee the entire state of California is depending on them. This is regarding the pandemic and a shortage of water, and asked how anything can be made important without including indiginous people to guide them and look over the projects. They disagree with Poseidon, and are losing federal subsidies. The plans the Committee is making has no room for desalination. They need permanent, affordable housing. When offering an alternative, natives are hurt. For the last 30 years, Ms. Ponce stated she has witnessed the gentrification of Venice and the people who can no longer afford to live there being forced to move.

Cherene Sandidge of the Black Developer's Forum wanted to address item 10, the allocations to the pools. She wanted to voice that there needs to be more consideration in terms of geographical allocation for the BIPOC pool. They don't want to get in to a situation where funding is not needed in one area, and precludes another area to receive funding. The applications are put together by small community based organizations. Ms. Sandidge wanted to make sure they could get in to the system and get funded, and reach out to other BIPOC if they need help getting through the system.

They need to let the process work strongly with the help of the Committee. In terms of geographical allocation, because it is a statewide organization, when the Committee splits the minorities again, it becomes problematic. They are asking for more consideration and time, and hopes that is not the direction the Committee moves forward in.
Melissa Fox from Coachella Valley wanted to echo Mr. Rodriguez. She is an advocate for affordable housing. What they are seeing in Coachella Valley is a migration of population to an area that has not had sufficient support for affordable housing in the past. The Census is showing large population increases just as resources were reduced in the regulations. They do not have the density to compete on amenities, or the ability to compete with transit, but definitely have a need. They are requesting additional money be put toward the rural pool. She echoed Mr. Walsh about more flexibility in the cap and potentially moving the 5% to the geographic regions. This was one of the points from the Governor's office on Inland Rising, and wanted to see this reflected in the allocations and pools in 2022. There were 45 organization that signed a letter of support for these policies, and that was submitted to the Committee, spearheaded by Lift to Rise.
Veronica Pardo with Resource Recovery Coalition called to support housing in California. Regarding exempt facilities, the company she represents operates small and medium sized recycling and compost facilities who work with local jurisdictions to help California meet their SB 1383 obligations to recycle organic material. Many facilities need to be built, so it is important to make sure the financing of the facilities can continue to be supported as the goals are rolled out.
Charma Edman [spelling?] with the Sierra Club Water Committee and Environmental Justice Committee lives in Los Angeles and wanted to echo many of the previous comments. She asked the Committee to say no to Poseidon. Homelessness is a real problem; her street is overrun with homeless encampments. Los Angeles has a homeless population of 66,000, Orange County has 7,000, and California alone has 152,000, and almost 11,000 of them are veterans, as of last year, and this number has grown. They cannot afford to have money taken away from those programs who desperately need it to support veterans, tribal communities, gentrification, etc. They ask the Committee to oppose Poseidon and support the homeless population.

Mr. Sertich stated it does not seem like much progress was made.
The Treasurer agreed.
Ms. Miller asked Ms. Robles how to efficiently finish the discussion of the regulations and pools before the end of the year and give notice on the regulations.
The Committee Members discussed having an additional meeting and decided on December 22, 2021.

Ms. Miller asked for additional comment on regional versus pools. At present there is 40% to the regions and 60% to the pools.

Caleb Roope with Pacific Companies and the working group stated the working group has not checked in since the tiebreaker was settled but agreed there should be more allocation given to the regions. That would be 60% to the regions and 40% to the pools. He believes there is merit in geographically distributing all of the resources and have the set asides be filled up as the Committee specifies like the 9% program [with CTCAC]. Then, for example, if there is a homeless project, it would fill both buckets, geographically and in the set aside.

William Leach of Kingdom Development reiterated that it would be a good idea for the pools to be a certain percentage but have 100% of the resources allocated to the regions.

Ms. Miller asked Mr. Leach to put that in writing to send to the Committee members.

Alice Talcott with Midpen wanted to weigh in on this discussion. The changes to the tiebreaker made earlier in the week can have unintended consequences, so believes it would be a good idea to get a sense of those before moving allocation to the regions. The concern is some of the regions may have counties that cannot compete with other counties. Ms. Talcott stated it is worth it, since this is a large change, to understand what it means. She stated she is trying to get her head around it, and hopes the Committee has some of the data before making those decisions since there may be unintended consequences. She encouraged the Committee to have the first round under the current regulations, to give more time before the second and third round, which could change how much is allocated between the two. Ms. Talcott went on to ask about the regulation process, saying it is unclear when they intend to issue the proposal for public comment, and what the length of that time would be. Given the holiday, she wanted to ensure there was enough time since many will be surprised by the regulations.

