



California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

May 25, 2022

Committee Meeting Minutes

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

The California Debt Limit Allocation Committee (CDLAC) meeting was called to order at 10:14 am, with the following committee members present:

Voting Members: Fiona Ma, CPA, State Treasurer
 Tony Sertich for Betty T. Yee, California State Controller
 Keely Martin Bosler for Governor Gavin Newsom

Advisory Gustavo Velasquez for the Department of Housing and Community
Members: Development (HCD)
 Tiena Johnson Hall for the California Housing Finance Agency
 (CalHFA)

2. *Agenda Item: Approval of April 27, 2022 Minutes*

MOTION: Ms. Bosler motioned to approve the April 27, 2022 minutes. Mr. Sertich seconded the motion.

The Chairperson called for public comments.

Public Comments:
None

Motion passed unanimously via roll call vote.

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

Nancee Robles introduced herself as CDLAC's Interim Executive Director. She stated that on the outreach front, on May 5th she attended and spoke at a Grand Opening Ceremony for the Villages at Broadway in one of her hometowns of Fresno, California. The facility was rehabbed from an abandoned hotel and provides mental health services on site for its residents. Immediately after this meeting she will be traveling to Brawley CA to speak at their Grand Opening Ceremony for the Palomino, which is affordable housing for Farm Workers.

Ms. Robles provided an update on 2021 carryforward that is not otherwise dedicated to bonds yet to be issued within their allocated deadlines or will be presented to Committee for approval on June 15, 2022 for the Round one. The remaining carryforward totals \$268.07.

CDLAC Committee Meeting
May 25, 2022



California Debt Limit Allocation Committee

So far there is a little over \$145 million in carryforward that will be added to the approximately \$1 billion, 536 million dedicated to round one 2022 for affordable housing. This will be reflected in the final project list that will be posted 10 days prior to the award meeting on June 15.

Ms. Robles stated that in general business the permanent regulation package that was adopted at the January 19 meeting is officially complete and approved by the Office of Administrative Law. She commended Emily Burgos, CDLAC Senior Manager, for her diligence and ingenuity to make that happen and thanked Ms. Burgos for her continued efforts managing the regulation process that is now in its public comment period. There will be a public workshop scheduled for June 3rd at 10:00 am. The regulations for Round 2 are expected to be complete and presented to the Committee on July 20th.

Ms. Robles stated that the CDLAC regulation process is about to get easier and more efficient with the Go-Live launch of the Esper regulation software project scheduled for Friday, May 27. CDLAC staff will use this software to create, track and produce regulations more efficiently and pilot the program for other STO agencies.

Ms. Robles stated, that as discussed in the last meeting, this additional meeting for the discussion of the volatile market will push out the calendar about a month for the second round of awards. CDLAC staff are aware of the importance of being timely yet are being cognizant to make sure they do not rush things to the point of making errors. The schedule is anticipated to be the following:

- June 15 – Round One awards
- July 20 – Regulation Adoption and Exempt facility awards
- September 28 – final exempt facility awards
- August 9 – application deadline for QRRP final awards for 2022
- November 30 – final QRRP awards (this date is pending Committee availability). The 2023 calendar proposal will be presented that will include 3 rounds of Affordable Housing Allocation Awards

The Chairperson called for questions.

Mr. Sertich said that staff did a great job and he appreciates the hard work and what a heavy lift it is.

Treasurer Ma thanked Ms. Burgos for her hard work and said that it was a lot to go through and appreciates her dedication and commitment.

Emily Burgos said that they have a great team.

Treasurer Ma thanked the team.

The Chairperson called for public comments.

Public Comments:

None



California Debt Limit Allocation Committee

4. *Agenda Item: Recommendation for Award of Allocation to the California Department of Veterans Affairs* – Presented by Christina Vue

Christina Vue introduced herself as Program Manager for CDLAC and stated that at the January 19, 2022 Committee meeting, the Committee reserved \$89.6 million of the State ceiling for the California Department of Veterans Affairs, also known as CalVet. CalVet has submitted its formal application for bond allocation totaling \$89.6 million to be combined with its \$364 thousand carryforward for a total of \$90 million which it estimates will serve 275 first time Veteran home buyers. Staff recommends approval of an award of 2022 allocation of \$89.6 million to CalVet for its Mortgage Revenue Bond program.

MOTION: Mr. Sertich motioned to approve the recommendation. Mr. Bosler seconded the motion.

Treasurer Ma called for public comment on this Item.

Public Comments:

Jill Borders asked that when public comment is called for to give the public a moment, about 3 seconds, in order to raise their hand. Ms. Borders mentioned someone else had their hand up – Robin Zimbler.

Robin Zimbler said she didn't want to make a formal comment and put her comment in the chat and wanted clarification on the dates, which she received.

Alexis Laing of Lang Companies said she appreciates hearing the updated dates. However, she would like CDLAC and CTCAC to consider how this affects projects applying for 4% and 9% this next round and how changing dates could affect those projects being able to go forward and close. As we look at how the CDLAC deadlines change she hopes that the CTCAC requirement and dates for the awards can change as well for projects that have 4% and 9% going on at the same time.

