



California Debt Limit Allocation Committee

**CDLAC**  
**Committee Meeting**  
**Wednesday, December 22, 2021**  
**9:00 AM**



## CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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### MEETING NOTICE

### AGENDA

MEETING DATE:  
**December 22, 2021**

TIME:  
**9:00 AM**

LOCATION:  
**915 Capitol Mall, Room 587  
Sacramento, CA 95814**

**BOARD MEMBERS (voting)**

FIONA MA, CPA, CHAIR  
State Treasurer

BETTY YEE  
State Controller

GAVIN NEWSOM  
Governor

**ADVISORY MEMBERS (non-voting)**

GUSTAVO VELASQUEZ  
Director of HCD

TIENA JOHNSON-HALL  
Executive Director of CalHFA

**DIRECTOR**

NANCEE ROBLES  
Interim Executive Director

**Public Participant Call-In Number\***  
**(888) 557-8511**  
**Participant Code:**  
**5651115**

**Zoom Meeting ID\***  
**872 6263 7407**  
**Passcode:**  
**426444**

The Committee may take action on any item.  
Items may be taken out of order.

There will be an opportunity for public comment at the end of each item, prior to any action.

**1. Call to Order and Roll Call**

*Action Item* **2. Approval of the Minutes of the November 29, 2021 Meeting**

*Information* **3. Executive Director's Report**

*Presented by: Nancee*

*Action Item* **4. Committee Discussion and Recommendations to Staff Regarding 2022 Regulations**

*Presented by: Nancee Robles*

*Discussion* **5. Discussion of Distribution of 2022 Allocation**

*Presented by: Nancee Robles*

**6. Public Comment**

**7. Adjournment**



## CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

### **FOR ADDITIONAL INFORMATION**

Nancee Robles, Interim Executive Director, CDLAC  
915 Capitol Mall, Room 485, Sacramento, CA 95814  
(916) 654-6340

*This notice may also be found on the following Internet site:*

[www.treasurer.ca.gov/cdlac](http://www.treasurer.ca.gov/cdlac)

\* Interested members of the public may use this number or Zoom information to call in to listen to and/or comment on items before the California Tax Credit Allocation Committee. Additional instructions will be provided to participants once they call the indicated number or join via Zoom. This call-in number and Zoom information are provided as an option for public participation but the Committee is not responsible for unforeseen technical difficulties that may occur. The Committee is under no obligation to postpone or delay its meeting in the event such technical difficulties occur during or before the meeting.

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## **AGENDA ITEM 2**

### **Approval of the Minutes of the November 29, 2021 Meeting**



## California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587  
Sacramento, CA 95814

November 29, 2021

### Committee Meeting Minutes

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

Called to order at 1:30pm

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 October 13, 2021 Minutes**

##### **Committee Comments:**

There were no committee comments.

##### **Public Comments:**

There were no public comments.

**MOTION:** Mr. Sertich motioned to approve the minutes. The Treasurer seconded the motion.

#### 3. Agenda Item: **Committee Discussion Regarding Tiebreaker** – Presented by Nancee Robles

There is a need for the implementation of a new tiebreaker system for the upcoming year that is intended to measure the public benefit produced by projects, relative to the state resources that it needs to provide good benefit. Meetings have been held over the last few months to discuss the issue. While elements of the new formula appeared to have some agreement between the committee members, various differences remain. As such, the committee needs to produce some form of consensus and direction in order for CDLAC staff to complete the drafting and publication of regulations. In previous meetings, the Governor's appointee, Secretary Lourdes Castro- Ramirez, Secretary of the Business Consumer Services and Housing Agency, and Mr. Tony Sertich representing State Controller Betty Yee gave presentations. The State Treasurer's Office is now presenting its proposal for the CDLAC 2022 point scoring and tiebreaking calculations. The proposal is based on STO priorities as well as the substantial and helpful input from the Administration, the State Controller's Office, and the CTCAC/CDLAC Working Group. The proposal document can be found online at <https://www.treasurer.ca.gov/cdlac/meeting/2021/20211129/material.pdf> , pages 22-25. Staff requests guidance on drafting new regulations to be presented at the January 19, 2022 meeting.



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### ***Committee Comments:***

The Treasurer stated she hoped for resolution today, though had been hoping not to make changes this year, but understands the need to make changes.

Mr. Sertich thanked staff for the thoughtful and well-organized document. He urged for the need for a balanced system to get the outcome the committee wants. Though he agreed with the high-level recommendations, he specified the need for the details to drive the desired outcomes which requires deeply reviewing the specifications to narrow it down.

The Treasurer thanked the stakeholder working group for the efforts in providing their recommendations. When the working group could not agree, they requested guidance from the committee. Each of the committee members presented their recommendations through presentations and memorandums. The matrix presented was a culmination of what each specified, with numbers acting as placeholders that can be changed as the committee agrees. Mr. Sertich identified that each tweak would cause something else to change.

Ms. Miller state she does not agree with everything in the matrix and wanted to make a two part suggestion. She agreed with Mr. Sertich on going through the principles of the matrix, then coming back on December 8, 2021 to discuss the weights assigned in the matrix. She identified the matrix starting on page 21 of the meeting materials, and believes the matrix does a good job identifying the major issues. She suggested to take each item in the matrix one by one but wants to wait on the weights in order to give each team an opportunity to go through the variables. Ms. Miller expressed confidence the committee could come to an agreement on the high-level recommendations.

The Treasurer clarified regulations will not be ready for the first round of applications next year due to the emergency regulations and the process for getting them approved with the Office of Administrative Law, especially with two more regulation packages pending. Mr. Sertich agreed it is important to get it right and agrees with Ms. Miller's suggestion to go over the high-level recommendations. Ms. Miller reiterated the committee needs more time to go over the values within the matrix, outside of the principles.

Mr. Velasquez pointed out the committee didn't decide on a scoring system last year until December and asked for another meeting to have the scoring and tiebreaker decision.

Mr. Sertich wanted to ensure the regulations, once drafted, are available for the public to view and comment on for an ample amount of time, and not abuse their emergency regulation authority.

Ms. Miller reiterated the need to have a good principles in place before considering the individual scores, and there has not been enough time for each of the committee members to review the recommendations. She pointed out the committee does not want to award allocations that may not be beneficial to the state. Ms. Robles agreed with the necessity of doing the regulations correctly and having the current regulations in place before starting a new regulation package.

### ***Public Comment:***

Doug Shoemaker requested to have a regulation item included in every agenda going forward to avoid having to add meetings to discuss them.

### ***Committee Comment:***



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*Production benefit:* The Treasurer stated she believes the committee supports Administration's recommendation of the 80% AMI limit. Mr. Sertich and Ms. Miller agreed.

*Rent savings benefit/counting other state funds in the denominator:* The Administration wants 30 years of rent savings with a floor of 30-40% AMI and a cap of 80% AMI, only count bonds in the denominator but willing to count state tax credits. The State Controller wants tax credits, 30 years of rent savings, and count all state funding in the denominator (state credits, HCD, and HFA). The State Treasurer's Office wants to see 5 years of rent savings with the Administration's recommended floor and cap but give additional value to Extremely Low-Income (ELI) and Very Low Income (VLI) units in population benefits category and only count bonds and state tax credits in the denominator. Ms. Miller disagreed with the 5 years of rent savings, stating she does not believe it meets the Administration's goal of ELI and VLI. She appreciated the challenge they are all facing for deep affordability and creating geographic equality. In regard to the denominator, she thanked Ms. Robles for establishing a basis limit with tax credits and bonds in the denominator. She went on to say there is no proxy for rent savings other than the period of time, that 15 years is reasonable and will benefit ELI/VLI the most. Anything less than 15 years will not value well for the ELI/VLI. At 30 years, depending on everything else, with rent savings as 50-75% of numerator, they are saying rent savings is the only important proxy for ELI/VLI. If they go down to 15 years, they can't know for sure since they haven't run the numbers. If they go down to 5 years, it does not get them to the goal, so wants to keep it as it is with the bonds and tax credits in the denominator with basis limits coupled in, and rent savings is 15 years.

Mr. Sertich agreed. He reiterated as you make one choice, it affects another. He stated there are two issues, one being the additional credit for ELI/VLI units, and the fixed amount instead of using rent savings since this favors the lower cost areas over the high cost areas. The other adjustment in the denominator for the basis limit was different than the 30 years. If the goal is to keep the costs down, it makes sense to reduce the number of years for rent savings. But he has not run numbers yet. The initial proposal he had provided did not have an adjustment in the denominator to take the costs of counties into consideration, since rent savings was the cost differential. His team determined 30 years of rent savings created a geographic balance, balancing what the state contributes with what the state gets out of it. Previous debate had the floor at 40% AMI because the deeply targeted units were often not sustainable for a longer amount of time. At 15 years, the committee knows they're being subsidized for that timeframe. Beyond 15 years, something would need to be put in place to make sure they're not allocating to financially unsustainable projects. He believes the 15 year compromise would work, but wanted to run the numbers on it.

Ms. Johnson-Hall wanted to clarify Ms. Miller wanted to stretch out the rent savings which would benefit ELI/VLI and wants bonds and tax credits in the denominator.

Mr. Velasquez appreciated what Mr. Sertich said about the 30 year length of time, and desire to stay with tax credits and bonds in the denominator in the upcoming year. Mr. Velasquez agreed with the rent savings benefit and the balance they are seeking with geographic equity. He pointed out the units are affordable for decades, so the true benefit is not captured in 5-10 years of rent savings because the savings is over a longer period of time.

Ms. Johnson-Hall, agreed with Mr. Sertich.



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### **Public Comment:**

Mark Stivers with California Housing Partnership said the Qualified Residential Rental Projects is an affordable housing program, which is why it makes sense to have affordability in the tiebreaker. They support a 30 year rent savings since it has the most geographic impact. It would be beneficial to reform the regions and group the counties more by common fair market rents (FMR). This can be done by size of regions instead of statewide pool. There is a big impact with the denominator in how they make the adjustments to account for regional cost differences. They don't want the geographic implications to outweigh the need to make sure affordability has a deep benefit.

Caleb Roope with Pacific Companies, when considering population benefits vs rent savings benefits, is within regions, some counties have higher FMR than others. The more weight they give one thing, the more imbalance it creates. Rent savings is such a big piece, it is aggressively determinative, and can become an incentive to look for projects only in those areas. As the number of years is determined, the committee needs to look at the cost adjustment since the basis limits already indicates where the counties are, but the adjustments made within them is not indicated. The more rent savings is valued, the more the adjustment is needed to factor for high-cost areas.

Doug Shoemaker believes the concern is the overall weight associated with rent and income savings is diminished. Is there a place in the formula where ELI/VLI can accomplish some of what Roope described with less differentiation within a region and at the same time, the overall weight is a combination of ELI/VLI and rent differential to get to the same amount in the numerator. There has been a struggle [in the working group] to address the differences within the regions. Part of the ELI/VLI proposal, is differentiated at 30, 40, 50. The point is to find a way to swap things out for each other and come to a version to weigh incomes goals as heavily as the committee wants to.

Ms. Miller stated there will be winners and losers since there isn't enough allocation to go around. She reiterated her belief that 15 years of rent savings is the best idea in order to achieve their ELI/VLI goals.

Mr. Sertich agreed. He stated they are taking three measures and trying to achieve two goals with them: geographic equity and affordability. The original proposal using only rent saving. Rent savings layers in demand versus just cost to build since the places higher demand will have outsized cost to build. They're driving to build where there is a need for affordable housing, so there is no cost adjustment in there. If all three aspects are in there, that is fine, but there is a need to run scenarios.

Ms. Miller asked how the Treasurer felt about a 15-year compromise on rent savings. The Treasurer said she is okay with the compromise but there is a need to moderate the ELI/VLI component.

Ms. Miller reiterated the possibility of needing to revisit the regulations to ensure the desired outcome is being achieved.

*Population benefit:* The Administration looked at chronically homeless, special needs. The controller's office looked at various population types. The Treasurer's office supported Administration's position but wanted to add value to ELI/VLI units as well as veteran's units. Many veterans are still on the streets since the projects are not specifically targeted.

Mr. Sertich agreed on the need to include veterans. He hesitated due to not counting programs not providing direct benefit to certain populations into the denominator such as the HHP program, which funds veteran's programs, so is not sure there's another benefit needed in their scoring system. He did specify he leaned toward the Administrations recommendation to focus on homeless





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and special needs projects depending on the 15 year benefit.

