



California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

July 20, 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 11:01 a.m. with the following committee members present:

Voting Members: Fiona Ma, CPA, State Treasurer
Anthony Sertich for Betty T. Yee, California State Controller
Lourdes Castro Ramirez for Governor Gavin Newsom

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

2. *Agenda Item: Approval of the June 15, 2022 Minutes*

MOTION: Mr. Sertich motioned to approve the June 15, 2022 minutes. Chairperson Ma seconded the motion.

Chairperson Ma called for public comments:
None.

AYES: Chairperson Fiona Ma

Anthony Sertich

ABSTENTIONS: Lourdes Castro Ramirez

Motion passed via roll call vote.

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

Nancee Robles, CDLAC Interim Executive Director, welcomed two new staff administrative members, Danielle Stevenson and Ashley Alexander. CDLAC requested six new staff in a budget change proposal to accommodate workload increases, which had been approved for the 2022-2023 fiscal year and beyond, including five new analyst positions and one manager specialist position. Staff had begun recruiting for those positions.

For outreach, Ms. Robles indicated that four members of the CTCAC and CDLAC team recently attended the grand welcoming of Lavender Courtyard, a 53-unit housing project for senior,

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special need, and LGBTQ tenants located at 16th and F Street in Sacramento. The tenants are allowed to keep pets and supportive services are provided onsite.

Chairperson Ma called for public comments:
None.

4. Agenda Item: Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 2) – (Action Item)

Presented by: Nancee Robles

Ms. Robles stated there were three exempt facility projects. They were ranked in order and requested they be approved separately.

Ms. Robles introduced **Project #1: Atlas Disposal Industries**. Staff recommended approval in the amount of \$6,125,000.

MOTION: Mr. Sertich motioned to approve, and Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

Ms. Robles introduced **Project #2: Williams Aymium Production Facility**. Staff recommended approval in the amount of \$45,600,000.

James Mennell, CEO for Williams Aymium explained the company converts biomass waste into a formulaic high-specific formula carbon that substitutes for fossil fuels. The product is sold in the energy market as a biocarbon and they work in the steel making and specialty metals market. The facility would run 24/7, producing biogas, which is a substitute for natural gas, converting it into green-based power and selling it into the grid. They use their own biogas and electricity to operate. The facility is located in Williams near almond and walnut orchards and they utilize orchard trimmings as feedstock, saving the equivalent of 300,000 automobiles annually in California as the trimmings are not being burned in the fields, which is beyond the fossil fuel replacement for their customers. The site had been purchased and they hoped to break ground in a couple of weeks. Their major customer will be coming in August and they will have a groundbreaking at that time.

Chairperson Ma asked if they had all of their Air Resources Board permits. Mr. Mennell replied that they were fully permitted within five months and they were in the process of applying for their building permits in Colusa County. The Chairperson acknowledged the accomplishment and was glad the use of Aymium technology was approved

MOTION: Mr. Sertich motioned to approve and Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.



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Ms. Robles introduced **Project #3: Claude “Bud” Lewis Carlsbad Desalination Plant** as an existing bond that was refinancing and requesting an additional fund and recommended approval of \$194,000,000.

Jeremy Crutchfield, Water Resource Manager for the San Diego County Water Authority, spoke as the representative of the project. The project was developed as a public/private partnership between the Water Authority and Poseidon Resources (Channelside) LP. The construction was completed in 2015 and in operation for almost seven years, producing ninety-five billion gallons of high-quality drinking water, which represented 10% of San Diego region’s water supply. The produced water would normally be brought into San Diego and now were creating it locally. They were requesting additional funds to support modifications being made to its intake and discharge facilities, which were required to comply with the Ocean Plan Amendment that focused on intake and discharge. The project was in its final stage of improvements and was permitted by the regional board in San Diego. It had a five-year compliance schedule due in December 2023. They are working on the final phase to construct new intake screens in the lagoon where the source water comes in, which will be some of the most environmentally sensitive, creative, and innovative options to restrict impingement and entrapment of marine life and protect the environment in compliance with the Ocean Plan Amendment. This was the first project to obtain a permit under the Ocean Plan Amendment and the first project constructed to have a fully compliant project to maintain the plant and operation, and continue to provide the critical water supply, especially in today’s drought environment. This is high-quality drinking water, a 50 million gallon per day plant. The plant produces about 50,000-acre feet per year, which is 10% of all the water consumed in San Diego.