Treasurer Ma asked Ms. Robles if she wanted to comment.

Ms. Robles said that they are aware that the dates need to align and will have that as part of the Executive Director's Report at the CTCAC meeting.

Motion passed unanimously via roll call vote.

5. *Agenda Item: Request to Waive Forfeiture of Performance Deposit and Negative Points for Return of Bond Allocation – Redwood Glen Apartments (21-713)* – Presented by Ricki Hammett

Ricki Hammett stated that CDLAC received a request from the California Municipal Finance Authority for the Redwood Glen Apartments project to return its bond allocation. According to the resolution and CDLAC regulations, the issuer retains the allocation as carryforward allocation for a future like project, forfeits the performance deposit, and is subject to negative points. California Municipal Finance Authority is requesting a waiver of the forfeiture of performance deposit and negative points. When requests for waiver of forfeiture of performance deposit or negative points the issuer of the project will present.



California Debt Limit Allocation Committee

Ben Barker with the California Municipal Finance Authority said the project, like many projects, that the tax credit financing came in much softer than they thought it was going to be, costs have increased, escalated the overall construction price and increased in the debt financing. The project became unfeasible, especially with the timelines that they are under with getting supplemental allocation so they asked them to return the allocation so they can get the allocation back this first round in a timely manner. They respectively ask for the performance deposit to be returned and a waiver of any negative points.

The Chairperson called for questions.

Ms. Bosler recommends taking no action, which means there would be no penalty assessed, but the deposit would be kept.

Mr. Sertich said to some extent this is a third Round 2021 project and goes with the next agenda item in terms of how we address projects as a whole. Ms. Bosler is correct in how we have address projects before, as the standard practice would be to hold onto the performance deposit and waive negative point. With the recommendation now pending on the next item, he thinks that this item should be moved to after the next item is discussed.

Mr. Barker said that this is the only project that could come in before an actual meeting. They returned theirs much earlier.

Mr. Sertich said that he appreciates that and we wants to incentivize that. He stated that as we know there will be a number of projects in the same boat and wants to recognize this project did do the right thing and returned their allocation earlier. He would like to reward them for that but doesn't want to set a precedence. He would prefer to come back to this item after discussing item #6.

The Chairperson called for any other comments from the public and said that we would skip over this item and come back as there are other issues and policy that we want to talk about.

There was no further public comment.

6. Agenda Item: Consideration of Extensions of Deadlines Due to Volatile Market Conditions - Presented by Nancee Robles

Mr. Robles stated that this item was a discussion item at the April 27, 2022 meeting and is brought back for further discussion on how the Committee should proceed with extension requests due to the COVID-19 volatile market conditions. Ms. Robles stated that, as we all know, there are a number of events occurring in the market due to the lingering effects and new spikes in the pandemic that are affecting affordable housing development. She stated that few weeks ago, the Federal Reserve raised rates again by 50 basis points, which is the highest single spike in 22 years. She also stated that construction costs are skyrocketing and that supply chain disruptions continue even after the backlogs at the ports are almost cleared. She stated that there is still a human capital shortage creating loss of labor and closure of businesses, and delays in essential municipal functions such as permits and inspections and any of these unexpected market conditions are directly or indirectly a continuing result of the COVID-19 pandemic. She stated that they have heard from many



California Debt Limit Allocation Committee

stakeholders, developers, and city officials that these important projects are experiencing significant cost overruns and financing challenges that are making the projects infeasible without our assistance.

Ms. Robles stated that the relief being requested is:

- Extension of bond issuance deadlines
- Supplemental Bond Allocation
- Relief from Forfeited Performance Deposits and negative points

Ms. Robles stated that CDLAC Staff and the STO legal staff have been working diligently to come up with immediate and long-term solutions. It has been determined that the Committee can extend the Executive Order and consider a blanket extension to a bond issuance deadline of the final 2021 Round application if it determines the volatile market affecting affordable housing production is a result of the COVID-19 pandemic. She stated that if the Committee makes this determination, it could also consider waiving the forfeiture of performance deposits and negative points, yet staff would recommend that waiver only apply to those projects that can perform during the extended time frame, should the Committee see it fit. She stated that staff also respectfully ask the Committee to consider that there is already a process in place for supplemental bond allocation and it is a competitive process that others have already applied for, therefore it would not be a fair process to change that now.

Treasurer Ma asked what the staff recommendation is.

Ms. Robles stated 90-day extensions.

Treasurer Ma asked how many projects that this would affect.

Ms. Robles stated that there were 65 projects. They don't know how many it will affect. They haven't heard from all projects if they will be able to go forward or not.

Mr. Sertich stated that he votes for a yes vote after discussion.

Ms. Bosler said that she is comfortable with the 90-day blanket extension and that there is enough evidence around this.

Mr. Sertich stated that his only concern is that they would have to close their initial bonds and come back for supplemental allocation with the extension.

Ms. Robles stated yes, if they have not applied already. That would be the process. They would have to reapply in Round 2 for a supplemental.