Mr. Sertich agreed that once the proposed regulations are posted, it should be out for 30 days.

The Treasurer reiterated they will not be using the new regulations for the first round, so there is not a huge rush.

Mr. Sertich echoed Ms. Robles by stating the OAL process is not fast.

Ms. Robles stated the next proposal to the Committee would be to convert the emergency regulation package into a permanent package. None of the regulations are going to be new, that the Committee has already voted on them. After that, for the second and third round, the proposed regulations do not have a date as it is reliant on how the conversation goes. Although the legal obligation is for a 5-day comment period, they intend to adopt the same process as CTCAC and open it up for public comment for 20 days, but will honor the Committee's request for 30 days.

The Treasurer asked if this would slow down the OAL process.

Ms. Robles concurred that it would.

Mr. Sertich wanted to ensure the full written regulation can be reviewed.

Ms. Robles mentioned having a meeting on January 19, 2022 in her Executive Director's report to adopt the calendar for 2022, to hear what the debt ceiling is and adopt it, review the pools, and other items traditionally heard in the first meeting of the year.

Mr. Velasquez asked if a summary of the regulation package can be made available.

Ms. Robles stated a summary of everything discussed thus far can be included at the January 19, 2022 meeting.

11. *Agenda Item:* ***Public Comment***

There were no additional public comments.

12. *Agenda Item:* ***Adjournment***

The meeting was adjourned at 3:28 pm.

Attachment 1

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

STRATEGIC PLAN PROGRESS UPDATE

DECEMBER 8, 2021

Prepared by:
Sjoberg
Evashenk
Consulting

PROJECT OBJECTIVES

- The California Tax Credit Allocation Committee (CTCAC) hired Sjoberg Evashenk Consulting, Inc., to facilitate the development of a strategic plan that is consistent with the statutory duties of the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTCAC). The objective of the strategic plan is to:
  - Evaluate steps the organizations can take to address the State Auditor's November 2020 findings and recommendations, which found that the lack of coordination and planning between CTCAC/CDLAC has hindered each agency's ability to fulfill their respective directives and recommended the consolidation of both agencies and the delegation of CDLAC's bond allocation authority to CTCAC.
  - Better align CTCAC and CDLAC organizational resources, staffing and regulations to achieve the State of California's affordable housing objectives.
  - Identify additional improvements necessary to effectively and efficiently execute the statutory responsibilities and purposes of CTCAC and CDLAC.

PROJECT APPROACH

To meet this objective, we performed the following procedures:

- Reviewed background information, regulations, policies and procedures, standard forms and applications, and other background materials.
- Interviewed more than 70 CTCAC/CDLAC personnel.
- Evaluated the organizational structures of CTCAC and CDLAC, including the allocation of staffing resources to manage growing workloads.
- Reviewed the core programs and services offered by CTCAC and CDLAC, including mapping business processes.
- Evaluated the technological resources available to both agencies, including technology used perform core functions; automate previously manual processes; track workflows and maintain related records; and maintain official records of CTCAC and CDLAC analyses, conclusions, and actions.

As of November 30, this analysis is approximately 70% complete.

KEY OBSERVATIONS

- CDLAC and CTCAC are well-positioned for greater coordination and alignment, and efforts have been made over the past several years to enhance coordination.
  - The majority of tax-free bond allocations issued by CDLAC overlap with tax credit allocations issued by CTCAC.
  - The workflows developed by CDLAC and CTCAC (including application receipt, review, ranking, and servicing) parallel one another.
  - Both organizations share a similar stakeholder base and often provide allocations to the same developers and projects.
- Despite Parallels in Programs and Workflows, the Efforts of CDLAC and CTCAC are Disjointed and Siloed
- Both CDLAC and TCAC utilize outdated and antiquated Information Technology that is not capable to meet current business needs.
- Several factors impede the ability of CDLAC and CTCAC to optimize the productivity of staffing resources.
- Business processes lack adequate standardization within each organizations, and inconsistencies in regulations between organizations create confusion and inefficiencies for applicants and staff.