Ms. Miller agreed with the Treasurer about veterans. When looking at other populations, there are a lot of programs outside of the committee so reiterated the need for balance. She valued the inclusion of veterans and recommended balancing it out through basis limits which are determined by counties and population. She agreed sticking to homeless, special needs, and veterans in the beginning makes sense, and pointed out there are other populations who would benefit once the process is streamlined. The first three would be the foundational pieces.

Doug Shoemaker mentioned it could be an “and/or” for veterans housing to avoid developers adding veteran units just to go after the program.

Mr. Velasquez; when looking at the range of veteran programs, those are specifically targeting to veterans who are homeless or at risk for becoming homeless. When serving units for veterans, is it within those parameters for the target population.

Ms. Miller identified the concern is developers racing to develop those types of projects based upon what is put in the regulations. If there is an “or” in there, they won’t be adding veteran units only to get those points. This would avoid the potential for them trying to get those points, one for homeless and one for veterans.

*Location benefit:* Moderate/high/highest resource areas are the priority. The administration wanted to include areas of opportunity in the tie breaker, but recommends removing high/highest resource area after the 50% goal from public benefit, and supports including moderate resource areas. The State Controller’s Office supports areas of opportunity in the tiebreaker, and the State Treasurer’s Office supports both positions, but does not want public benefit removed after the 50% goal is met. Projects in areas of opportunity typically come with higher costs, and this should be addressed even after the 50% goal is met, similar to other project types such as homeless housing. Mr. Velasquez asked if the committee needed to consider all of the location benefits at one time, since there were three different suggestions for locations: high/highest, revitalization, transit, and other climate benefits. He asked if it was one category or wanted to discuss them separately. The Treasurer stated they would be addressed separately.

Caleb Roope of Pacific Companies stated there are two components. One is the point, which the committee decided negates after 50%, and now adding public benefit. The projects still recognize public benefit after 50% though will not receive a point, similar to how homeless projects are still recognized as having public benefit, even though there is a homeless set-aside.

Ms. Miller [undiscernable]

Mr. Sertich clarified the point would be removed, but the public benefit would remain once the 50% cap is reached. The Treasurer, Ms. Miller, and Mr. Sertich agreed on this aspect.

Mark Stivers of the California Housing Partnership stated they support developments in high/highest resource areas. There is usually a pushback on the concept since they believe there would be no path forward for projects outside those areas. The 50% soft cap ensured balance they all talk about, so when the goal is reached, other projects can have a path forward. Without the soft cap, developers who work outside of the high/highest resource would not have a path forward.

Mr. Sertich stated the extra point in the scoring tends to block out other projects, but there is an added benefit in the tiebreaker. This could bring balance, and value the higher resource areas without crowding other projects out.



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Mr. Velasquez reiterated the potential to consider all location benefits together because there are other values that do not touch upon high/highest resource areas. He clarified what Mr. Sertich said that this applies to the other half, to the projects that do not have the AFFH scoring. Mr. Sertich specified it would be the projects beyond the 50% test, which would be the public benefit. The only true impact would be after the first 50% got through.

### **Public Comment:**

Victoria Johnson of the Sacramento and Redevelopment Agency pointed out housing authorities are compelled to build in the worst neighborhoods. Since the push to build in the high/highest resource areas, redevelopment has been disadvantaged since they are not in those high opportunity areas. She specifically wanted to address the 120-119 issue [in scoring]. Sacramento County is in a higher cost situation than many other valley counties. Without a score of 120 there is a risk of not being able to redevelop communities that are over 80 years old, in need of redevelopment. She supports the 50% soft cap and creating an opportunity to get the full 120 points. In the most recent round in the community revitalization area, they were not able to get a perfect score.

Mr. Sertich assured Ms. Johnson there may be a path forward next year.

Ms. Johnson urged the committee to review how many units are not awarded allocation, and shared HUD feels strongly about programs that identify as promise zone or revitalization.

Ms. Miller stated the current proposal, there's an extra point with the AFFH, which introduced the idea there's no longer a need for the extra point. Subsequently, there are 5 questions of how to benefit location in the numerator, so the denominator is just tax credits and bonds. She believed there should be an additional benefit for high/highest resource areas in the location benefit, but it should only be counted once. If a project has the extra point, there would be no benefit. If the project did not get the extra point, there would be a small benefit in the numerator.

Dan Horn, President of Palm Communities wanted to discuss the tiebreaker. The Inland Empire currently has a negative 13% multiplier even though the costs are the same as Los Angeles.

Regardless of the tiebreaker, the Inland Empire needs more [undiscernable] than they've received in the past. The restricted allocation of resources inhibits the area. The formula is not based upon population. It is not a fair process. Mr. Horn requested to see the tiebreaker in a formula so the public can understand the impact of the variables, and went on to state many of the people in the conversation seem to have seen it in this form, so requested to have it published so the public can see it too.

The Treasurer pointed to the website where the calculation was posted.

Joanna Ladd, the Associate Director for Housing Development in Chinatown in San Francisco, is part of a BIPOC coalition with decades of experience in their communities. They strongly support the Administration's recommendation of the 50% soft cap on scoring and tiebreaker advantages for high/highest resource areas. They see it as a compromised solution because it is saying 50% of the projects are in those high/highest resource which will win the tiebreaker, which gives a strong advantage. The Administration also recommended adding that projects in high/highest resource areas meet a minimum of 7 site amenity points. This will help people who don't have vehicles in those areas have access.

Heather Gomez calling from Coachella Valley echoed Mr. Horn's comment regarding assumptions on outcomes since it is not a level playing field. Regulation changes last year increased the unfair



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disadvantage of rural Inland Empire such as Coachella Valley. Without a level playing field, they cannot compete, and the communities will continue to suffer disproportionately despite their great need. They are not asking for special treatment but are asking to receive proportional resources and be allowed to compete fairly.

Mara Blitzer, the Director of Housing Development and the San Francisco Mayor's Office of Housing and Community Development. Ms. Blitzer agreed with what the previous caller said but wanted to add some points regarding community revitalization. Ms. Blitzer stated it would be beneficial to align previous and current programs for revitalization projects serving low-income housing. They are working on a 20 year redevelopment plan to include public housing. This does not just include opportunity zones, but also [undiscernable]. The regulatory time is 55 years, so the rent savings should be considered up to that amount. Given that information, even 30 years can seem short. Mike Walsh with Riverside County Housing Workforce Solutions called to support geographic equality. He supports the 50% soft cap on high/highest resource areas, and the Administration's proposal. Some communities in the rural areas where entire cities do not get the chance to compete since they can't score high enough because they are not high/highest resource areas. He encouraged the committee to look at a variety of tiebreaker scores, and how geographic equity is playing out in the Inland Empire and rural communities. He pointed out the committee presumed it is less costly to build in Inland Empire, but they are paying the same rates and prevailing wages as Los Angeles.

Melissa Fox, former Allied council member and former Chair of the Irvine Community Land Trust wanted to echo earlier comments regarding inequality of the geographic regions and requested the regulations be reviewed for a level playing field. There are similar construction costs in the area [to Los Angeles], while Riverside County has the largest rental shortage in the entire United States, and much of that is in Coachella Valley. Based upon income in the area, more than 10,000 units are in demand. Between 2010-2018, Coachella Valley averaged only 38 new affordable housing units per year. The governor has stressed the need for the Inland Rising Plan. She asked the committee when they are reviewing the regulations and looking at the tiebreaker, review an appropriate way to meet the needs in Coachella Valley in the Inland Empire, and look at the cost of construction.

Maribel Nunez from Inland Equities Partnership in Riverside and Coachella Valley agreed with much of what was said regarding the Inland Empire. They want to make sure it's an even playing field for all of California. A recent article showed rents are going up in the Inland Empire, as well as the cost of living. There are currently 50,000 people on a waiting list to get housing. 30% [undiscernable] so the need is great there. It is not cheaper than other areas. When looking at employment and cost of living, the cost of living is really high. Putting a 13% penalty on the Inland Empire is not a good thing if the goal is to treat all regions equally. The last census showed rates and rents have increased in Riverside County more than other areas. The Inland Empire is growing dramatically, so policy needs to be changed to reflect that. Make sure Coachella Valley, Inland Empire, San Bernardino County, and High Desert have a scoring system that is reflective of 2022. The census numbers show it has been increasing, as well as the cost of living. There are African American, Latino, and Indigenous communities there, too, so to neglect the Inland Empire is to also neglect BIPOC as well.

Alice Talcott with Midpen Housing wanted to offer suggestions for high/highest resource benefit in the tiebreaker. They support the position that that benefit in the tiebreaker should stop once the 50% is hit otherwise investing in those projects funded in those areas could be higher. One way to



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achieve this would be to take that benefit out of the tiebreaker, and that the extra point is the public benefit measure. This would cut off after the 50% so would not need to be removed at any point. There should not be a benefit after the 50% test has been met. She supports the Administration's position that projects getting the extra point for being in the high/highest resource areas still meet the required 7 amenity points. The benefit of being in those area are not overriding it being a good site for people who don't have cars. On the rent differential, they support the 30 year of benefit. Measuring rent below market is the most direct benefit being provided and the dollar amount is what tax payers pay for by providing the bonds and credits in those projects. She agreed with Mr. Stivers that the disparities may be better addressed by looking at groupings of counties instead of regions.

Caroline [undiscernible] wanted to echo Joanna Ladd, they are heartened that the committee is looking at the values instead of just the regulations themselves. They support the 50% soft cap and projects in high/highest resource areas. She is with an organization that has worked hard to reverse the redlining of Latino folks in the district in San Francisco. It's important to have priority for projects that are not in high/highest resource areas. She also wanted to echo [undiscernible] threshold for projects that are in the high/highest resource areas to receive the scoring and the tiebreaker. Looking at opportunity maps and Affirmatively Furthering Fair Housing (AFFH) there is a need to have a workgroup around that to talk about what is happening in the BIPOC communities and what is happening for cities and counties that have BIPOC communities.

Reginia Celestin Williams, Executive Director of Silicon Valley at Home, is part of a coalition that supports affordable housing in Silicon Valley. She wanted to emphasis the comments from Caroline and Ms. Talcott, along with others who are in the BIPOC coalition across the state in supporting the suggestion of the 50% soft cap for the high/highest resource areas as a priority. She wanted to remind the committee that this deals with real people in the communities, and it is not a social experiment. She wanted to highlight the people who are living and working in the communities that have been identified as low resource. This is a weight in what is being decided in directing the policy around low-income BIPOC communities and whether or not it should be directed out to wealthy white communities [disadvantaging] people who live in the low-resource areas. If the goal is equity, there is a need for a balanced approach. The investment goes into the community, and there is a real intension and purpose behind government that goes to big areas to make sure people have an opportunity to thrive. A soft cap is not much to ask when there are people living and working, seeking new investments. It is not the same disinvestment in the communities that has been seen for the last few decades. They are asking for a soft cap of 50% and are hoping for some balance while trying to achieve more integration.

Bailey Naizghi from the Non-Profit Housing Association of Northern California supports the Administration's proposal of the 50% soft cap on high resource projects. It's important to ensure a path for funding serving low to moderate resource communities, especially in the competitive environment. She echoed support for the 7 amenity points for high resource projects as well as 30 years of rent savings calculations.

Ian Gabriel is a data analyst from Life to Rise in Coachella Valley. They are part of a coalition of more than 50 partners who have a goal to reduce the rent burden in Coachella Valley by over 10,000 units by 2028. Over the last 5 years about half of that goal of 5,000 units are shovel ready. They've had a difficult time coordinating and getting funding sources to make it a reality. The proposed tiebreaker



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and regulations will disadvantage the region from accessing the funding to move from shovel ready to under construction. The data has shown there is a shortage of affordable housing in that region and has been exacerbated by the pandemic. There has been a history of unfairly favoring the coastal and metro areas with rules that doesn't take Coachella Valley's issue into account. He urged the committee to revise the regulations to make it more fair and equitable. The coalition released a letter to CDLAC to take this into consideration.

Mr. Sertich agreed with Mr. Velasquez to take all the location benefits at the same time. The first two, including revitalization areas, is important to be defined properly and have a benefit for it in place, to get the desired outcomes.

Ms. Miller said the location community revitalization areas, and all agreed, though there is a need to review the details more closely.

*Transit oriented development and amenities:* The Administration recommended higher standards than CTCAC for amenity points. The State Controller's Office supports inclusion of transit oriented locations. The State Treasurer's Office supports both positions by including CTCAC transit amenity points, proximity to high speed transit or awards from HCD's TOD and AHSC programs.