Treasurer Ma called for public comment on this Item.

Mr. Barker, with California Municipal Finance Authority (CMFA), stated that he agrees with everything Ms. Robles said. He said that CMFA is an affordable housing issuer as well as a large conduit issuer across the state from doing the LAX Airport to the San Diego Zoo to small goodwill projects. He wanted to reiterate that the municipal bond market is ending its worst quarter in four



California Debt Limit Allocation Committee

years and that the fed speakers have raised interest rate by 50 points or 50 bps and are anticipating two more raises this year, 50 bps. He said that the bond market, this past year, has also had outflow the last 17 of the past 20 weeks, housing prices over the last quarter, rates have raised over 200 bps and tax credits are softening. He is worried that going into this next application round there will be people applying that are not going to be able to forecast anticipated rate increases and that we might be getting ourselves in trouble again with the closing round for next year. He stated that we may want to forward think on how we cure these issues before. He thinks supplemental applications are going to continue to be a burden on CDLAC staff. He is not sure how that can be fixed. He wanted to give some insight in doing 160, 100 projects per year this will continue to affect them through the end of this year.

Mark Stivers, with the California Housing Partnership, thanked Ms. Robles and staff for the initial proposal. He stated that, while the 90-day extension will work for a number of developments, for those who are seeking a supplemental allocation this will be very problematic, unless they knew back in March and applied in Round 1 for supplemental. They will need to apply in Round 2 for supplemental, it will be competitive. He stated that they have talked about the new regulations that will apply to Round 2, making them not just apply for the small supplemental amount but for the entire project, meaning there is no certainty that they are going to get it. He stated that we are going to ask people to close still within the 90 days knowing they are going to need a supplemental allocation that they may or may not get. This is a problematic position for people to be in and probably lenders and investors are not going to let them close under that circumstance. Their request would be that the extensions be 90 days generally but if someone submits for a supplemental allocation that extension be through the award date of the Round 2 award date, so we can accommodate any special supplemental allocation. He also stated that projects that also have state credits, they need an extension, as well. He stated that if only one was given and not the other it doesn't help, and he will bring this up at the CTCAC meeting. He thinks there needs to be a way to re-award state credits for these projects that have bonds and state credits and longer term he thinks there should be some over the counter process for supplemental requests that staff can approve and the Committee and the regulation changes that are coming forward having a supplemental pool, some amount of bonds would be dedicated to that pool and staff can do requests as they come in over the counter and at some point when not in this situation there should be a consequence when people do that - a developer fee reduction, and/or a tie-breaker reduction in a future round. He stated that right now it is hard to predict. He thanked the Committee for going in this direction and for consideration.

Doug Shoemaker, with Mercy Housing, stated that he wanted to reiterate what Mr. Stivers said and appreciates what staff has done to date and would agree with the recommendations. He said that we are in an unprecedented moment where this is the first year we have had to push the books down to 55% level in term of bond request that coincided with inflation. He said that though at the last meeting it was said that applicants know what they sign up for, but we are in an very unusual moment. He was in a meeting with the California Housing Consortium and in a number housing association meetings in the last month and a half and by in large most of what he is hearing is it is the sources and uses issues and that a little more money will be needed. He stated that there is no other way of getting it and absent the bond allocation we simply can't meet a test that we would have made easily at a 60% number. This argues for a little bit of thought process on the supplemental and an issue of fairness that Ms. Miller mentioned at the last meeting. That is a high and important standard for this Committee, and they have done a great job of that and staff. The



California Debt Limit Allocation Committee

fairness question on supplementals is a difficult one. He stated that if you had submitted a bond allocation request that was so low that you already knew in January you would put in a request. The vast majority of projects he is familiar with, that news didn't come quite that quickly. He said that he isn't saying one timing is better than another, maybe a general contractor got back to a project in March or April with the bad news of what is going on in market. He doesn't think that it is reasonable for the projects that applied in January, still working off of the fourth quarter allocation, for some of those to be treated differently than the supplemental process of others. He stated that if we are going to allow supplemental for projects that the March Round be without penalty. He thinks the same should apply to projects that are in the same award round that apply for their supplemental at a later point. He also stated that at the last meeting they talked about, as an industry, they don't want people to underbidding on bond request and they are interested in a penalty that matches the infraction that occurred, we talked about tiebreakers, etc. He thinks there is a de minimis level here that argues for a more efficient staff process that the one Mr. Stivers mentioned, and we talked about in the CDLAC/CTCAC working group to create some kind of supplemental pool for the invariable issues that do arise that can be handled more efficiently at the staff level without as much penchant for abuse as they are worried about under the larger reallocation request for supplementals.