Chairperson Ma asked how consumers receive the water.

Mr. Crutchfield replied; the Water Authority is a wholesale agency, and they have regional infrastructure connected. They built a 10-mile pipeline with the original construction of the plant. The Water Authority is the sole taker and they purchase all the water that is produced from the facility, and the project would transition to a public asset after thirty years, per the terms of the agreement. The desalinated water was blended with other treated water in the Water Authority’s system, so 98% of its service area receives some component of desalinated water through the tap. As a wholesaler, they sell the water to 24 member agencies, which then sell to business industry and customers.

Ms. Castro Ramirez requested a summary of how the requested \$194,000,000 would be used.

Mr. Crutchfield replied; there were three components for which the funds would be used: refinancing \$45,000,000 in funding previously secured for new dilution pumps, which were completed in June 2020; \$100,000,000-\$120,000,000 for designing and permitting a bridge and pier system to put one millimeter screens in front of the existing intake; and completion of the development of wetlands to mitigate the impact of the construction and operation of the plant, as a condition of the Coastal Commission permit. The facility was fully operational and fully permitted and they were working on permits for the last phase.

MOTION: Mr. Sertich motioned to approve, and Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:



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None.

Motion passed unanimously via roll call vote.

Ms. Robles concluded the Exempt Facility Projects in Round 2, which exhausted the entire fund within Round 2. There was \$173,000,000 available in Round 3, for which applications had not yet been received.

5. Agenda Item: Adoption of Emergency Regulations – (Action Item)
Presented by Emily Burgos:

Chairperson Ma thanked Ms. Burgos and staff for their hard work and stated this had been a yearlong process. There had been an open public comment period with extensive public comment. The Committee was interested in hearing public comments. The Committee strived to be open, transparent, and inclusive, and staff worked hard to incorporate as much of the comments that were received and heard over the past year.

Ms. Burgos stated there was a lot of conversation leading up to the end of the last year when the Committee voted on the parameters of the tiebreaker and staff received public comment at that time. They solicited public comment again in January, which was documented and posted to the CDLAC web site, leading up to the draft published prior to the April Committee meeting. Staff then solicited feedback again and received hundreds of public comments and posted them on the website and have been transparent with public comments leading to what was presented. Staff included some changes from the last revision published in April, including a supplemental off-the-shelf allocation process in alignment with the Committee's discussion at the last meeting.

Ms. Castro Ramirez. stated the proposed regulations align with the Governor's priorities in terms of preserving housing affordability and expanding the supply of housing across the state. The HCD data indicated that the state needs 2.5 million new housing units built by 2030, of which 1 million should be focused on low-income households. It is critically important for the regulation process to be open, holistic, and ensure that they are furthering the priorities of addressing homelessness across the state and advancing the need to produce more units for extremely low-income and very low-income and to ensure there is funding to preserve projects that are affordable.

Ms. Castro Ramirez stated she provided a letter to the Committee in May outlining several recommendations, most of which had been adopted and included, yet she had some additional questions about three items. Her first question pertained to a reference in Section 5231 to the definition of "homeless households." The citation should reference Section 10315(b) 1-4. Ms. Burgos confirmed staff flagged this as a technical correction and would make the adjustment if adopted by the Committee.