Ms. Miller stated regarding location benefits, the issue regarding how the points work. The points assigned are high. Page 25 of the ebinder, there are 3 points measuring Transit Oriented Development (TOD), half a mile to transit, and CTCAC's walkable amenities. It is currently showing as 50,000 points, but when multiplying the CTCAC points, if for example there are 7 points, looking at the 10,000, it could become 70,000, making it a total of [120,000] points value. In theory and with policy, all three of these are supported. The question is how they are weighted. As the committee gets closer and closer to environmental emphasis, all three are important. It's important to have a model of the values to have a maximum amount, not change the equation, but a "do not exceed amount" for all three. It shows 50 as the total amount, but if there was a cap on the amount, developers would have options on how to meet the environmental goals and it would not supersede rent savings, which is the highest benefit. It would not give weight to one transit benefit over another, which currently it appears TOD outweighs the other location benefits.

Mr. Sertich agreed it needs to be worked on. He pointed out the TOD emphasis and walkability is in the base scoring system, so it should be in one place or the other so they are not double counted. The committee needs to decide where the benefit is counted. If it's a real benefit, and the committee wants building to happen, for example, near a high speed transit that comes every 10 minutes, it may be worth a lot compared to rent savings. It either needs to be in the scoring or tiebreaker, but not both.

Ms. Miller agreed.

Mr. Velasquez agrees with Ms. Miller and Mr. Sertich. His team has done some test runs and the location efficiency outweighs any other proprieties that have been contemplated. The Administration is undergoing a purposeful conversation regarding the housing climate and location efficiency for housing production. It is being introduced now, but there is going to be more data and analysis likely coming out next year regarding this. He urged for it to not be duplicative and there will be more data that will help define this benefit better.



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### **Public Comment:**

Mark Stivers with California Housing Partnership wanted to address the duplication issues. He recommended having only high-quality transit in the tiebreaker. The other two locations benefits are already in the scoring system. Ms. Miller agreed, and Mr. Sertich reiterated the need to calibrate it correctly.

Ann Silverberg with the working group wanted to reiterate some of what the committee has said, as well as some of what the working group had touched on. There was a lot of talk about alternative pathways through the point system regarding community revitalization and high-quality transit.

There are many worthwhile locations that won't make it through if all the other weighting is in place. It is consistent with SB 375, there's a working definition for high-quality transit, and the committee is in line with that, as is the community revitalization discussion.

Caleb Roope with Pacific Companies and the working group pointed out as public benefit categories are removed, there is more emphasis on rent savings. The MHP program administered by HCD promotes a race to the bottom, and they are moving away from this approach with the new guidelines. The categories exist to balance out, otherwise there is extremely deep targeting. Having a floor in place puts a bottom on that, so the projects would be at 100% 40% AMI on average. Unless there are other pathways for projects to pursue, they would be driven to extreme deep targeting, which means there would be a need to chase more public money to fully fund the projects, so costs would be higher, and that would affect production. Those costs would come with prevailing wages, overlay requirements, etc. That is the policy outcome as other choices in paths forward are whittled away. In the current system it is possible to have an affordable projects in a city in the Inland Region that can compete with projects in the Bay Area, for example, since it currently skews to the low cost environment. If the pendulum is swung all the other way, there will be high cost projects dominating, with a drop in production. Those projects would be favored in the rent savings category but the other categories will be minimized, resulting in higher costs and less production. Ms. Miller stated as a policy making body, they don't want to swing the pendulum one way or the other. If they agree to moderate rent savings to decrease it from 30 to 15 years, which swings it to rent savings, it needs to be moderated in the middle. What they don't want to do is come in with many other categories to offset it to swing the pendulum back. What they are trying to do is stay in the middle, and moderate everything going into the numerator, and not double count, and find the middle ground.

Mr. Roope stated the rest of the public benefit categories have a way to create other paths. The denominator moderation is the other critical piece. With more options removed, it is only two or three things being valued, and also removing opportunities for projects.

Ms. Miller agreed with having multiple paths forward but pointed out they are trying to not over emphasize certain categories.

Mr. Sertich stated the idea of the system was to, rather than have a point system or favoring one category over the others, but to create a system where developers incentivize what they can, to do what is best for their cost, showing the values publicly. It's about calibrating it correctly, and finding the right piece. On the denominator side, the state is paying for these things benefits in one way or another, through for example, HCD, local money, or other programs, and it is not being accounted for at this point. Those projects are more likely to be successful by bringing in money from other





## California Debt Limit Allocation Committee

entities and the state funds are not being used as efficiently as they can be. The goal in general is maximizing public benefit, but there are costs to that.

Ms. Johnson-Hall wanted to underline the tradeoff between going too far in deep targeting and balancing that with production. She feels it is important to model any proposed changes that may affect production. She is concerned about the impact on overall production. Through the current regulations, approximately 17,000 units have been produced and the committee does not want that to decrease. She wants to take the whole number into consideration when looking at the regulations. There is a lot of money involved, but it is important to remember the purpose is to get as many units approved as they can. The committee needs to consider how many units they can get for the amount of money being allocated. The Treasurer reiterated there is a pipeline that was submitted. There's a BART station being built around that, such as in Pittsburg, Antioch, etc. This allows people who don't have a vehicle to go into the city to work if they use the public transportation.

Mr. Roope stated, last year the working group tried to strike a balance between those who believed deep targeting was the most important thing, and those who believed production was most important. The scoring currently has two ways to go. He stated right now there are two ways to go, average 50% AMI, or average 60% and do 10/30 and 10/50, and this struck a balance people could work with. He stated the tiebreaker they are currently talking about could undo that balance. The other categories give options within them.

Ms. Miller recommends keeping all three to provide options to meet the climate goals, while not double counting TOD and AHSC, and have a cap on the total amount allowed in order to achieve the benefit. The values are ultimate what drive it.

*Climate based benefits:* The Treasurer thanked Administration for touching on this benefit. Though there were not specific recommendations, the committee can come up specific criteria to shape the discussion. The State Controller supports inclusion of environmentally based benefits. The Treasurer's Office proposed the addition of public benefit credit for closet CTCAC amenities including park, grocery, library, market, schools, senior center, medical clinic, and pharmacy. Mr. Sertich agreed, and pointed out that [amenities] is in the scoring system now but wants to see how it will interface.

### **Public Comment:**

Rayah [undiscernible] wanted to echo what the BIPOC organization said on the 50% soft cap and projects in the high/highest resource areas, and the tiebreaker. She wanted to reiterate the importance of having the 7 amenity points for projects in those locations, with transit being very important. She stressed the need to revisit the maps.

*Recycled bonds:* CalHFA is starting to use recycled bonds, and developers are showing up saying they would not have been able to have their projects penciled. It was stated recycled bonds should be used as an additional resource and tool.

Ms. Robles clarified it is available to a certain extent.

Mr. Sertich; as the scoring is being reviewed, he wants to look at what they are getting from the different point categories. The leverage category is not driving real public benefit at this point. It



## California Debt Limit Allocation Committee

was left in last year since there was no major public benefit in the tie breaker, so wanted to incentivize it. Recycled bonds allow project to come through that didn't have other leverage. Recycled bonds themselves are not pushing real benefit, but the leverage does not measure above and beyond the major tiebreaker. He is in favor of removing the leverage category altogether. The Treasurer supports this.

Ms. Miller stated she favors keeping the leverage and recycled bonds. They want to get to the point with private capital as well.

Ms. Johnson-Hall agreed with Ms. Miller, and recycled bonds will become more valuable if the 50% test drops down to 25%.

Mark Stivers with the California Housing Partnership stated there are many reasons to use recycled bonds, and it has nothing to do with leverage. They don't serve the same function as public funds. What they do is raise the average AMI. Projects with recycled bonds had an average AMI of 56%, while projects without had an average AMI of 44%. They are not providing the same benefit. He recommended removing recycled bonds from the leverage definition.

Mr. Sertich wanted to know what public benefits leverage are there that are not accounted for in the tiebreaker.

Mr. Stivers said it is about supporting state and local priorities. The state and local governments have invested millions into individual development.

William Leach of Kingdom Development advocated for removing the leverage category altogether. It takes staff a long time to evaluate projects for this category. There may not be a benefit beyond having state tax credits in the denominator, which may motivate developers to pursue additional public funds outside of CDLAC. It would save staff time and effort to remove it.

Darren Brobrowsky with USA Property Fund agreed with Mr. Sertich that the leverage is unneeded. He went on to state it has been mislabeled and reduces the amount of credits the committee is providing. Local money tends to increase project costs, which increases the amount of bonds needed.

Ms. Miller stated she believes the idea is to have more local investment in projects. If it is all about recycled bonds, she would rather keep it in and keep the category. What is being accounted for is under production in ELI/VLI. Once the market evens out with demand and production, the bonds will go back to what they were, supporting local government. Getting rid of leverage altogether removes the benefit of local government having "skin in the game".

Mr. Sertich stated there is already a limit of how much bonds can be used by each project to 50-55% of their development costs. The leverage itself won't reduce that. There is something to be said about reducing the affordability level, but that is being measured in the tiebreaker already. If that's the outcome the committee wants, it should not matter if the money is from an outside source or if they've done an efficient job building it.

Ms. Miller pointed out the idea of public money such as tax exempt bonds, there tends to be a stacking of additional capital. Developers know the easiest money to get tends to come from the state, historically. She wants to make sure the investment is a combination of local, state, and federal money. Many programs are state funded. Each dollar going through the volume cap should be leveraged from other places. Until there's more equilibrium, that is difficult to achieve, but that should be the goal.





## California Debt Limit Allocation Committee

William Leach stated even if the leverage category is removed, developers will be motivated to get public funding to reduce state credit request or lower AMI and get a better score. There will still be incentives to get local money but will be measuring it with other tiebreakers. The state commissioned a cost study in 2014 which revealed having state money in a project tends to increase the cost by about 12%, total. The federal government did a study along the same lines saying when funding sources are stacked, it tends to increase costs. Having a mandatory category may make developers feel like they need to pursue additional funding, which may add costs to the project. The Treasurer clarified Mr. Sertich supported removing all leverage from the score, the Administration supports keeping leverage and recycled bonds.

Mr. Sertich said the State Controller's goal is to simplify the system as much as possible. The leverage is a binary thing where developers have to have it or they won't be able to win. The Recycled bonds is a way around that, but is an additional cost to the project that does not add to public benefit. Projects already have incentives to add other funds, make projects affordable, build in high opportunity areas, close to transit, etc. That should be enough, instead of also demanding 10% of funds come from somewhere else.

Ms. Miller does not want to lose sight that having a leverage category is important, and recycled bonds is a way around that, but it is not as simple as that with, for example, the federal government coming in. Recycled bonds is where the compromise is. Leveraging soft bonds is a huge benefit, as it stretches public dollars. Losing the ability to leverage could hurt the program farther down the line. Mr. Sertich pointed out with the way federal rules are around bonds and 50% or 25% test, it is not really stretching the public dollar by incentivizing leverage since it is not the 9% or 4% [tax credits], and since it is already limited at 55%. If they need to take funds from the city, with an additional fee of, for example, \$10,000, that is added into the cost of the project. Every additional source with additional fees, decreases the efficiency of the program. This program is not providing a direct subsidy so cannot be treated the same as those programs.

Ms. Johnson-Hall stated much of this discussion is about the money coming in at the front of the project, and the projects have a 30-55 year lifespan. During that time, if something goes wrong, the people who partner with the project from the beginning are the ones who jump in to help. If they are eliminated at the beginning of the project, they would be less likely to offer assistance down the line. The developers should not eliminate a partner who could help save a project especially when talking about ELI/VLI. There should be as many partners on board to not only start the project but ensure there is a long lifespan of the project.

Ben Barker of the California Municipal Finance Authority believes working with recycled bonds is a monumental task. He agrees with CalHFA and the Governor's office on the importance of using recycled bonds. There has been an uptake of projects not going through CDLAC, they're doing 501c3 deals, combining with recycled bonds and welfare exemptions. They are not competing for CDLAC allocations as a result. There are a lot of ways to get deals without going through CDLAC/CTCAC. Though recycled bonds are complicated, the new industry of using these bonds has produced a lot of affordable housing. Because recycled bonds in leverage, it has created more affordable housing outside of CDLAC. It has encouraged people to recycle those bonds. He wants people to understand those bonds have helped create more affordable housing.