Elizabeth Brady, with Oakpark Housing, a housing sponsor of Villa Oakland, a transitional aged youth homeless housing project in Oakland. She is grateful that over the last year she can tell the attention to the tiebreakers and things that certainly the public comments are definitely heard and expressed gratitude. She stated that there have been great comments and it seems to be a question of how many projects this is affecting. They didn't get their crushing construction news until March, so they were one of those late to receive news from their general contractor as we headed toward their loan closing. The 90 days extension is now critical because they will need to go in and structure a subordinate loan product in order to make up the increased cost of construction as well as, previously noted, it is extremely difficult to thread the needle between 50% and 55%. That mathematical precision is not setting us up for success and they need a bit more flexibility to survive the evolution that is still to come. She is pleased to see the 90-day extension on this agenda and echoes the sentiment that without the state tax credit extension that bond extension that goes with it will be meaningless for them. She is sympathetic to her fellow developers that are experiencing hardship and supports that request that no one receives negative points. She stated that impact of the lumber markets and saw as much as a nickel less in credit pricing and lost millions in their credit pricing and only for a few months later and they are at 150 bps higher interest rate than when they started and lost millions on permanent financing and the crushing moment was when their contractor told them they are experiencing as much as 4% monthly escalation and the news has been so recent and is coming so swiftly and is relentless. They are here to serve the community and build and they are survivors but having more flexibility about the math is what they are going need, with an expected recession coming and global events, not necessarily expecting for it to get better. She stated that we need to prepare ourselves for the volatility to get worse, so supplemental applications, they are an example of one, they will be going for one to brace themselves for the continued volatility, although with the 90-day extension of state tax credits as well. They would be happy to collaborate on how to make the process most efficient for staff.

Rachel VanderVeen, Deputy Director with the City of San Jose, thanked the Committee for their time and stated that, as the Committee knows, they face challenges to bring much needed affordable housing to San Jose and appreciates the conversation over the past year and a half to talk about the



California Debt Limit Allocation Committee

challenges that they have had in achieving awards from CDLAC. Ms. VanderVeen stated that today they have a new challenge that they have achieved awards and are looking forward to bringing the much-needed affordable housing to San Jose, but they have gotten caught in a difficult situation with multiple awards that they have received. The trajectory of costs going in both directions has caused multiple deals to be in very challenging situations which will be difficult to close. They appreciate the 90-day extension, that will be very helpful. They would also like the Committee to consider taking a look at some of the penalties if some of these deals are not able to close in the 90 days. They want to have their partners to continue to put their best effort forward to get these deals to happen in a longer time period.

Ms. Borders, a citizen of San Jose, stated that she hopes she will not get cut off if she uses a metaphor and there should be a code of conduct for the meeting. She stated that every single day she passes people in need of housing that are struggling and suffering. She stated that we need to listen to builders and developers, and she doesn't care if it is not fair to other developers that didn't get something, we need to build. She stated that the Committee needs to give an extension of 90 days, 120 days, give them the money. They are building for us and our communities. She stated that if she were a builder, she would be out of this game, this is embarrassing. She stated that we award these things to people. We award builders and make them go through all this paperwork, like the SATs, they only tell you who is good at taking the test, those builders out there that they aren't working toward having the award in perfect time, we should be giving them money, we should be giving them time, we should give it to all of them, they should not have to compete to build housing. She stated that she is a free thinker and at wits end. She is trying to do whatever she can, she was at a meeting with Ms. VanderVeen, who works extremely hard, talking about everything to get housing built and that she was explaining that projects might drop off. She stated that they are desperate, and to know that projects will drop off after years of thinking they were coming, that maybe 50 people will get off the street or 79, she is sick to her stomach, this is not the time to laugh at people for a basketball metaphor or speed up their comments. This is the time to say yes, she has listened to builders before and read the general plan in San Jose, California. When they passed it all the builders said that you can't prevent housing from being built, you are going to make a mess. However, developers and builders said this general plan is a disaster, if put in these horizons of preventing housing from being built in certain places. She has those documents and attended all 52 audio meetings and now they have 10,000 people that are homeless in Santa Clara County and Ms. VanderVeen is here saying could they please have a 90 day extension and builders are saying could you please help us out, it's volatile. She stated that this is a no brainer, extensions across the board, give them everything they want.

Geoffrey Morgan stated that he wanted to echo the comments, he agrees and is grateful for CDLAC and the Committee and what they are recommending. He thinks Mr. Stivers and Mr. Shoemaker's comments are critical to synchronizing the timing. They have a two-phase project that will house 700 citizens in San Jose, if successful. All the recommendations to not penalize folks to continue to try to take the risk of getting it done will save time in the long run. Stopping these commitments or people who are trying to get it done, they have millions of dollars in state commitments already in play. In the long run, even with the extensions, it will save the state a lot of time and house people faster.

Jackson Loop, Policy Coordinator at Southern California Association of Non-Profit Housing. He said that some people have been asking for the number of projects have been affected by this. Through



California Debt Limit Allocation Committee

their engagement, at least one third of the projects in their region, seven projects in Southern California have mentioned to them that their deals have become infeasible, and he has heard similar numbers, for a handful of projects in the Bay area when they were working with their partner organization, NPH. He stated to piggyback on what Mr. Stivers said, the folks at CHP, and those that have spoken so far, they recommend the Committee consider a blanket extension, hopefully longer than 90 days, and take extra steps to prepare for supplemental allocation requests and they hope that developers that do have to return their allocation are not penalize.