Ms. Castro Ramirez's second recommendation pertained to Affirmatively Furthering Fair Housing, which was a priority for the Administration. They wanted to ensure that affordable housing units were developed in communities that are well-resourced, walkable, and are connected to jobs and good schools. She recommended an additional point for any project with a



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minimum public fund commitment of \$1,000,000. A commitment of public funds equates with public support, meaning that there has been an opportunity for residents and community members to be part of the public process and demonstrate support for the project. She requested clarification from staff as to why this recommendation was not included.

Ms. Robles stated staff received feedback from the development community that the preference was for the public fund point not be included because it would have made projects less competitive by seeking public funds. Also, the layering of all the funds would make it to where they could not compete unless they received public funds. She did not want to force developers to seek public funds if they did not need them.

Chairperson Ma stated she heard from developers that to win the allocation they would need to secure local dollars even if they were not needed, which is asking them to jump through another hoop.

Ms. Castro Ramirez stated she did not think that it was just about going to a local jurisdiction and asking for \$1,000,000, but that it is also a process to obtain support for the project.

Chairperson Ma stated projects still need to go to their local community to obtain permits and support. Disincentivizing them from being able to complete their project with the least amount of public support [funds] should be what our goals are, as that will make it more efficient and quicker. Making them jump through hoops to obtain additional support to win points in order to receive the allocation, goes the opposite way.

Mr. Sertich stated the new scoring system was intended to measure public benefit through more direct measures than leveraging. Adding an extra point for leveraging would layer on additional costs and time for some projects that may not need it if they were providing that public benefit through affordability, without having to layer it on. He did not think they wanted to layer this on top.

Ms. Castro Ramirez's third recommendation pertained to the Extremely Low-Income (ELI)/Very Low-Income (VLI) priority for unused bonds. She questioned why staff had chosen not to include this in the proposed regulations. Ms. Burgos stated there had been a recommendation of preference for ELI/VLI with respect to reversion and carryforward yet staff chose not to implement this the Committee needs flexibility within the changing environment. If this were written into the regulations, any future changes would require another revision. As the regulations were currently written, the Committee has the ability to set priorities for how the carryforward was applied, and a preference for ELI/VLI could still be achieved through Committee action rather than a regulatory change. Ms. Castro Ramirez stated the need to produce more ELI/VLI housing units was a critical priority for the administration and this was a missed opportunity to move the needle to prioritizing units that enable them to get to that goal, yet said she understood.

Mr. Sertich appreciated Ms. Castro Ramirez's comments and said it made sense to align the definitions as much as possible, especially internally, as well as across other programs. He wanted to make sure they received public comment on the supplemental allocation process and,



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as a committee, they need to look at past awards that were made, verses future awards. He wanted to focus on the regulations and where the delegation is coming from.

Chairperson Ma called for public comments:

Darren Bobrowsky, representing USA Properties Fund, commented that the recommendation to add a point for projects with a \$1,000,000 public fund would disadvantage and exclude communities in smaller jurisdictions without public resources to put toward affordable housing. Additionally, he questioned why inclusionary housing projects were excluded from the three points provided for high and highest resources areas in Section 5230(m) of the regulations for site amenities. These projects were generally located in new growth areas, where market rate housing is being developed, which would benefit from affordable housing. He asked the Committee to consider striking the reference to clause 11 and instead reference the CTCAC/HCD Opportunity Area Map so that inclusionary housing projects were not excluded.

Ann Silverberg, CEO of Related California, questioned why two counties had been added to the Bay Area region while its 21% apportionment remained the same. The region was the most impacted and oversubscribed, and the addition of the two counties would exacerbate the problem, and requested the Committee look at the 21%. She also expressed appreciation for the delegated authority provided in Section 5240 regarding supplemental allocations because it allowed for decisions on supplemental allocations to be made more quickly, without waiting for the next Committee meeting. She requested that more delegated authority be granted to the Executive Director to award supplemental allocations by changing the language in Section 5240(b) to refer to the current supplemental request rather than total supplemental requests. She suggested changing the wording in 5240 to allow for more discretionary approval and to read as follows: “the Committee may delegate authority to the Executive Director to award supplemental allocation to projects.” And the requested change is “the supplemental request is” or it could read “or where there is supplemental request issued under this delegation,” specific to the request being made currently meets two conditions; the first – no more than 10%, or she recommended 15%, of the projects total allocation and the second condition - no more than 52% of the aggregate depreciable basis plus land. The projects in this situation should meet the 50% test. The 10% or 15% is a limiter in terms of how many applications will take advantage of the delegated authority if it can apply to the request being made and the 10% can apply to the total allocation. The committee could eliminate the first requirement of the 10% and go to the 52% for projects facing imminent deadlines.