Mr. Sertich believes that is a good use of those bonds, though does not believe having it in there is driving public benefit.



## California Debt Limit Allocation Committee

Mr. Barker believes it is creating public benefit outside of CDLAC, and additional benefit for those deals not needing to go through the CDLAC competitive process.

Caleb Roope of Pacific Companies and the working group said sometimes the existence of a system and change in criteria can cause things to change. Bond issuers are not paying attention to recycled bonds. Developers are choosing to go forward by going around the traditional leverage path and turned to this resource and causes the issuer community to step up and handle it. That benefit is also important. If recycled bonds were not in the leverage, this trend may not have taken place. The Treasurer asked if the leverage category was removed, if this would still be happening or if it would drive a different behavior.

Mr. Roope said it would remove the incentive for developers to look for recycled bonds since there would be no need for it. There is a demand for recycled bond projects that the issuers are paying attention to, but they would no longer be looking for it. The public benefits outweigh the burden of dealing with leverage and sides with keeping recycled bonds and keeping leverage in the system. Because of the other benefits, it's better. If talking about what's best for CDLAC staff, it's to eliminate leverage.

Ms. Miller said if they want to foster a recycled bond market, they need to keep some version of leverage, and keep the category to drive the desired outcome.

Mark Stivers believes the benefit being discussed is getting developers who are paying down their bonds to put the excess bonds in the recycling program. That will continue to happen because there is a regulation that requires this now, which is happening regardless of the leverage. Incentivizing developers to use these bonds is a different thing altogether. There are projects that will continue to use those bonds outside of CDLAC now that those programs exist. By keeping recycled bonds in the leverage category, recycled bonds will be used for projects that don't need them, lessening what is available for projects not going through the CDLAC. He recommends keeping the leverage category, but removing recycled bonds.

William Leach with Kingdom Development believes the committee seems to like the secondary market and developers using recycled bonds for other reasons. There are no points for promising to recycle bonds. The current regulations say points will be given for using recycled bonds. If the committee likes that developers are promising to recycle their bonds, make it part of the regulations. This is not currently in the requirements of the leverage category.

Ms. Johnson-Hall pointed out recycling bonds is a complicated transaction but there is a need to incentivize using recycled bonds, and not just recycling bonds. If the criteria is removed, projects may end up being penalized if they use recycled bonds, which is likely not the direction the committee wants to go since the goal is to encourage projects at any level. She agreed with Ms. Miller's recommendation.

Ms. Miller clarified when there is leverage and also recycled bonds, it creates a sort of menu of options for developers to use. When there is more than one way to get the allocation, it creates more diversity in production.

Mr. Sertich sought clarity regarding if an award is given, there is no requirement to work with the issuer to recycle bonds when they are paid down in the first 4 years.

Ms. Robles agreed.



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The Treasurer asked if removing all leverage from the scoring system would benefit small developers, such as BIPOC.

Mr. Sertich said the clearer the path, the easier it is for developers to move forward.

Ms. Miller pointed out recycled bonds used to be part of the requirements but were voted out of the regulation. She believes the numerator, denominator, and tiebreaker are more important. Ms. Miller requested to continue the meeting.

Ms. Miller summarized; they all agree on 15 years of rent savings. In the denominator, when considering the basis points, what each category is worth can be used to create regional equity and bind in rent savings this way with the basis adjustments.

The Treasurer clarified only state credits and bonds in the denominator.

Mr. Sertich added the bonds become more valuable if it goes from the 50% test to the 25% test, therefore there will be a need to reevaluate the weight of the bonds and tax credits.

Ms. Miller clarified the verbiage of “and/or” regarding homeless and veteran units. Regarding location benefits, there is one point for AFFH with a cap at 50%. What is still in question is after the 50%, if additional public benefit will be considered in the tiebreaker. The committee had agreed on community revitalization. There is a “menu” of options related to transit. The committee agreed to keep all three main categories (TOD emphasis, walkability, and half a mile to transit) and determine how to scale those at a later date. High quality transit is in excess of the baseline, and if scaled properly it won’t be considered double counted. That is all in the numerator. The denominator is how to bind in the basis points. Regarding the rest of the items, the Committee agreed to the additional scoring point, the amenity points, the project types, and the AFFH category. The Committee will wait to determine the recycle bonds and the leverage category until the continuation of the meeting.

**4. Agenda Item: *Committee Discussion and Recommendations to Staff Regarding 2022 Regulations – Presented by Nancee Robles***

This agenda item was carried forward to the December 6, 2021 continuation meeting.

**5. Agenda Item: *Recommendation for 2022 CDLAC Calendar of Meetings and Acceptance of Application – Presented by Nancee Robles***

This agenda item was carried forward to the December 6, 2021 continuation meeting.

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

Dan Horn with Palm Communities asked if there was going to be a change to give negative points to projects that do not close in a timely manner. He believes this is contradictory and wants this to be reconsidered. The lack of adverse consequences is counterproductive.

Mr. Sertich stated they have been enforcing the forfeiture of deposit, but not awarding negative points. The Committee has tended to not award negative points if the developers act in good faith. Cherene Sandidge with the Black Developer’s Forum found the tiebreaker discussion enlightening. She stated it has been an excellent year of program change. As a forum, they have been able to see a one-year preview on applications and interpretation, and therefore wanted to make some



## California Debt Limit Allocation Committee

recommendations for the regulations. The developer fee should be increased for BIPOC applicants, but not for applicants who are in a joint venture with a non-BIPOC entity. BIPOC who hire outside consultants or other outside entities should not be penalized or have developer fees reduced in order to incorporate those costs. The application pool experience should be 0-3 years of experience as required, if the BIPOC was certified by the State through their certificate training program. The BIPOC pool who received an award in the pool should reach back to other emerging developers and help them be successful, including engaging in a joint venture. She stated this should be something that is state wide to help others through the system, and not just regarding BIPOC. They have been working with HCD on aligning the programs. One thing they want aligned is CDLAC/CTCAC with HCD in consideration for an increase in the per-unit allocation. This also means it can be effective on the tiebreaker and scoring, but there may be areas that offset it. She recommends leaving the leverage language in, to encourage stakeholder to bring in additional resources. There has been an enormous amount of work being done at the state level.

Neil Desai, the Senior Director with National Parks, is part of a large coalition of environmental groups, tribal communities, and California senators. They all want to see Brightline West move forward. The proposed project has concrete barrier walls, to keep cars and trains separate. However, there is no mitigation for state protection species to cross safely. The Tribal communities, Department of Fish and Wildlife, Caltrans, and the senators have been calling for 3 wildlife bridges to allow the wildlife to be preserved, to migrate, to survive climate change. They have engaged with Brightline since 2018 advocating for it to move forward and be done right. The goal is to avoid conflict and move it forward. This is regarding the Desert Big Horn Sheep and mountain lions. The Big Horn Sheep are sacred to the San Manuel Band of Mission Indians. Mr. Desai urged the Committee to ensure this is included in their application if they return requesting allocation. The Treasurer asked how many crossings, Mr. Desai stated 3 bridge locations have been identified, located at the Cady Mountains, Soda Mountains, and Mountain Pass by the state line.

Melissa Fox from Riverside County wanted to elaborate on the recent comments, specifically regarding BIPOC in Coachella. There are many BIPOC living in Coachella Valley who lack accessibility. Many working class BIPOC neighbors are employed in low-wage jobs in hospitality and agriculture. They need affordable housing in the historically large BIPOC communities in Coachella, including indigenous people, who have long endured systemic racism and consistent inequity. They are requesting CDLAC reverse the changes made to 5022 and [undiscernible]. These changes have resulted in prejudice to Inland Counties, Riverside County, and Coachella Valley.

*The meeting will be continued to Monday, December 6, 2021 at 9:00am.*



**AGENDA ITEM 3**

**Executive Director's Report**  
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## **AGENDA ITEM 4**

### **Committee Discussion and Recommendations to Staff Regarding 2022 Regulations**





State of California

## BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

Gavin Newsom, Governor  
Lourdes M. Castro Ramírez, Secretary

Date: December 20, 2021

To: Fiona Ma, CPA  
California State Treasurer

From: Lourdes M. Castro Ramírez, MA  
Secretary

CC: Betty T. Yee, CA State Controller  
Keely Bosler, Director, Department of Finance

**Re: California Debt Limit Allocation Committee (CDLAC)**

On behalf of Governor Gavin Newsom's Administration, I thank you for your commitment to ensuring that the state housing finance system supports the state's housing goals. We appreciate the data-driven focus and your partnership on this effort to expand affordable housing opportunities. You will recall that in November, I shared the Administration's housing priorities along with recommendations to inform the 2022 CDLAC regulation changes. The recommendations build on the progress we have made collectively to expand affordable housing production. Building on that discussion, this memo includes analysis on the tie-breaker and the state's proposal for the funding pools and set-asides.

### Tie-Breaker Analysis

As mentioned at the CDLAC meeting held on December 8<sup>th</sup>, the Housing and Community Development Department (HCD) analyzed the tie-breaker proposal using existing 2021 awardee data. We are pleased to confirm, that the tie-breaker designed by the Committee seems to elegantly balance state policy priorities, while not overemphasizing any single public benefit measured in the tie-breaker. While no model can truly predict what might occur with a new set of unique projects entering the bond competition, modeling based on 2021 awardees shows promising outcomes.

We found that potential regional inequities are substantially equalized because, at the County level, costs generally correlate with Fair Market Rent (FMR), so numerator and denominator balance each other. The Committee's elected use of a 25% weight and no-cap in applying the statewide basis delta adjuster to bond requests in the denominator seems to be fairly good at equalizing regional effects. For example, San Francisco, Fresno, and Butte County all fared similarly in our model.

915 Capitol Mall, Suite 350A, Sacramento, California 95814 (916) 653-4090 [www.bcsb.ca.gov](http://www.bcsb.ca.gov)

Alcoholic Beverage Control Appeals Board | Department of Alcoholic Beverage Control | California Horse Racing Board | Department of Real Estate  
California Housing Finance Agency | Cannabis Control Appeals Panel | Department of Financial Protection and Innovation | Department of Consumer Affairs  
Department of Fair Employment & Housing | Department of Housing and Community Development | Department of Cannabis Control  
Homeless Coordinating and Financing Council

We also found that deep affordability is consistently rewarded without being determinative. Tie-breaker competitors had to be cost-efficient in their bond request – higher than average bond requests were rarely winners, and even average bond requests were substantially disadvantaged as compared to modeled projects with bond requests 25% lower than their county average. The state priority on deep affordability does not drive to an unacceptably inefficient use of bonds.

This finding is consistent with what we saw in 2021 awardees, and with what we know drives costs. Rather than Area Median Income (AMI) alone, many interrelated factors can contribute to higher bond requests including construction type, infill sites, proximity to amenities, county, hiring and wage requirements, high-opportunity neighborhoods, high-quality construction and services, and delays in securing financing. For instance, Beacon Landing, a building awarded this year in Los Angeles with a 30% AMI average affordability, had a substantially lower cost per unit (\$503,000) than did Osgood Apartments, awarded in Alameda County, with a 59.8% average AMI and a cost per unit of \$673,000.

**Other findings from initial modeling offer further evidence that the tie-breaker has been successfully designed and weighted.**

- High scores result from the following combination of features (scores at 19 to 35 points)
  - Average AMI at 30-45%
  - Moderate or low bond request (not high)
  - Moderate or maximum Transit & Walkability scores (not low)
  - At least 20% ELI units
- The rare and exceptional projects that have 30%-40% AMI Average, maximum locational benefits and low bond requests consistently win. These are the projects we all agree are providing maximum public benefit for most efficient use of resources.
- Projects do seem to have difficulty if they rely heavily on any single scoring criteria to the detriment of others.
- To the extent that a project would need a higher bond request to accommodate these public benefits, this would make them uncompetitive (scores drop to 10-17 points.)
- To the extent that a project is in a low-transit/walkability location it becomes uncompetitive (scores drop to 15-18 points) *unless* it is in a high resource area *and* has a low-bond request.
- To the extent that average affordability goes above 45% AMI, and ELI drops below 20%, it becomes uncompetitive (scores drop to 10-18 points)
- To the extent that high FMR counties are more competitive, these are generally counties with the most severe affordable housing shortages. For instance, Santa Clara County and Orange County fared well in our model.

In addition to these tie-breaker outcomes, due to the Affirmatively Furthering Fair Housing (AFFH) point-category, we expect high/highest resource area projects to have multiple paths to success since there will be a limited pool of competitors in 2022. This may become less true in 2023 as more high/highest opportunity sites enter the competition.