Lara Regus, with Abode Communities, stated that she wanted to echo what a number of her peers and colleagues have shared, especially Mr. Stivers and Mr. Shoemaker in particular. She stated that it is critical for them in develop family housing in south Los Angeles, that they just need enough time to get through the few hurdles to get through their supplemental to be able to work through the city of Los Angeles' own issuer process once the supplemental is at hand and to work with their partners at the county to secure that additional permanent funding that will make everything balance out and be able to close this deal. She wanted to echo what Mr. Morgan said as well, so many are out here and they want to push these deals to get closed rather than have to start all over. They will save time even with an extension that is a little bit longer than 90 days to accommodate some of these processes and wanted to reiterate the comment about working with CTCAC about the state tax credits as well. She thanked the Committee for considering all the comments and the requests that came before them today and the last meeting.

Jack Gardner, urged the Committee to take the action recommended by the Unified Statewide and Regional Housing Association, including CHC, CHPC, NPH, and SCANP, specifically to extend the bond closing deadline by 90 days, for CTCAC to rescind and reaward state tax credit allocations, to adopt emergency regulations for an over-the-counter supplemental allocation pool, and waiving any penalties for developers that are forced to return their round 3 awards. He said that he would like to reiterate and support the comments by Mr. Stivers and Mr. Shoemaker regarding the 50% test and the need for a streamline over the counter supplemental allocation process. He works with Elizabeth Brady of Oakbrook, who spoke earlier. They are the co-developers of Villa Oakland, 105-unit special needs projects focused on transitional aged youth (TAY) in danger of homelessness in Oakland California. Like many others, despite having built escalation factors into their proforma in anticipation of cost increases and interest rate rising, they have been cut short by the unprecedentedly rapid and simultaneously escalation of construction costs and interest rates caused by COVID, the Russian invasion of Ukraine, and multiple other macroeconomic exogenous factors. They are working hard to deal with these increases but need extensions of both their bonds, 4% credits, and state tax credit in order to make the project happen. Without those extensions over 100 units of desperately needed affordable housing for TAY and other very low-income housing will be delayed by at least six months and possibly lost for good. He understands that the rescission and reaward of state tax credits is unprecedented and not contemplated in either regulation or statute, but it is not prohibited by regulation or statute, and he believes it is within the authority of the Treasurer, the Executive Director, the CDLAC and CTCAC Committees to take those actions. He understands that is more for CTCAC and appreciates the Committees concern for future residents of affordable housing in California and the real leadership in these challenging times.

Marina Wiant, with the California Hosing Consortium (CHC), stated that she wanted to align her comments with Mr. Stivers. CHC represents a broad range of the affordable housing development community, for profit and non-profit developers, public agencies and she thinks they are all united



California Debt Limit Allocation Committee

in the need for the actions that Mr. Stivers articulated and thanked the Committee for consideration of the extensions.

David Iskowitz, with Hope Street Development Group, stated that they have a couple projects that are currently mid-construction that has a different issue than other projects described, in relations to supplement bond allocations, as they are mid-construction they cannot delay the process and they do need to request supplemental bonds in order to meet their 50% test. There are projects that otherwise can cover long term costs with adequate long-term financing but if they fail their 50% test the entire project ends up failing. They are talking about relatively small dollar amounts but if they are forced to go through a whole allocation and forced to wait through the whole process through the end of the year this would delay the opening of the project. These projects would otherwise be completed in the next two months or so and if they are completed in the next two months or so they would potentially fail their 50% test. They are looking for an over-the-counter process that would allow for small supplemental bond increases particularly for currently in construction process in order to meet their 50% test.

Nathen Ho, Senior Advisor for Housing and Homelessness for San Jose Mayor, Sam Liccardo and echoed the sentiments that have been brought forward so far. Mayor Liccardo supports the 90 day extension for all developments as needed. They have two impactful 100% affordable projects in San Jose in downtown that would be total of more than 300 units, more than half of which (180) for homeless housing. Their homeless population, from the PIT Count, went up about nearly 700 individuals. They have been working hard to build interim housing, interim shelter and their shelter amount went up about the same amount. They are essentially at net zero for unsheltered housing based on the fact that they are moving toward permanent housing. This is a vital piece of their plan to end homelessness in San Jose and Santa Clara County to have that permanent housing available. They are supportive of a 90-day extension, as well as Round 3 allocation, if needed to be returned can be without penalty.

Micaela Connery, from the Kelsey, stated that she would try not to repeat some of the notes on flexibility, market volatility, interest rates, creation of supplemental pools with the general application process, note of removal of penalties and increased construction costs. They are developing 115 affordable accessible and inclusive homes in San Jose. The state of California has a federal mandate to provide community-based housing for people with a disability that it continues to grossly under deliver on. Our community gets closer to delivering on these mandates, though like many other projects they are in a precarious position to meet their closing deadlines. Their advocacy would be for a blanket extension applied on a staggered basis, for 10, 60, 90, and 120 days depending on a project's need. They suggest a thoughtful blanket extension applied so that projects that are able to close sooner who may have held pricing that expires and when that time is not on their side, with continues escalation interest rates and pricing that projects are supported and encouraged to close sooner and that a staggered extension and closing deadline could ease the burden on their incredibly overworked public and financing partners to not perpetually slam them with simultaneous closing and equally urgent deadlines coming at them from all projects. They would advocate for a blanket extension applied and delivered on a staggered basis, based on project needs.