Caleb Smith spoke on behalf of the City of Oakland Department of Housing and Community Development. The addition of Santa Cruz County and Marin County to the Bay Area Region, without a corresponding increase in apportionment, would disproportionately harm the Bay Area Region because with the added population there should be an increase in the funding. Regarding high opportunity areas, there were several historically redlined areas such as under-revitalization areas, that would not be able to access the full 120 points under the currently proposed regulations, creating a structural disadvantage. He expressed a need to invest in anti-displacement and anti-gentrification measures in those areas and requested the Committee make it possible for



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them [projects] to earn maximum points to be competitive with high opportunity areas. He requested the City of Oakland be included in any future workgroups on this topic.

William Leach, of Kingdom Development, expressed concern the definition of “BIPOC Project” prohibited partnering with an entity that would qualify for full experience points. He referenced the Department of Housing and Community Development’s Super NOFA, which created a definition for an Emerging Developer, allowing for a developer who had completed at least one, but not more than three, projects to partner with an experienced developer for more experience points. The BIPOC pool was very helpful for emerging developers and prohibiting them from partnering with another entity to earn full experience points hampered their ability to complete projects.

Alice Talcott, of MidPen Housing, expressed the need for a clear and transparent methodology for regional allocations, that considers the need and cost, so every region receives a fair allocation. It did not make sense that the Bay Area gained two counties with a population of 500,000 yet did not receive any additional allocation. The Inland Region lost a county with an estimated population of 750,000 and its allocation was not reduced. She requested the Bay Area allocation be increased by 1%, up to 22%, and the Inland allocation be reduced by 1%, from 16% to 15%.

Ms. Burgos explained the allocation recommendation was adopted from the Administration and she understood some counties were moved around to lump together similar fair market rents. Ms. Talcott requested further clarification on the allocation percentages. Ms. Burgos stated when the Administration was previously asked, they indicated they did not feel a need to redistribute the allocation. Mr. Velasquez stated the objective of the geographic apportionment changes was to group high market rent counties with other high market rent counties, and low market rent counties with other low market rent counties. The apportionment figures were rerun with the updated data for each county and the data did not support an increase over 21% apportionment for the Bay Area. Two different methods were employed, the construction index data and the CTCAC threshold basis limit, and both methods resulted in less than 22% being allocated to the Bay Area counties.

William Wilcox, Bond Program Manager for the City and County of San Francisco Mayor’s Office of Housing and Community Development, expressed the Bay Area apportionment should be raised to 22% per a previous draft of the regulations, with 550,000 additional residents. He also requested a change to how the rent subsidies are factored into the tiebreaker. Currently a project can only get the 30% floor for rent subsidies if they have a federal rental subsidy, which is a structure they support. The current definition leaves out several programs across the state by limiting it to federal rental subsidies, including their local and senior operating subsidy programs in San Francisco, as well as the flexible housing subsidy pool in Los Angeles, and the No Place Like Home Capital Operating Subsidy Reserve (COSR). The definition should be changed to “substantive” rental subsidy, which he believes CTCAC or HCD uses, instead of specifically a federal subsidy, in order to include more rental subsidy programs across the state. He requested the Committee consider funding revitalization areas at the same level as high opportunity areas in future years to discontinue the disinvestment in public housing projects, which disproportionately



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impacts the lowest income Californians and people of color. He cited Sunnydale as an example of a revitalization area in which many projects had been halted because it was not a high opportunity area.