As we expected, the tie-breaker requires applicants to score favorably across all elements (affordability, population, locational benefits, and cost-efficiency). Projects seem to have difficulty if they rely heavily on any single scoring criteria to the detriment of others. This demonstrates that the tie-breaker encourages projects to integrate the Administration's priorities while addressing housing need throughout the state.



## Pool and Set-Aside Recommendations

We are pleased that the Committee was successful in building an innovative public-benefits tie-breaker without jeopardizing geographic equity – a concern we all share. The Administration does not suggest any major pool modifications this year. Until we see the results of the tie-breaker, we have no reason to alter the intentional pool allocations established for the 2021 cycle. Additionally, the Governor and Legislature adopted a 2-year historic housing budget, and maintaining consistency in the pool and set-aside allocations will help effectively deploy the state resources which are dedicated to housing. Our recommendations for minor, definitional, and technical fixes to the pools and set-asides are summarized below.

### CDLAC 2021 Allocations & 2022 Proposal

<b>2021 Total California PAB Volume Cap</b>	\$4,330,488,580
<b>Exempt Facilities / Other</b>	(600,000,000)
<b>QRRP PAB Volume Cap (Multifamily)</b>	<b>\$3,730,488,580</b>

	<b>2021 Percent</b>	<b>2021 Allocation</b>	<b>2022 Proposal</b>	<b>2022 Estimate</b>
<b>NON-GEOGRAPHIC POOLS + SET-ASIDES</b>	<b>60% (of QRRP)</b>	<b>\$2,238,293,148</b>	<b>60%</b>	<b>\$2,238,293,148</b>
<b>Pools</b>				
Rural (New Construction)	5%	\$111,914,657	6%	\$134,297,589
Preservation	14%	313,361,041	15%	\$335,743,972
Other Rehabilitation	1%	22,382,931	1%	\$22,382,931
BIPOC	5%	111,914,657	5%	\$111,914,657
<b>New Construction Set-Asides</b>				
Homeless	25%	559,573,287	23%	\$514,807,424
ELI/VLI	30%	671,487,944	27%	\$604,339,150
State Funded Mixed Income	20%	447,658,630	23%	\$514,807,424
<b>Total Pools and Set-Asides (Non-Geographic)</b>	<b>100%</b>	<b>\$2,238,293,148</b>	<b>100%</b>	<b>\$2,238,293,148</b>

	<b>2021 Percent</b>	<b>2021 Allocation</b>	<b>2022 Proposal</b>	<b>2022 Estimate</b>
<b>GEOGRAPHIC REGIONS (New Construction)</b>	<b>40% (of QRRP)</b>	<b>\$1,492,195,432</b>	<b>40%</b>	<b>\$1,492,195,432</b>
Coastal Region	21%	\$313,361,041		
City of Los Angeles	18%	\$268,595,178		
Balance of LA County	17%	\$253,673,223		
Bay Area Region	17%	\$253,673,223		
Inland Region	17%	\$253,673,223		
Northern Region	10%	\$149,219,543		
<b>Total Geographic Regions</b>	<b>100%</b>	<b>\$1,492,195,432</b>	<b>100%</b>	<b>\$1,492,195,432</b>

1. To ensure that communities across all areas of the state benefit from affordable housing sited in high/highest opportunity locations, AFFH projects awarded within the 50% soft cap should be equitably distributed among the geographic pools and other non-geographic pools and set-asides.

Rationale: Currently, funding of projects occurs roughly sequentially, beginning with the non-geographic pools and set-asides. Under this methodology, the AFFH soft-cap could be met before projects in all geographic regions are evaluated for funding, and possibly even before the MIP projects are funded. A concentration of high/highest opportunity projects in only certain pools or set-asides would be counter to AFFH goals.

2. Group high-FMR Counties with other high-FMR Counties, and low FMR-Counties with other low FMR-Counties for extra security against any unforeseen undue advantage to high-FMR Counties. Bond allocation should follow County re-alignment in exact proportion, without rewarding or disadvantaging any region due to the changes of Counties assigned to each region.

Rationale: While we do not have evidence of a problem – models do not show a substantial advantage to high-FMR locations, this is an easy way to ensure extra security against any unintended geographic effects.

3. Retain the current division between Pools, Set-asides, and Geographic regions, with 60% of bond allocation to set-asides and 40% of bond allocation to geographic regions.

Rationale: We need to see results from the new tie-breaker before layering in further changes into the competition. This will allow us to more accurately assess and refine the tie-breaker.

We are, however, aware of proposals to increase geographic allocations in order to hedge against possible geographic equity impacts of the new tie-breaker. We do not favor this solution because it is at odds with the Administration's policy priorities of ending homelessness and boosting construction where housing supply is shortest (ELI/VLI units). Importantly, this change would also disadvantage HCD-funded projects. It remains of utmost importance to align state finance agency awards so that projects can break ground more quickly and without excess holding costs.

After all the California Housing Accelerator awards are made, we project there will be approximately 112 projects in the bond pipeline from HCD for 2022, for a total bond demand of about \$2.5 billion.

Using the 50% bond test and an assumed 50% success rate in the bond competition, we project that 60-65 HCD projects could remain unfunded after the three 2022 competitions, for a total unmet bond demand of \$1.4 billion. If the 25% test is enacted, this excess demand significantly diminishes, but it does not entirely go away. These projects are shovel-ready, they are funded by voter- and legislature-approved resources, and they become more costly with every week of construction delays. The new tie-breaker does not solve this challenge, thus, we recommend retaining the existing balance between geographic pools and set-asides.

4. To the extent feasible under IRS regulations, allocate any unused bonds from other

pools and set-asides, as well as any bond award reversions, remainders, and carry-forwards to the ELI/VLI Set-Aside, as has been the practice this year.

Rationale: Across all regions of the state, the largest gap in supply is for housing affordable to ELI/VLI households. Furthermore, production numbers reported through the Housing Element process document continual under-production in these categories. We recommend that unused bonds from other pools be allocated to the ELI/VLI Set-Aside in the final round of the year or, ideally, at the end of each round.

5. Increase allocation to the Mixed Income Program (MIP) pool and the Preservation pool for 2022, reducing the ELI/VLI and Homelessness pools.

Rationale: The Administration has consistently supported the continuum of housing and income levels. While the greatest need and least production is within the ELI/VLI pools, mixed income construction still falls short of demand. Given the demand and efficiency in the California Housing Finance Agency programs specifically, it is important that we continue to grow the supply of mixed-income housing.

6. Eliminate the 2021 sunset date for a key ELI/VLI set-aside requirement due to sunset in 2021. This would continue requirements for an average AMI of 50% or below and either an award from HCD or a local award.
7. Change prioritization within the Homeless Set-Aside from 100% Homeless to 49% Homeless.

Rationale: To promote integration, HCD programs prioritize projects serving no more than 49% homeless individuals.

8. Broaden the definition of Homeless by including the entirety of TCAC's definition, including categories "2", "3" and "4" which encompass the Federal definition of Homelessness.

Rationale: The definition of homelessness used for this pool is narrower than either TCAC or HCD use in other programs and unnecessarily narrows the type of homeless populations we prioritize for state funding. Varied definitions create implementation challenges for sponsors. Additionally, growing acknowledgement that not all homeless individuals need intensive services or Permanent Supportive Housing further validates an expanded Homeless definition. Including TCAC categories "2", "3" and "4" expands the definition to homeless youth, individuals and families fleeing domestic violence, and individuals imminently losing their nighttime residence. The federal definitions used in Homekey are similar.

9. Refine the Preservation and Other Rehabilitation Point Category to close loopholes and maximize public benefit. In addition to these improvements in the CDLAC system, encourage exploration of how to create more opportunities for preservation and rehabilitation projects across State Housing Finance Agencies. For instance, the 2021-22 state budget provided \$300 million for a Preservation program administered by HCD to extend affordability on existing projects. Additionally, CalHFA's recycled bond program can support the preservation of existing affordable and NOAH properties since recycled bonds provide a new source of low-cost, tax-exempt debt financing.

Rationale: Although the Preservation Pool was already refined in the last cycle of regulatory revisions, one small loophole should be addressed. Currently, projects with rental assistance contracts that are not truly at-risk can compete favorably in this limited pool. Projects with rental assistance contracts that are not truly at-risk for conversion should no longer be eligible for Preservation funds.

Acquisition and rehabilitation of "Naturally Occurring Affordable Housing (NOAH)" can offer a triple benefit to the state: (1) cost efficiency, (2) displacement prevention, and (3) creation of quality units with lasting affordability. However, there have been particular challenges with defining and selecting NOAH rehab projects to advance these goals. We should add a NOAH pool or modify the "Other Rehabilitation" project category to focus on converting NOAH into dignified housing with lasting affordability. To ensure NOAH projects offer substantial public benefit, eligibility criteria and points should:

- Require a minimum level of rehabilitation
- Prioritize projects with average income targeting at 50% AMI or below
- Prohibit displacement of more than 10% of existing tenants
- Restrict developer fees and equity take-outs

Additionally, NOAH projects should be eligible for High/Highest Opportunity points. Staff might also consider measuring Rent Savings Benefit for NOAH projects against current rents rather than FMR.

NOTE: If NOAH projects and Preservation projects are both carefully defined and prioritized, the proposed two or three pool structure could be combined into one pool.

#### 10. Limit the funds available in each round for supplemental bond requests.

Rationale: Currently, developers can return, post-award, to CDLAC and ask for a small supplemental bond allocation in order to meet their 50% test if their budgets have increased. With this system, they have an incentive to enter the competition with an under-sized bond request to enhance their competitiveness. This is unfair to those applicants who right-size their budget and, if too many developers take this tactic, it could diminish bonds available for new awards. A proposed fix is to have a limited pot available in each round for these supplemental requests. We are also open to any other proposed solutions to this challenge.

### **Point Category Changes**

In our prior technical memo, there were several recommendations that have not yet been discussed at the Committee level. Some of these are of a minor and technical nature that do not warrant committee attention. These can be resolved at the staff level without requiring debate. Since we have mentioned these in the past, they are included below to ensure they are not lost in our fast-paced policy environment.

#### 1. High/Highest Resource Area projects must earn a minimum threshold of site amenity points.

Rationale: Site amenity points measure quality-of-life necessities and conveniences for residents that are not captured by the Opportunity Indicators. Some of these necessities are particularly important for individuals without cars,

who are likely to be housed in permanent supportive housing. However, in order to not excessively limit the number of viable High and Highest Opportunity sites, we recommend a lower threshold of site amenity points. For instance, High/Highest Opportunity applicants could receive a bonus of three site amenity points or be required to earn seven out of ten amenity points.

2. High/Highest Resource Area points will be made available to the following project-types and construction types:
  - New Construction
  - Large Family, Special Needs, SRO, Acquisition-Rehabilitation
  - NOAH projects

Rationale: We must continue to rebalance the portfolio for all target populations and avoid further concentration of low-income singles, special needs populations, individuals experiencing homelessness, and youth. Thus, we recommend expanding the types of projects incentivized to locate in high/highest resource areas. Only two types of applicants would be ineligible for AFFH High/Highest Opportunity Area points: Preservation projects and Senior projects. Unfortunately, due to NIMBY opposition, Senior projects tend to be those easiest to build in high opportunity locations. Allowing Senior projects to access High/Highest Opportunity Area points could reinforce the pattern of senior-only affordable housing in more exclusive neighborhoods. Existing affordable housing is largely located in low resource and high poverty areas. If the state de-prioritized rehabilitation of these buildings by virtue of their location, it would repeat disinvestment patterns that have been so detrimental to disadvantaged communities.

3. The 9-point AFFH category should be simplified to apply to any project with public funds of at least \$1 million committed on or before 6/30/22.

Rationale: Projects that are already in a state or local "pipeline" will become more expensive the longer they must wait in the queue for a bond award. Even as state and local funders are becoming better aligned with CDLAC and TCAC on priorities, cost containment requires prioritization of the existing pipeline. Additionally, CalHFA and HCD projects have, through the selection process, been confirmed to be advancing the Administration's AFFH priorities.

4. All projects earning 8 to 10 points under the AFFH point category must provide, at minimum: 10% units at or below 30% AMI and additional 10% at or below 50% AMI.

Rationale: Data demonstrate that the most severe housing shortfall is for ELI and VLI individuals and families. For this reason, and to encourage de-concentration of poverty, some level of deep affordability should be expected of all projects receiving substantial State investment.