Daniel Huynh, Assistant General Manager at the Los Angeles Housing Department, thanked staff for their recommendation and stated that at a previous CDLAC meeting he provided an update as to the



California Debt Limit Allocation Committee

impact of the volatility of the construction market and for the eight projects that would be closing, totally 556 units. As a brief update today, two of these projects will need to consider extensions and it looks like four of them will need to come to CDLAC for Round 2 Supplemental application. He aligns his comments with Mr. Stivers and Mr. Shoemaker, and specifically asks the Committee to consider for developments that are considering a supplemental application a little bit longer extensions and supporting a streamline process for the supplemental application. Many of the developers that are coming through the door are discussing the need to also submit supplement bond application. These are not the four he mentioned earlier, at least five projects that will also be submitting in Round 2 that are in construction.

William Sager, with Linc Housing, stated that he wanted to reiterate what all his development partners have said, an extension, blanket extensions, a streamline supplement over the counter, and a waiver of any penalties if they need to forfeit.

Darren Bobrowsky, with USA Properties, stated that he wanted to reiterate what everyone has testified to. For supplemental allocation, creating a process in emergency regulations that is over the counter, quick, limiting in the amount of work for both developers and CDLAC staff to review those, such as not requiring updated market studies or other voluminous amounts of information would be appreciated both by developers and CDLAC staff.

Keith Bloom, with Mutual Housing California, Nonprofit Affordable Housing based in Sacramento, stated that he supports all of the other comments made, especially by Mr. Stivers and Mr. Shoemaker. These times are unprecedented and the impacts on developers and projects throughout the state could not have been anticipated by any of us when submitting applications in September of last year. Mutual Housing has a 150-unit senior project in downtown Sacramento that is shovel ready though they are struggling with the issues that everyone is throughout the State. He said that the accommodation suggested by many would be of great help, not only to Mutual Housing, but projects throughout the State.

Claudette Nathaniel, with American Family Housing, asked a question - when would construction be expect to start for Round 2?

Ms. Robles stated that would be 180 days after award.

Anthony Yannatta, with Thomas Safran & Associates, said that he speaks in favor and is in alignment with comments with Linc Housing on the extensions, the reversion of tax-exempt bonds and allocations if necessary, they are experiencing trying times like everyone here. They appreciate the flexibility and practicality.

Soohe Hayward, speaking on behalf of the Nonprofit Housing Association of Northern California, stated that she echoes the comments of those already heard as well of those in their letter dated May 16. They strongly support the request to consider granting a 90-day extension for all awardees from 2021 round 3 allocation. The 90 day extension provides critical time for their nonprofit members to work with their partners to fill gaps that have come up due to the extraordinary market conditions and hopes that before interest rates climb even further. At a minimum they hope CDLAC will not penalize an organization that is forced to return allocation. She thanked the Committee for their ongoing work.



California Debt Limit Allocation Committee

There was no further public comment.

Mr. Sertich said there a few things that they need to think on. First, is the time extensions. The second is how to deal with the supplemental bond allocation which has a couple of issues, one if we give a 90 day extension and projects need supplemental and come in on the second Round but they issue their bonds before the supplementals come in, we risk those bonds that are being issued not actually doing anything and losing those bonds because if the supplemental doesn't come in and they don't meet the 50% test they don't get awarded supplemental allocation, that project most likely will fall through, we could lose those bonds. That is not a good outcome. He further discussed some options regarding what the Committee should do, either giving a longer extension, or have them give it back and reapply in the second round. He lastly mentioned the penalties that were discuss and waving the negative points. He proposed that projects that return allocation, prior to initial deadline in June, don't receive negative points and receive their performance deposition back.

The Treasurer asked for ideas on how to resolve this.

Ms. Robles stated that in order for bonds to be returned early they would have to be returned by Friday for us to put them in Round 1. Anything after Friday would go toward Round 2. Staff would support the recommendation that extensions be granted through supplemental allocation.

Mr. Sertich asked if that would be through November.

Mr. Robles stated November 30 is the proposed award date.

Mr. Sertich stated 210 days would be given.

Ms. Robles state that they could do a blanket 90 day extension, or so, and give the Executive Director authority to grant extensions beyond that if a supplemental was applied for.

Treasurer Ma said that she thinks they should give a little discretion otherwise they would need to keep having these meetings.

Mr. Sertich agrees and thinks we should be clear of what our goal is.

Mr. Sertich made a motion for a blanket 90-day extension on projects that were awarded in Round 3 of 2021. Second, give the Executive Director authority to provide extensions beyond that for projects that applied for supplemental allocation in the second round. The third, would be to waive negative points for projects that returned their allocation prior to the end of the extension deadline, and last would be to return performance deposits for projects that return their bond awards prior to the 90-day extensions.