J.T. Harechmak, with Non-Profit Housing Association of Northern California, stated he was encouraged by the new tiebreaker metrics, yet was concerned about the geographic apportionments and requested that HCD make the methodology more public in the future as it would be helpful in shaping discussions.

Susie Criscimagna, Director of Development at Eden Housing, suggested editing Section 5230 to clarify that projects in all resource areas were eligible for a full ten points for site amenities. As currently written, it could be interpreted that projects in high and highest resource areas, and potentially inclusionary projects, were only eligible for three points. She suggests an edit to remove the phrase “to any projects that meets the Resource Area criteria of”, to make everyone eligible for those 10 points.

Jessica Martin, with SV@Home, expressed appreciation for the shift from cost to need in the tiebreaker scoring. The Bay Area faced high-cost challenges in development and significant needs and she was concerned of the change to the point allocation for projects in high resource areas; the shift of 50% of resources incentivized a shared goal, ensuring that resources are spread across the community, that the region’s percentage allocation underappreciated the magnitude of the challenges in the region.

Mark Stivers, with the California Housing Partnership, supported the proposed regulations, as is, with no changes, and agrees that the new tiebreaker was a great balance of public benefit and resource efficiency. He wanted to provide some history on the issue of site amenities and inclusionary projects. There had previously been a debate about whether inclusionary projects should be eligible for site amenity points, and some developers argued that the state should not reduce the obligations of the master developers by subsidizing the projects with scarce bonds and credits. At that time, the decision was made to exclude the inclusionary projects from some of the point benefits for higher opportunity areas projects and the tiebreaker benefits as well.

Chairperson Ma closed public comments.

Mr. Sertich stated the purpose of regional allocations was not only for competitive reasons but also to ensure that affordable housing was built in all areas of the state. He had some concerns with lumping Napa and Sonoma County with San Diego and Orange County, and it was important to have a clear methodology for how regional allocations were decided, so that adjustments could be made in the future based on the metrics they used, whether by population changes or cost changes, etc. They can leverage what HCD had and what is out there. He wanted to achieve this by the end of the year.

Regarding the supplemental allocation procedure, Mr. Sertich stated the projects that applied in Round 3 last year, should be treated differently than new projects coming in, so he was comfortable with the regulations moving forward. For projects that had already applied for



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supplemental allocations and needed more of the over-the-counter funds, the Committee should be thoughtful and make sure they were not excluding projects. They may not need to change the regulations, yet he did want to think about how to integrate this issue into the delegation resolution. He was supportive of including all rental subsidies in the definition to allow projects to go up to 30% AMI. He was open to discussion and wanted to hear from the Administration on the issue of inclusionary housing.

Ms. Castro Ramirez stated she understood the concern regarding geographic apportionment yet agreed that staff's recommendation for 21% apportionment for the Bay Area region was supported by the methodology and data and, at some point, will be revisited. She supported rewording the site amenities section of the regulations as was mentioned previously, for clarity. She asked Mr. Velasquez to address inclusionary zoning.

Mr. Velasquez agreed the methodology used to determine geographic apportionment should be shared and welcomed further conversation on it. The most important thing was to make sure the methodology was fair and refine, as necessary. There was not a data driven approach when this was being debated last year, when the Bay Area apportionment increased from 17% to 21%, and his intent was to go back to the drawing board and look at data in terms of fair market rents, to propose refinements to the apportionment for the Bay Area and other regions. He welcomed the opportunity to come back at a future meeting and to present more data and discuss it further.

Mr. Velasquez emphasized the importance of the Committee maintaining uniformity in language with CTCAC regarding inclusionary zoning. The HCD had been looking at data regarding a conflict they had seen across the state between inclusionary zoning and the state density bonus law. He suggested the Committee not make any further changes on inclusionary zoning until he presented more findings on this topic. He believed the strengthening of the community revitalization plan requirements for the new tiebreaker benefit ensured a more concerted revitalization strategy. They needed to continue working on opportunity maps to account for the richness of some of the communities that were not high resource areas.