Thank you again for the opportunity to advance the state's recommendations with data, analysis and an allocation proposal as the Committee deliberates on the 2022 CDLAC Regulations. I appreciate the ongoing collaboration between the Administration, the Treasurer, and the Controller in addressing state housing goals.



California Debt Limit Allocation Committee

# **AGENDA ITEM 5**

## **Discussion of Distributions of 2022 Allocations**

2021 Bond Allocation Demand  
CDLAC

BIPOC	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applicants	5	4	8	17	
Total allocation requested	\$159,068,895	\$95,933,940	\$223,215,502	\$478,218,337	
Awards	1	0	2	3	14
2021 allocation awarded	\$40,960,628	\$0	\$70,807,835	\$111,768,463	
Total allocation awarded	\$40,960,628	\$0	\$70,807,835	\$111,768,463	\$366,449,874
Award locations	Bay Area	N/A	Northern		
Low income units funded	114	0	300	414	
Low income units not funded	684	423	788		1895
Notes	None.	All applications were disqualified from the pool.	1 fell to the regions and was funded.		
PRESERVATION	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applicants	11	9	5	25	
Total allocation requested	\$314,033,450	\$259,700,172	\$104,124,000	\$677,857,622.00	
Awards	5	3	5	13	12
2021 allocation awarded	\$79,450,483	\$123,715,759	\$104,124,000	\$307,290,242.00	
Total allocation awarded	\$89,450,483	\$123,715,759	\$104,124,000	\$317,290,242.00	\$360,567,380.00
Award locations	Bay Area: 1, Northern: 2, San Diego: 2	Los Angeles: 1, Sacramento: 1, San Francisco: 1	Los Angeles: 3, San Diego: 1, Santa Cruz: 1		
Low income units funded	370	553	480	1403	
Low income units not funded	651	463	0		1114
Notes	1 was awarded in the BIPOC pool.	None.	None.		
OTHER REHAB	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	0	6	2	8	
Total allocation requested	\$0	\$61,818,839	\$19,742,938	\$81,561,777.00	
Awards	0	2	1	3	5
2021 allocation awarded	\$0	\$8,685,000	\$8,500,000	\$17,185,000.00	
Total allocation awarded	\$0	\$8,685,000	\$8,500,000	\$17,185,000.00	\$64,376,777.00
Award locations	N/A	Northern	Inland		
Low income units funded	0	118	107	225	
Low income units not funded	0	320	64		384
Notes	None.	1 fell from the BIPOC pool.	None.		

2021 Bond Allocation Demand  
CDLAC

RURAL	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	17	8	9	34	
Total allocation requested	\$259,721,556	\$130,215,875	\$138,059,000	\$527,996,431.00	
Awards	3	3	3	9	25
2021 allocation awarded	\$36,014,789	\$42,640,875	\$30,000,000	\$108,655,664.00	
Total allocation awarded	\$36,014,789	\$42,640,875	\$30,000,000	\$108,655,664.00	\$419,340,767.00
Award locations	Coastal: 1, Inland: 1, Northern: 1	Coastal: 2, Inland: 1	Glenn: 2, Yuba: 1		
Low income units funded	156	146	114	416	
Low income units not funded	884	374	406		1664
Notes	None.	None.	None.		
HOMELESS	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	35	37	19	91	
Total allocation requested	\$973,926,965	\$956,929,897	\$498,882,044	\$2,429,738,906.00	
Awards	8	12	11	31	60
2021 allocation awarded	\$163,679,779	\$193,822,082	\$213,728,947	\$571,230,808.00	
Total allocation awarded	\$163,679,779	\$207,080,741	\$213,728,947	\$584,489,467.00	\$1,845,249,439.00
Award locations	Inland: 1, Los Angeles: 7	Bay Area: 1, Coastal: 1, Inland: 1, Los Angeles: 9	Bay Area: 2, Los Angeles: 8, Coastal: 1		
Low income units funded	502	699	722	1923	
Low income units not funded	2535	2182	957		5674
Notes	5 fell to ELI/VLI and were funded. 7 fell to regions and were funded.	6 fell to ELI/VLI, 5 were funded. 5 fell to regions and were funded.	4 fell to ELI/VLI and were funded. 1 fell to the regions and was funded.		



2021 Bond Allocation Demand  
CDLAC

ELI/VLI	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	45	64	39	148	
Total allocation requested	\$1,384,886,940	\$1,772,615,949	\$1,139,085,053	\$4,296,587,942.00	
Awards	9	9	15	33	115
2021 allocation awarded	\$208,553,299	\$237,192,684	\$428,083,247	\$873,829,230.00	
Total allocation awarded	\$208,903,299	\$251,525,399	\$428,083,247	\$888,511,945.00	\$3,408,075,997.00
Award locations	Bay Area: 1, Inland: 4, Los Angeles: 2, Northern: 2	Bay Area: 3, Coastal: 3, Inland: 2, Los Angeles: 1	Bay Area: 6, Coastal: 4, Inland: 1, Los Angeles: 3, Northern: 1		
Low income units funded	735	711	1518	2964	
Low income units not funded	3216	4751	2876		10843
Notes	22 were Homeless that fell to ELI/VLI, 6 were funded. 5 applied and were funded in Homeless. 9 fell to regions and were funded.	21 were homeless that fell to ELI/VLI. 10 applied and were funded in Homeless. 13 fell to regions and were funded.	9 were funded from Homeless. 5 fell to regions and were funded.		
MIP	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	1	16	6	23	
Total allocation requested	\$34,192,698	\$627,005,855	\$259,913,160	\$921,111,713.00	
Awards	1	7	3	11	12
2021 allocation awarded	\$34,192,698	\$258,010,648	\$149,447,000	\$441,650,346.00	
Total allocation awarded	\$34,192,698	\$279,570,216	\$149,452,000	\$463,214,914.00	\$457,896,799.00
Award locations	Inland	Bay Area: 3, Northern: 4	Coastal		
Low income units funded	142	1055	551	1748	
Low income units not funded	0	1231	287		1518
Notes	None.	1 fell from ELI/VLI. 1 fell to regions and was funded.	2 were funded from ELI/VLI.		

2021 Bond Allocation Demand  
CDLAC

COASTAL	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	15	25	30	70	
Total allocation requested	\$408,805,164	\$675,027,957	\$850,297,593	\$1,934,130,714.00	
Awards	3	6	3	12	58
2021 allocation awarded	\$105,050,000	\$125,042,814	\$96,443,698	\$326,536,512.00	
Total allocation awarded	\$119,300,000	\$152,388,629	\$96,443,698	\$368,132,327.00	\$1,565,998,387.00
Award locations	San Diego: 2, Ventura: 1	San Diego: 2, Santa Barbara: 1, Orange: 2, Ventura: 1	Orange: 1, San Diego: 1, Ventura: 1		
Low income units funded	479	749	387	1615	
Low income units not funded	1135	928	3223		5286
Notes	None.	1 was funded from ELI/VLI. 1 was funded from Homeless.	4 funded from ELI/VLI. 3 funded from MIP. 2 funded from Preservation. 1 award was surplus.		
CITY OF LA	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	14	15	11	40	
Total allocation requested	\$388,289,154	\$388,280,411	\$308,710,185	\$1,085,279,750.00	
Awards	4	2	2	8	32
2021 allocation awarded	\$82,442,770	\$81,600,000	\$83,739,141	\$247,781,911.00	
Total allocation awarded	\$82,442,770	\$81,600,000	\$83,739,141	\$247,781,911.00	\$837,497,839.00
Award locations	City of Los Angeles	City of Los Angeles	City of Los Angeles		
Low income units funded	267	273	334	874	
Low income units not funded	997	995	723		2715
Notes	1 was funded from ELI/VLI. 5 were funded from Homeless.	8 were funded from Homeless. 1 was funded from ELI/VLI	7 were funded from Homeless. 3 were funded from ELI/VLI.		

2021 Bond Allocation Demand  
CDLAC

LA COUNTY	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	9	5	9	23	
Total allocation requested	\$277,726,490	\$140,137,836	\$248,066,686	\$665,931,012.00	
Awards	3	3	3	9	14
2021 allocation awarded	\$78,949,740	\$64,047,492	\$68,256,026	\$211,253,258.00	
Total allocation awarded	\$78,949,740	\$64,047,492	\$68,256,026	\$211,253,258.00	\$454,677,754.00
Award locations	Los Angeles County	Los Angeles County	Los Angeles County		
Low income units funded	434	243	308	985	
Low income units not funded	541	304	791		1636
Notes	1 was funded from ELI/VLI. 2 were funded from Homeless.	1 was funded from Homeless.	3 were funded from Preservation. 1 was funded from Homeless.		
BAY AREA	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	25	33	21	79	
Total allocation requested	\$955,231,374	\$1,321,994,598	\$817,061,277	\$3,094,287,249.00	
Awards	3	3	3	9	70
2021 allocation awarded	\$95,191,286	\$76,817,462	\$121,227,246	\$293,235,994.00	
Total allocation awarded	\$99,611,286	\$76,817,462	\$121,227,246	\$297,655,994.00	\$2,796,631,255.00
Award locations	Alameda County: 2, Santa Clara County: 1	Alameda County: 1, San Mateo County: 1, Santa Clara County: 1	Contra Costa County: 1, Santa Clara County: 2.		
Low income units funded	351	207	429	987	
Low income units not funded	2308	3439	2224		7971
Notes	1 was funded from ELI/VLI	3 were funded from ELI/VLI. 1 was funded from Homeless. 3 were funded from MIP.	6 were funded from ELI/VLI. 2 were funded from Homeless.		

2021 Bond Allocation Demand  
CDLAC

INLAND	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	9	11	8	28	
Total allocation requested	\$186,958,447	\$171,328,453	\$202,214,650	\$560,501,550.00	
Awards	3	7	3	13	15
2021 allocation awarded	\$61,960,560	\$88,846,045	\$108,177,794	\$258,984,399.00	
Total allocation awarded	\$61,960,560	\$88,846,045	\$108,177,794	\$258,984,399.00	\$301,517,151.00
Award locations	Kern County: 1, Riverside County: 2	Fresno County: 1, Riverside County: 3, Tulare County: 3	Riverside County		
Low income units funded	332	628	553	1513	
Low income units not funded	542	232	505		1279
Notes	4 were funded from ELI/VLI. 1 was funded from MIP.	2 were funded from ELI/VLI. 1 was funded from Homeless.	1 was funded in Other Rehab. 1 award was surplus.		
NORTHERN	ROUND 1	ROUND 2	ROUND 3	2021 Totals	2021 Unmet Demand
Total applications	15	17	15	47	
Total allocation requested	\$332,747,762	\$529,055,637	\$440,400,695	\$1,302,204,094.00	
Awards	4	2	6	12	35
2021 allocation awarded	\$49,325,000	\$43,520,000	\$133,726,843	\$226,571,843.00	
Total allocation awarded	\$64,244,817	\$43,520,000	\$170,225,759	\$277,990,576.00	\$1,024,213,518.00
Award locations	Placer County: 1, Sacramento County: 3	Sacramento County	Placer County: 2, Sacramento County: 2, Sonoma County: 2		
Low income units funded	402	210	927	1539	
Low income units not funded	1026	1910	1158		4094
Notes	2 were funded from ELI/VLI. 1 was funded from Homeless.	4 were funded from MIP.	2 were funded in BIPOC. 1 was funded in ELI/VLI. 2 awards were surplus.		