Ms. Bosler said so that is only for people that are not taking advantage of the extensions. They will relinquish.

There was discussion amongst the Committee members.



California Debt Limit Allocation Committee

Ms. Robles restated the timing that any allocation that is returned right now is carryforward, it remains with the issuer and if the issuer has applied within Round 1 the only way that we would be able to apply that carryforward to Round 1 is if the allocation is returned by Friday. Anything else would still be carryforward but it would go toward Round 2.

Mr. Sertich said so we could make the deadline by this Friday to put it in Round 1.

Treasurer Ma said to Mr. Sertich that his motion to not assess negative points and return performance deposit would be to return allocation by this Friday.

Mr. Sertich said that he would restate his motion. He thinks there is value in incentivizing and returning the bond early. He stated that this Friday would allow us to get more housing built. He is not sure if returning by this Friday is feasible for some projects.

Ms. Robles said that she thinks projects know if they will move forward or not. The process for returning allocation is through an email and understand there is a lot more in the thought process that goes with it. It is possible.

Ms. Bosler said she is comfortable with this.

Mr. Sertich restated his motion, first to give a 90-day extension to all projects that applied in 2021 Round 3. The second is that the Executive Director has authority to grant further extensions, as needed, for projects that applied for supplemental allocation in Round 2 2022. The third piece is that for projects that do not meet any of the deadlines for Round 3 2021 projects they will not be charged negative points and the fourth is that any project that returns the allocation by May 30, 2022 will have their performance deposit returned.

The Treasurer asked for clarification and stated that May 30 at midnight is the deadline to return the allocation without penalty and will get their performance deposit and no negative points.

Ms. Bosler seconded the motion.

The motion passed unanimously.

Treasurer Ma asked if they should go back to item number 5.

Spencer Walker, legal counsel, stated that it has been covered so the Committee can move past it.

7. Agenda Item: Request for Extension of Bond Allocation Issuance Deadline for Qualified Residential Rental Projects Presented by Ricki Hammett

Treasurer Ma asked for clarification from legal counsel that this was covered and could move past this. However, they are not skipping over it and will heard and read for the record.



California Debt Limit Allocation Committee

Ricki Hammett stated that this item was tabled from the April 27, 2022 for further discussion to take place on item number 6 today, **Consideration of Extensions of Deadlines Due to Volatile Market Conditions** and what the Committee decided on item number 6 would assist in determining what would be decided on this item.

Reese Jarrett, with E. Smith & Company, stated that what was done in the last motion goes a long way in bringing these projects forward. He said that, as they may recall, in their development they have three phases and phase two was awarded bonds and no tax credits and they reapplied for the first Round this year and received an allocation that will be confirmed in the June meeting, along with that they took the step of applying for supplemental knowing that the projects had issues with cost increases and meeting the 50% test and it looks like they will be awarded those supplemental applications in their other two phases, so that they have aligned themselves. He stated the bigger issues that they continue to face is the lack of alignment between CDLAC and CTCAC regarding the state tax credits. That is the elephant in the room that they have to address. The Committee has gone a long way in trying to align CDLAC and CTCAC regulatorily and the like. This matter is one that is significant and continues to affect these projects that have already been granted extensions but it doesn't affect the state tax credits. His concern is that this needs to be addressed.

Mr. Shoemaker thanked the Committee for their action on the last item and said that it goes a long way in addressing the issues. He said that the process for supplemental allocation is unclear to him and maybe that is something the Committee wants to take up at a later point. He said is confusing on whether the Committee wants all of them to submit full applications to staff or a bridge process that is less intensive for both staff and developers and thanked the Committee for the other extension.

Ms. Bosler said that she had the same question, regarding the process. She said that she thinks they clearly made the recommendation around the syncing of the timing but they didn't address the process.

Ms. Robles stated at this point the regulations call for the supplemental application process to be the same as the application process. She stated that they have the opportunity to change that in the regulations going forward but as of today it is a full application.

Mr. Sertich asked whether staff could come up with a process that we could discuss prior to the application.

Treasurer Ma said, so instead of them having to reapply with full applications have them send in their tax returns, you have a one pager, want to extend our tax returns, sign it.

Ms. Bosler said this is for more bonds.

Ms. Robles said yes, this is for additional allocation. The suggestion of not having a market study was something that they have already been working on and asked Ms. Burgos to speak to that.

Ms. Burgos said that they would be able to come up with more of an off the shelf process. She stated that they would just need guidance if there were any parameters, like no more than X % of... and that the real issue is where the allocation is going to come from.



California Debt Limit Allocation Committee

Mr. Sertich said he thinks that is clear. There isn't a pool for that. He thinks if we do it this year there will be returned money from this round that we might be able use.

Ms. Burgos stated that they are working on the regulations now, so this would be the time to make the suggestion.