Ms. Johnson Hall stated she supported consistency in verbiage. She agreed with Mr. Velasquez's comments regarding the need to address historical inequities in areas that had been redlined and she hoped staff would investigate it more in the future. She supported giving the Executive Director and staff additional delegated authority regarding supplemental allocations to avoid penalizing smaller deals, that saved time for the Committee and staff and most importantly the deals [previous projects].

Chairperson Ma stated the only public comment that had not been addressed was the issue of including only federal rental subsidies, versus substantive rental subsidies, as included in the CTCAC regulations and asked if there was any more feedback.

Mr. Sertich stated he supported other subsidy programs being included if there were controls and if they showed a firm commitment. He believed the Committee should investigate this as a possible minor regulation change which could be addressed in the future. Chairperson Ma said this would be an issue for next year.



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Chairperson Ma stated she hoped to have a meeting on the BIPOC program next summer to determine if the regulations needed to be modified. She requested Mr. Velasquez present findings on revitalization areas to the Committee in the future, including which cities and counties had revitalization areas and which areas were being excluded. It was important for big projects in these areas to be able to come to fruition. She did not see any wholesale regulation changes that the Committee wanted to make.

Mr. Sertich indicated the Committee should review and address the issue of inclusionary housing in the future. He supported approving the regulations as presented by staff, with the alignment of the homelessness definition in the two sections previously discussed.

The Committee discussed clarifying the language in the regulations regarding site amenities and agreed to review this again in the future. Mr. Sertich said the site amenities language is tied to the inclusionary housing requirements which excludes some points for inclusionary projects and Ms. Robles replied the language was added for clarity.

Ms. Castro Ramirez expressed she was appreciative of how inclusive and collaborative this process had been. It was important for the regulations to be clear and provide predictability and stability.

Chairperson Ma expressed appreciation that the Administration had made affordable housing a top priority. She was confident there had been open communication, stakeholders stepped up, and the team was open to comments. She thanked the Committee and the private stakeholders for their participation and their willingness to compromise and come together and get things done with the input of our private sector partners. This was the first time in decades they had made these types of changes to the regulations. She expressed appreciation to the Governor for providing the additional low-income housing tax credits and she hoped it would continue. She hoped to see more changes in the regulations at the federal level, in terms of reducing the 50% bond financing requirement to 25%, which would provide more opportunities for housing.

Ms. Johnson Hall recommended changing the supplemental allocation limit in Section 5240(b)(1) from 10% to 15% of the project's original allocation%, to give staff more authority to make decisions on those applications. She asked if that would work for the staff. Ms. Robles responded it would work for the staff, yet it would require a Committee decision to change the regulations.

Mr. Sertich stated he would like to leave the regulations as-is, and if they wanted to change the delegation in the short term to the Executive Director, he would ask counsel if a different amount could be delegated for past projects or if they were limited to the amount in the regulations. Mr. Velasquez asked if it would be an acceptable compromise to raise the supplemental allocation limit to 15% for the last round of applications.

Mr. Sertich stated there were limited funds available for supplemental allocations and raising the limit would take funds away from other new projects, yet he projected there may be projects that would need more allocation because of cost and interest rate increases. He proposed a one-time



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delegation rather than altering the regulations. If the only way to accomplish this was to change the regulations, he wanted to frame it narrowly so huge requests would need to go back to the Committee for approval rather than being delegated to the Executive Director.

Ms. Castro Ramirez requested clarification between the current discussion and Agenda Item 6. Ms. Robles stated Agenda Item 6 would grant the Executive Director delegated authority to award supplemental allocations under the very specific terms in the proposed regulations. The Committee would also determine the source of the supplemental funding. Ms. Castro Ramirez asked if Ms. Robles was comfortable with the change proposed, beyond the 10%. Ms. Robles replied staff could accommodate that change but the Committee would need to make the decision.