2021 Bond Allocation Demand  
CDLAC

		2021 Totals	2021 Unmet Demand
<b>TOTAL DEMAND*</b> <b>3.35 X oversubscribed**</b>	<b>Total applications</b>	<b>633</b>	
	<b>Total allocation requested</b>	<b>\$18,055,407,097.00</b>	
	<b>Awards</b>	<b>166</b>	<b>467</b>
	<b>2021 allocation awarded</b>	<b>\$3,995,973,670.00</b>	
	<b>Total allocation awarded</b>	<b>\$4,152,914,160.00</b>	<b>\$13,902,492,937.00</b>
<b>Amounts are not final and subject to change</b> * final round is still pending review of amounts and possible reversion **some applicants apply in more than one category and/or more than one round	<b>Low income units funded</b>	<b>16,606</b>	
	<b>Low income units not funded</b>		<b>46,073</b>

**CDLAC**  
**Demand Survey Results 2022**

Private Activity Bond Program	Total Demand per Program		# of Projects	
QRRP's	\$	8,670,680,710	268	
Single Family Housing	\$	409,000,000		
IDB's	\$	-		
Exempt Facility	\$	4,138,830,000	18	
TOTAL PAB DEMAND	\$	13,218,510,710	286	
BIPOC	\$	69,563,311	3	
Homeless, ELI/VLI	\$	2,972,847,493	79	
MIP	\$	950,470,000	21	
Rural	\$	90,000,000	4	
Preservation	\$	132,500,000	7	
Other Rehab	\$	118,500,000	8	
Geographic	\$	3,955,498,398	62	
TBD	\$	566,864,827	92	
<b>% of Demand in Regions</b>				
Bay Area	33.77%	\$ 2,928,382,397	75	Average per project \$ 39,045,098.63
Northern	14.30%	\$ 1,240,192,165	34	\$ 36,476,240.15
Los Angeles City	13.34%	\$ 1,156,496,098	41	\$ 28,207,221.90
Los Angeles County	6.58%	\$ 570,528,960	15	\$ 38,035,264.00
Coastal	15.48%	\$ 1,342,069,260	51	\$ 26,315,083.53
Inland	5.73%	\$ 496,541,830	24	\$ 20,689,242.92
TBD	10.80%	\$ 936,470,000	28	\$ 33,445,357.14
Region Totals		\$ 8,670,680,710	268	

## State Controller's Office Proposed CDLAC Pools

Exempt Facilities	0%
Industrial Development	0%
Single Family Housing	0%

Each of these pools helps to produce projects important to the state. However, the 4% federal tax credits that come along with allocations to the Qualified Residential Rental Projects enlarge the total funds that go to California private activity projects. With more funds available for needed affordable housing projects, the state should find other sources to provide the necessary subsidies for important environmental, waste, transportation, and homeownership projects that would otherwise request private activity bonds.

Multifamily Housing (QRRP)	100%
BIPOC	5%
Rural	5%
Preservation	14%
Other Rehabilitation	1%
New Construction	75%
Homeless	25% of NC
ELI/VLI	20% of NC
Mixed Income	0% of NC

Homeless and ELI/VLI awards will be awarded first and count against geographic pools.

The Mixed Income Pool as defined does not further the priorities that the committee has defined in earlier meetings. The projects that have been approved in this pool in 2020 and 2021 can compete fairly in the New Construction Geographic Pools.

### New Construction Geographic Pool Options

<u>Region</u>	<u>FMR x Population</u>
Bay Area	22.5%
Coastal	25.1%
Inland	16.0%
Los Angeles	26.9%
Northern	9.5%

Based on 1/1/2021 Department of Finance county population estimates and 2022 HUD Fair Market Rents. Full county populations are used, including areas designated as rural. The City of Los Angeles and Los Angeles County have been combined into one pool. Other regions include the same counties as 2021. If there is a decision to change regional composition, this methodology can be used to determine the proper allocations.



State of California

## BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

Gavin Newsom, Governor  
Lourdes M. Castro Ramírez, Secretary

Date: December 20, 2021

To: Fiona Ma, CPA  
California State Treasurer

From: Lourdes M. Castro Ramírez, MA  
Secretary

CC: Betty T. Yee, CA State Controller  
Keely Bosler, Director, Department of Finance

**Re: California Debt Limit Allocation Committee (CDLAC)**

On behalf of Governor Gavin Newsom's Administration, I thank you for your commitment to ensuring that the state housing finance system supports the state's housing goals. We appreciate the data-driven focus and your partnership on this effort to expand affordable housing opportunities. You will recall that in November, I shared the Administration's housing priorities along with recommendations to inform the 2022 CDLAC regulation changes. The recommendations build on the progress we have made collectively to expand affordable housing production. Building on that discussion, this memo includes analysis on the tie-breaker and the state's proposal for the funding pools and set-asides.

### Tie-Breaker Analysis

As mentioned at the CDLAC meeting held on December 8<sup>th</sup>, the Housing and Community Development Department (HCD) analyzed the tie-breaker proposal using existing 2021 awardee data. We are pleased to confirm, that the tie-breaker designed by the Committee seems to elegantly balance state policy priorities, while not overemphasizing any single public benefit measured in the tie-breaker. While no model can truly predict what might occur with a new set of unique projects entering the bond competition, modeling based on 2021 awardees shows promising outcomes.

We found that potential regional inequities are substantially equalized because, at the County level, costs generally correlate with Fair Market Rent (FMR), so numerator and denominator balance each other. The Committee's elected use of a 25% weight and no-cap in applying the statewide basis delta adjuster to bond requests in the denominator seems to be fairly good at equalizing regional effects. For example, San Francisco, Fresno, and Butte County all fared similarly in our model.

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Alcoholic Beverage Control Appeals Board | Department of Alcoholic Beverage Control | California Horse Racing Board | Department of Real Estate  
California Housing Finance Agency | Cannabis Control Appeals Panel | Department of Financial Protection and Innovation | Department of Consumer Affairs  
Department of Fair Employment & Housing | Department of Housing and Community Development | Department of Cannabis Control  
Homeless Coordinating and Financing Council



We also found that deep affordability is consistently rewarded without being determinative. Tie-breaker competitors had to be cost-efficient in their bond request – higher than average bond requests were rarely winners, and even average bond requests were substantially disadvantaged as compared to modeled projects with bond requests 25% lower than their county average. The state priority on deep affordability does not drive to an unacceptably inefficient use of bonds.

This finding is consistent with what we saw in 2021 awardees, and with what we know drives costs. Rather than Area Median Income (AMI) alone, many interrelated factors can contribute to higher bond requests including construction type, infill sites, proximity to amenities, county, hiring and wage requirements, high-opportunity neighborhoods, high-quality construction and services, and delays in securing financing. For instance, Beacon Landing, a building awarded this year in Los Angeles with a 30% AMI average affordability, had a substantially lower cost per unit (\$503,000) than did Osgood Apartments, awarded in Alameda County, with a 59.8% average AMI and a cost per unit of \$673,000.

**Other findings from initial modeling offer further evidence that the tie-breaker has been successfully designed and weighted.**

- High scores result from the following combination of features (scores at 19 to 35 points)
  - Average AMI at 30-45%
  - Moderate or low bond request (not high)
  - Moderate or maximum Transit & Walkability scores (not low)
  - At least 20% ELI units
- The rare and exceptional projects that have 30%-40% AMI Average, maximum locational benefits and low bond requests consistently win. These are the projects we all agree are providing maximum public benefit for most efficient use of resources.
- Projects do seem to have difficulty if they rely heavily on any single scoring criteria to the detriment of others.
- To the extent that a project would need a higher bond request to accommodate these public benefits, this would make them uncompetitive (scores drop to 10-17 points.)
- To the extent that a project is in a low-transit/walkability location it becomes uncompetitive (scores drop to 15-18 points) *unless* it is in a high resource area *and* has a low-bond request.
- To the extent that average affordability goes above 45% AMI, and ELI drops below 20%, it becomes uncompetitive (scores drop to 10-18 points)
- To the extent that high FMR counties are more competitive, these are generally counties with the most severe affordable housing shortages. For instance, Santa Clara County and Orange County fared well in our model.

In addition to these tie-breaker outcomes, due to the Affirmatively Furthering Fair Housing (AFFH) point-category, we expect high/highest resource area projects to have multiple paths to success since there will be a limited pool of competitors in 2022. This may become less true in 2023 as more high/highest opportunity sites enter the competition.

As we expected, the tie-breaker requires applicants to score favorably across all elements (affordability, population, locational benefits, and cost-efficiency). Projects seem to have difficulty if they rely heavily on any single scoring criteria to the detriment of others. This demonstrates that the tie-breaker encourages projects to integrate the Administration's priorities while addressing housing need throughout the state.

## Pool and Set-Aside Recommendations

We are pleased that the Committee was successful in building an innovative public-benefits tie-breaker without jeopardizing geographic equity – a concern we all share. The Administration does not suggest any major pool modifications this year. Until we see the results of the tie-breaker, we have no reason to alter the intentional pool allocations established for the 2021 cycle. Additionally, the Governor and Legislature adopted a 2-year historic housing budget, and maintaining consistency in the pool and set-aside allocations will help effectively deploy the state resources which are dedicated to housing. Our recommendations for minor, definitional, and technical fixes to the pools and set-asides are summarized below.

### CDLAC 2021 Allocations & 2022 Proposal

<b>2021 Total California PAB Volume Cap</b>	\$4,330,488,580
<b>Exempt Facilities / Other</b>	(600,000,000)
<b>QRRP PAB Volume Cap (Multifamily)</b>	<b>\$3,730,488,580</b>

	2021 Percent	2021 Allocation	2022 Proposal	2022 Estimate
<b>NON-GEOGRAPHIC POOLS + SET-ASIDES</b>	<b>60% (of QRRP)</b>	<b>\$2,238,293,148</b>	<b>60%</b>	<b>\$2,238,293,148</b>
<b>Pools</b>				
Rural (New Construction)	5%	\$111,914,657	6%	\$134,297,589
Preservation	14%	313,361,041	15%	\$335,743,972
Other Rehabilitation	1%	22,382,931	1%	\$22,382,931
BIPOC	5%	111,914,657	5%	\$111,914,657
<b>New Construction Set-Asides</b>				
Homeless	25%	559,573,287	23%	\$514,807,424
ELI/VLI	30%	671,487,944	27%	\$604,339,150
State Funded Mixed Income	20%	447,658,630	23%	\$514,807,424
<b>Total Pools and Set-Asides (Non-Geographic)</b>	<b>100%</b>	<b>\$2,238,293,148</b>	<b>100%</b>	<b>\$2,238,293,148</b>

	2021 Percent	2021 Allocation	2022 Proposal	2022 Estimate
<b>GEOGRAPHIC REGIONS (New Construction)</b>	<b>40% (of QRRP)</b>	<b>\$1,492,195,432</b>	<b>40%</b>	<b>\$1,492,195,432</b>
Coastal Region	21%	\$313,361,041		
City of Los Angeles	18%	\$268,595,178		
Balance of LA County	17%	\$253,673,223		
Bay Area Region	17%	\$253,673,223		
Inland Region	17%	\$253,673,223		
Northern Region	10%	\$149,219,543		
<b>Total Geographic Regions</b>	<b>100%</b>	<b>\$1,492,195,432</b>	<b>100%</b>	<b>\$1,492,195,432</b>

1. To ensure that communities across all areas of the state benefit from affordable housing sited in high/highest opportunity locations, AFFH projects awarded within the 50% soft cap should be equitably distributed among the geographic pools and other non-geographic pools and set-asides.

Rationale: Currently, funding of projects occurs roughly sequentially, beginning with the non-geographic pools and set-asides. Under this methodology, the AFFH soft-cap could be met before projects in all geographic regions are evaluated for funding, and possibly even before the MIP projects are funded. A concentration of high/highest opportunity projects in only certain pools or set-asides would be counter to AFFH goals.

2. Group high-FMR Counties with other high-FMR Counties, and low FMR-Counties with other low FMR-Counties for extra security against any unforeseen undue advantage to high-FMR Counties. Bond allocation should follow County re-alignment in exact proportion, without rewarding or disadvantaging any region due to the changes of Counties assigned to each region.

Rationale: While we do not have evidence of a problem – models do not show a substantial advantage to high-FMR locations, this is an easy way to ensure extra security against any unintended geographic effects.

3. Retain the current division between Pools, Set-asides, and Geographic regions, with 60% of bond allocation to set-asides and 40% of bond allocation to geographic regions.

Rationale: We need to see results from the new tie-breaker before layering in further changes into the competition. This will allow us to more accurately assess and refine the tie-breaker.

We are, however, aware of proposals to increase geographic allocations in order to hedge against possible geographic equity impacts of the new tie-breaker. We do not favor this solution because it is at odds with the Administration's policy priorities of ending homelessness and boosting construction where housing supply is shortest (ELI/VLI units). Importantly, this change would also disadvantage HCD-funded projects. It remains of utmost importance to align state finance agency awards so that projects can break ground more quickly and without excess holding costs.

After all the California Housing Accelerator awards are made, we project there will be approximately 112 projects in the bond pipeline from HCD for 2022, for a total bond demand of about \$2.5 billion.

Using the 50% bond test and an assumed 50% success rate in the bond competition, we project that 60-65 HCD projects could remain unfunded after the three 2022 competitions, for a total unmet bond demand of \$1.4 billion. If the 25% test is enacted, this excess demand significantly diminishes, but it does not entirely go away. These projects are shovel-ready, they are funded by voter- and legislature-approved resources, and they become more costly with every week of construction delays. The new tie-breaker does not solve this challenge, thus, we recommend retaining the existing balance between geographic pools and set-asides.