Mr. Sertich stated that he would like to include, what Ms. Burgos mentioned, of including up to X % to be over the counter, whether it is five or 10 % or something along those lines. He stated that he thinks there should also be a consequence for those developers, reducing the upfront developer fee from 2.5 million to 2 million or something so if they have cost overruns, this is shared, we will give you some extra allocation, but you will have to reduce your fee, what that right amount is needs to happen. He thinks the other suggestion was rather than negative points, a negative adjustment to future tiebreakers for that developer. He likes the developer fee reductions, as that is the exact project having the problem as opposed to future projects.

Ms. Robles stated that they could discuss this at the next Committee meeting and make decisions on it. They do need to have some stops as well to avoid a situation where folks apply for their bond allocation and low ball it, knowing that they might be able to get a supplemental in the future.

Treasurer Ma asked if Tiena Johnson Hall had anything to add.

Tiena Johnson Hall stated that she thinks that everything that needs to be said has been said. She wanted to confirm from an issuers point of view that not only does this give them, the developers, an opportunity to hopefully find some great solutions. It also gives the issuers some time to address the interest rate volatility that my co-issuer thought of earlier. She thanked the Committee for the accommodation and thinks it is the right move.

Treasurer Ma asked if Gustavo Velasquez had anything to add.

Gustavo Velasquez stated that he echoes what Ms. Johnson Hall said, that these are the right steps. He stated that at HCD and speaking probably for Ms. Johnson Hall, as well, they have been receiving a lot of calls, requests for accommodations for their programs. He thinks the Committee is spot on with this.

The Chairperson called for public comment.

Jack Gardner stated that Ms. Burgos clarified his question in the chat regarding negative points related to performance deposit, etc. and has it clear now. He just was having trouble hearing all the dialog over Teams.

Ms. Borders stated that as trying to devote herself to help try to solve the problem here. She was wondering what CTCAC is and why there is an elephant in the room to align CDLAC and CTCAC.

Treasurer Ma stated that there will be a meeting in a few minutes so we will be able to address that. CTCAC is following this meeting.



California Debt Limit Allocation Committee

Mr. Sertich stated CTCAC is the Tax Credit Allocation Committee.

Ms. Borders asked what the elephant in the room is.

Treasurer Ma stated that there are two committees and there are two different issues. This is CDLAC's and we are talking about bonds in this committee and the next committee is the tax credit committee.

Mr. Bobrowsky, with USA Properties, stated that he wanted to respond regarding supplemental allocations and whether it is a lower developer fee or something else. A lot of these projects will have already have closed on their financing and there is significant costs to issue supplemental bonds so the developers are already harmed by this additional cost and going back and changing underwriting after projects have closed could open a world of complexity. So he suggested that it be kept as simple as possible and not penalize developers or change underwriting parameters for supplemental bond cap.

Mr. Iskovitz, with Hope Street Development, stated that he wanted to speak to the comment that under the existing guidelines it requires a full application. His understanding is that the existing guidelines allow for any project that was issued bonds in the last 36 months to have a shortened supplemental allocation and it was only the recently proposed emergency guidelines that seemed to change those rules and required a full supplemental allocation. He asked if that could be revisited because if a full application is necessary during the course of construction a lot of the running though process behind a new application is just different than for a project that is currently under construction. Getting new market studies doesn't make sense. The project is half built or even more and even meeting the original scoring criteria from previous years is different than current years. The whole process is dramatically different.

Ms. Burgos address this by stated that there is currently some conflict in the current regulations that is being corrected with the next iteration of the regulations. She said in one section it does say supplemental and in another section, it states full application. They have been requiring full applications on those supplemental applications. She stated that Mr. Iskovitz could reach out to her for her to walk him through that.

That was the end of public comment.

The Chairperson stated that the Committee was not going to take any action on this so they could move on.

8. Agenda Item: *Public Comment*

Ms. Borders stated that since she has the opportunity to talk to the State Treasurer and have this opportunity and it is not on the agenda, in a budget meeting with Mayor Liccardo of San Jose she posed the looming question: In San Jose – why are our municipal bonds so dependent on, our Mayor and the previous Mayor, Mayor Reed, continually harp on and have harped on our jobs to housing ration being out of balance, something like 8.3 cents of every dollar. They have more housing than jobs versus our northern neighbors. All they keep hearing about is that the reason why they struggle at a municipal level to have any sort of funds that could make some sort of dent in their problem. So



California Debt Limit Allocation Committee

what she suggested, why is it that they depend on jobs for money. She said that seems inhumane, She said that we have to keep creating more jobs and we want all those other people south of us to come on the rail and build their housing down there. She said doesn't that mean our southern neighbors have the bedroom program that we had and that this shouldn't be done to our neighbors. Her question was: Why are our municipal funds and other people's municipal funds dependent on employee revenue, revenue that is received from employment? She said that the Mayor said that well if you can talk to the people at the state and let them know and find out another way to get municipal funds why don't you go ahead and do it. She is sharing this in this public comment that they have hit the day that this undercurrent to this entire housing programs that these cities are having in these highly populated areas is never going to end unless we decide the municipal funds can be also received in another way. That is her plea and quest and hopes that is taken back for some thought process around making sure that the root cause of our city's problems can be addressed.

9. *Agenda Item: Adjournment*

The Committee meeting adjourned at 11:50 am