PROBLEM #1

- Despite Parallels in Programs and Workflows, the Efforts of CDLAC and CTCAC are Disjointed and Siloed
- CDLAC and CTCAC regulations are not aligned and occasionally conflict, resulting in discrepancies during application review and processing, and inefficiencies for both staff and applicants.
  - Efforts are currently underway to identify and resolve conflicts in regulations, particularly relating to CDLAC regulations that conflict with CTCAC regulations. We recommend that this continue.
- CDLAC and CTCAC staff resources are not aligned. Stakeholders submit applications to both organizations for the same projects, and each organization reviews and ranks the applications independently. If problems are identified, each follows up with the developer separately.
  - While greater coordination between CDLAC and CTCAC may be achieved between the two independent organizations, the overlap between the two organizations and the inherent redundancies associated with dual reviews supports the State Auditor's recommendation to consolidate CDLAC into CTCAC.
  - At the same time, we do not find that consolidation alone will resolve this problem in a cost-effective manner. In addition to consolidation, we recommend that the organization assign workload to staff based on the applicant and/or project, not based on the program (e.g., bond authority or tax credit).
- <u>Recommendation:</u> Strive to achieve a one-stop-shop model that results in a single point of contact for each project and each phase of the allocation process.

PROBLEM #2

- CDLAC and CTCAC utilize outdated information technology that does not meet current needs.
  - Current information technology resources rely on paper files and manual workflows, requiring staff to perform their work on paper or in Excel workbooks, only to convert their work to electronic format after-the-fact. This fails to streamline business processes, is prone to error, and requires duplication of effort.
  - Information is stored in the database, network drives, FileNet, and paper files, resulting in an ineffective and inefficient record management process, increasing the risk that records may be lost, and incentivizing staff to save personal copies of records in an *ad hoc* manner.
  - CDLAC and CTCAC utilize different databases to record information related to their allocations; maintaining dual databases make the organizations less agile in responding to updated regulations and efforts to streamline application processes or interfacing with other state agency systems.
  - Databases, which often freeze when in use, do not have the current functionality to generate timely reports necessary to enable management to track performance metrics, volume statistics, or other indicators of operational effectiveness or output.
- Recommendation: CDLAC/CTCAC should implement a comprehensive IT overhaul that results in an information technology solution that manages the workflow associated with application receipt and processing, bond authority and tax credit allocations, compliance efforts, and record management.

PROBLEM #3

- High turnover and sustained vacancies have impacted both CDLAC and CTCAC, contributing to the loss of institutional knowledge and key resources for resolving complex problems; backlogs, overtime, or work that remains unfinished; and the need to outsource certain compliance functions in order to maintain compliance with IRS inspection cycles.
  - While Staff cited operational inefficiencies, the lack of adequate information technology resources, and duplication of efforts as reasons for low morale, they noted three key factors contributing to the difficulties recruiting and retaining staff: (a) restrictive remote work policies, (b) significant travel requirements, and (c) the shortage of adequate office space and requirements to share workstations.
  - This is most felt in CTCAC's compliance unit, where sustained vacancy rates are impacting the division's ability to meet mandatory inspection timelines. Staff cited several factors contributing to the vacancy rates, including restrictive requirements related to remote work and, as the pandemic subsides, the prospect of substantial travel. Recruiting candidates to fill positions with substantial travel requirements and limited to no remote work options will prove challenging to CTCAC.
- Recommendation: Given the realities of today's labor market, consideration should be given to developing remote work options for certain CDLAC and CTCAC positions and reducing CTCAC travel requirements for compliance staff by establishing a Southern California presence.

PROBLEM #4

Business processes lack adequate standardization within each organizations, creating an over-reliance on long-term employees' institutional knowledge.

- CDLAC and CTCAC lack sufficient formal policies and procedures to guide how staff perform their work and apply regulations.
  - Practices often rely on institutional knowledge of long-term staff; as turnover increases, this knowledge is lost.
  - Even standard processes become individualized over time (e.g., Excel workbooks used to evaluate applications), increasing the potential for inconsistencies.
  - Undocumented processes risk breakdowns in internal controls (e.g., receipt of fees and release of performance deposits [CDLAC]).
- Business practices are generally sufficient to complete required tasks by established deadlines (e.g., scheduled committee meetings); in this manner they can be considered effective. However, inefficiencies in the processes result in extra work for staff, creating undue pressure and contributing to a less productive work environment.
- <u>Recommendation:</u> The potential consolidation of CDLAC and CTCAC, and the potential implementation of a new information technology solution, will require the organization to re-evaluate its business processes. In so doing, it should develop formal policies and procedures designed to standardize processes and reduce reliance on individual-dependent institutional knowledge.