4. To the extent feasible under IRS regulations, allocate any unused bonds from other

pools and set-asides, as well as any bond award reversions, remainders, and carry-forwards to the ELI/VLI Set-Aside, as has been the practice this year.

Rationale: Across all regions of the state, the largest gap in supply is for housing affordable to ELI/VLI households. Furthermore, production numbers reported through the Housing Element process document continual under-production in these categories. We recommend that unused bonds from other pools be allocated to the ELI/VLI Set-Aside in the final round of the year or, ideally, at the end of each round.

5. Increase allocation to the Mixed Income Program (MIP) pool and the Preservation pool for 2022, reducing the ELI/VLI and Homelessness pools.

Rationale: The Administration has consistently supported the continuum of housing and income levels. While the greatest need and least production is within the ELI/VLI pools, mixed income construction still falls short of demand. Given the demand and efficiency in the California Housing Finance Agency programs specifically, it is important that we continue to grow the supply of mixed-income housing.

6. Eliminate the 2021 sunset date for a key ELI/VLI set-aside requirement due to sunset in 2021. This would continue requirements for an average AMI of 50% or below and either an award from HCD or a local award.
7. Change prioritization within the Homeless Set-Aside from 100% Homeless to 49% Homeless.

Rationale: To promote integration, HCD programs prioritize projects serving no more than 49% homeless individuals.

8. Broaden the definition of Homeless by including the entirety of TCAC's definition, including categories "2", "3" and "4" which encompass the Federal definition of Homelessness.

Rationale: The definition of homelessness used for this pool is narrower than either TCAC or HCD use in other programs and unnecessarily narrows the type of homeless populations we prioritize for state funding. Varied definitions create implementation challenges for sponsors. Additionally, growing acknowledgement that not all homeless individuals need intensive services or Permanent Supportive Housing further validates an expanded Homeless definition. Including TCAC categories "2", "3" and "4" expands the definition to homeless youth, individuals and families fleeing domestic violence, and individuals imminently losing their nighttime residence. The federal definitions used in Homekey are similar.

9. Refine the Preservation and Other Rehabilitation Point Category to close loopholes and maximize public benefit. In addition to these improvements in the CDLAC system, encourage exploration of how to create more opportunities for preservation and rehabilitation projects across State Housing Finance Agencies. For instance, the 2021-22 state budget provided \$300 million for a Preservation program administered by HCD to extend affordability on existing projects. Additionally, CalHFA's recycled bond program can support the preservation of existing affordable and NOAH properties since recycled bonds provide a new source of low-cost, tax-exempt debt financing.

Rationale: Although the Preservation Pool was already refined in the last cycle of regulatory revisions, one small loophole should be addressed. Currently, projects with rental assistance contracts that are not truly at-risk can compete favorably in this limited pool. Projects with rental assistance contracts that are not truly at-risk for conversion should no longer be eligible for Preservation funds.

Acquisition and rehabilitation of "Naturally Occurring Affordable Housing (NOAH)" can offer a triple benefit to the state: (1) cost efficiency, (2) displacement prevention, and (3) creation of quality units with lasting affordability. However, there have been particular challenges with defining and selecting NOAH rehab projects to advance these goals. We should add a NOAH pool or modify the "Other Rehabilitation" project category to focus on converting NOAH into dignified housing with lasting affordability. To ensure NOAH projects offer substantial public benefit, eligibility criteria and points should:

- Require a minimum level of rehabilitation
- Prioritize projects with average income targeting at 50% AMI or below
- Prohibit displacement of more than 10% of existing tenants
- Restrict developer fees and equity take-outs

Additionally, NOAH projects should be eligible for High/Highest Opportunity points. Staff might also consider measuring Rent Savings Benefit for NOAH projects against current rents rather than FMR.

NOTE: If NOAH projects and Preservation projects are both carefully defined and prioritized, the proposed two or three pool structure could be combined into one pool.

#### 10. Limit the funds available in each round for supplemental bond requests.

Rationale: Currently, developers can return, post-award, to CDLAC and ask for a small supplemental bond allocation in order to meet their 50% test if their budgets have increased. With this system, they have an incentive to enter the competition with an under-sized bond request to enhance their competitiveness. This is unfair to those applicants who right-size their budget and, if too many developers take this tactic, it could diminish bonds available for new awards. A proposed fix is to have a limited pot available in each round for these supplemental requests. We are also open to any other proposed solutions to this challenge.

### **Point Category Changes**

In our prior technical memo, there were several recommendations that have not yet been discussed at the Committee level. Some of these are of a minor and technical nature that do not warrant committee attention. These can be resolved at the staff level without requiring debate. Since we have mentioned these in the past, they are included below to ensure they are not lost in our fast-paced policy environment.

#### 1. High/Highest Resource Area projects must earn a minimum threshold of site amenity points.

Rationale: Site amenity points measure quality-of-life necessities and conveniences for residents that are not captured by the Opportunity Indicators. Some of these necessities are particularly important for individuals without cars,

who are likely to be housed in permanent supportive housing. However, in order to not excessively limit the number of viable High and Highest Opportunity sites, we recommend a lower threshold of site amenity points. For instance, High/Highest Opportunity applicants could receive a bonus of three site amenity points or be required to earn seven out of ten amenity points.

2. High/Highest Resource Area points will be made available to the following project-types and construction types:
  - New Construction
  - Large Family, Special Needs, SRO, Acquisition-Rehabilitation
  - NOAH projects

Rationale: We must continue to rebalance the portfolio for all target populations and avoid further concentration of low-income singles, special needs populations, individuals experiencing homelessness, and youth. Thus, we recommend expanding the types of projects incentivized to locate in high/highest resource areas. Only two types of applicants would be ineligible for AFFH High/Highest Opportunity Area points: Preservation projects and Senior projects. Unfortunately, due to NIMBY opposition, Senior projects tend to be those easiest to build in high opportunity locations. Allowing Senior projects to access High/Highest Opportunity Area points could reinforce the pattern of senior-only affordable housing in more exclusive neighborhoods. Existing affordable housing is largely located in low resource and high poverty areas. If the state de-prioritized rehabilitation of these buildings by virtue of their location, it would repeat disinvestment patterns that have been so detrimental to disadvantaged communities.

3. The 9-point AFFH category should be simplified to apply to any project with public funds of at least \$1 million committed on or before 6/30/22.

Rationale: Projects that are already in a state or local "pipeline" will become more expensive the longer they must wait in the queue for a bond award. Even as state and local funders are becoming better aligned with CDLAC and TCAC on priorities, cost containment requires prioritization of the existing pipeline. Additionally, CalHFA and HCD projects have, through the selection process, been confirmed to be advancing the Administration's AFFH priorities.

4. All projects earning 8 to 10 points under the AFFH point category must provide, at minimum: 10% units at or below 30% AMI and additional 10% at or below 50% AMI.

Rationale: Data demonstrate that the most severe housing shortfall is for ELI and VLI individuals and families. For this reason, and to encourage de-concentration of poverty, some level of deep affordability should be expected of all projects receiving substantial State investment.

Thank you again for the opportunity to advance the state's recommendations with data, analysis and an allocation proposal as the Committee deliberates on the 2022 CDLAC Regulations. I appreciate the ongoing collaboration between the Administration, the Treasurer, and the Controller in addressing state housing goals.

December 20, 2021

Ms. Nancee Robles  
Executive Director, California Tax Credit Allocation Committee (CTCAC) and  
Interim Executive Director, California Debt Limit Allocation Committee (CDLAC)  
915 Capital Mall C-15  
Sacramento, CA 95814

Re: Reservation of State Tax Credits

Dear Ms. Robles:

As we move toward another calendar year of intense competition for volume cap, I want to thank you for the collaboration between CDLAC, CTCAC and CalHFA. Our partnership continues to successfully deploy the finite resources available for the development of affordable housing throughout the state.

In 2021 CalHFA was awarded \$553 million in bond cap to facilitate the development of 2,206 units of affordable housing. In November of this year, we submitted our estimated bond cap demand for 2022 which reflected a total of \$1,059,632,810 to fund roughly 30 projects. This amount included \$663,470,000 and 15 projects to be funded under our Mixed Income Program.

In 2022 we again expect to see an oversubscription of our Mixed Income Program which is funded with resources designated by SB2. This letter serves as CalHFA's formal request that CTCAC reserve the full \$200 million in 2022 State Tax Credits for CalHFA as contemplated in AB101 for CalHFA's Mixed Income Program.

As always, thank you for your leadership, and please let me know if you have any questions.

Respectfully,



Tiena Johnson Hall  
Executive Director  
California Housing Finance Agency (CalHFA)

**DEPARTMENT OF VETERANS AFFAIRS**

CalVet Home Loans  
1227 O Street, Room 200  
Sacramento, California 95814  
Telephone: (916) 503-8318



December 17, 2021

Treasurer Fiona Ma  
Chair, California Debt Limit Allocation Committee  
915 Capitol Mall, Room 110  
Sacramento, CA 95814

Gayle Miller  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Anthony Sertich  
State Controller  
300 Capitol Mall, Suite 1850  
Sacramento, CA 95814

Dear CDLAC Committee Members:

Our Veterans CalVet Home Loans program administered by the Department of Veterans Affairs (CalVet) has placed a formal request to the California Debt Limit Allocation Committee (CDLAC) to allocate \$100 million of the 2022 State Ceiling for Private Activity Bonds to our veteran's program. It has come to my attention that this request may be in jeopardy of not being funded. Please realize not funding this program would have a significant negative impact on housing some of our most "in need" veterans.

At your last meeting there was reference to veterans being served another way. I'm unaware of what this person may have been referring to, perhaps the Veterans Housing and Homeless Prevention Program (VHHP) that leverages state bonds to help build affordable housing with a portion of it allocated to veterans. If this is what was being referred to, the VHHP is in the process of awarding the last of its funds. Further, if what was meant was the CalVet Home Loans program, the program relies on issuing both general obligation and revenue bonds to help veterans purchase a home.



Tax exempt home purchase revenue bonds are a critical component of the CalVet Home Loans program for a diverse group of veterans, especially veterans with lower income and disabilities. If CalVet's access to qualified private activity bonds is limited or denied, a segment of the California veteran community would be excluded from using our program due to restrictions associated with the General Obligation Qualified Veterans Mortgage Bond (QVMB).

For example, Federal IRS restrictions limit veterans utilizing QVMB proceeds to only those serving in the armed services within the past 25 years. As a result, certain segments of are excluded from QVMB funding, such as:

- All Persian Gulf Veterans from 1990 and 1994.
- All Iraq Freedom Veterans
- All Vietnam War Veterans.

These particular veteran populations are some the most underserved in the California housing space. Since these populations consist of an older and service connected disability demographic, they are typically the most in need of our manual underwriting and high touch customer service practices along with our specialized property casualty and disaster insurance.

We also utilize qualified mortgage bonds financing in our CalVet Residential Enhanced Neighborhood (REN) program. This is a program where CalVet, together with affordable home builders, bring affordable home ownership to veterans experiencing low income. This program is adding necessary housing units into the state. Due to the low purchase prices and low-income nature of the veterans utilizing this program, we fund this program with qualified mortgage bonds.

It is important to note that our program gained access to revenue bond financing in 1970. The Military and Veterans Code-DIVISION 4. Veterans' aid and welfare, CHAPTER 7, Veterans' Revenue Debenture Act of 1970, clearly outlines the use of revenue bonds in our Veterans CalVet Home Loans program.

I want to offer a special recognition and thank you to Treasurer Ma for her award from the American Legion and One Vet One Voice in appreciation of her support of veterans. I also want to thank the committee for its continued support of veterans. With your support, CalVet will help veterans start purchasing homes almost immediately upon receiving an allocation.

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If you have any questions, please contact Eric Tiche, Assistant Deputy Secretary at [Eric.Tiche@calvet.ca.gov](mailto:Eric.Tiche@calvet.ca.gov).

Sincerely,

A handwritten signature in blue ink that reads "Vito Imbasciani MD". The signature is written in a cursive, flowing style.

Vito Imbasciani, MD  
Secretary of Veterans Affairs



California Debt Limit Allocation Committee

# **AGENDA ITEM 6**

## **Public Comment**



California Debt Limit Allocation Committee

## **AGENDA ITEM 7**

### **Adjournment**