Mr. Sertich stated there were two ways to award supplemental allocations; a new over-the-counter process and the existing competitive process. It is currently worded as 10%. Because many projects in Round 3 were already awarded supplemental allocations, a solution might be to change the language in the regulations to allow a 10% limit for over-the-counter supplemental allocations, rather than a 10% limit for the total supplemental allocations. It would allow the Executive Director to grant an additional allocation to projects that received a supplemental allocation previously rather than the projects having to come back every time. Ms. Johnson Hall agreed.

MOTION: Mr. Sertich motioned to approve the regulations, as drafted by staff, with two amendments. First, align both references to the homeless definition cite Section 10315(b) 1-4, as previously discussed. Second, amend the Section 5240(b) to state: “The Committee may delegate authority to the Executive Director to award Supplemental Allocation to projects where the total delegated supplemental requests are (1) no more than 10 % of the project’s Committee approved allocation.”

Ms. Castro Ramirez seconded the motion.

Motion passed unanimously via roll call vote.

6. Agenda Item: Recommendation of a Portion of the 2022 State Ceiling for Supplemental Allocations and Adoption of Priorities – (Action Item)

Presented by: Emily Burgos

Ms. Burgos stated the Committee just approved the new emergency regulations allowing the creation of a supplemental pool and delegated authority to the Executive Director for supplemental award. This item had two purposes; first, the Committee needed to establish a supplemental pool and fund it; second, the Committee would determine how staff would manage those supplemental allocations. These suggestions were based on the recommendations from the Committee at the last meeting and the staff was still open to discussion and any ideas from any of the Committee members.

Ms. Burgos said the staff’s recommendation was to seed-fund the supplemental pool with what was left over from the MIP pool in the last round. The Committee voted to frontload the MIP pool, and all the MIP projects applied in Round 1 were awarded. With the amount of money that



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was allocated in the MIP pool and [CalHFA] \$60,000,000 in carryforward, there was just under \$46,000,000 leftover that was not allocated. In the conversation at the previous Committee meeting, there was direction from multiple members not to penalize MIP projects because of the good stewardship. Without the off-the-shelf supplemental process, those projects would have received their supplemental allocation from those funds and therefore, staff recommended giving preference to the MIP projects in the supplemental pool up to the \$46,000,000 that was being taken from the MIP pool; it would not be an indefinite preference. This would not satisfy the supplemental request problem; they would need to come back with additional recommendations for where to pull more funds for supplemental allocation, yet this would be a start which would allow staff to begin awarding supplemental allocations to projects with the greatest need. This would not be a competitive process. The funds would be awarded in order of preference. The online application was currently open and supplemental requests were being received. The Southwest Airlines boarding group analogy was used to describe the process. Once the regulations were approved and in place then the staff would start reviewing the different preference levels of projects. After the first cutoff, “Boarding Group A” would consist of priority groups 1 and 2, which would be MIP projects and post-issuance supplemental requests. Other projects could be in the system and waiting in line but they would not be “boarded” until after “Group A.” At that point, the staff would reassess how much supplemental allocation remained, and they would then begin reviewing applications in “Boarding Group B,” which would include projects awarded prior to Round 3 of 2021. They would continue to review projects in Boarding Group A and continue to prioritize projects according to the preference list. If a project from “Group A” missed the first cutoff, they would still be able to “get in line” with “Group B” and be prioritized.

Chairperson Ma questioned what would happen if \$46,000,000 was not enough for the supplemental pool. Ms. Burgos stated it would not be enough. Mr. Sertich asked how many outstanding bonds had not returned or closed yet. Ms. Burgos responded there were currently thirteen projects that had neither issued nor returned with a total allocation of about \$370,000,000. Some of the projects on the list had already received supplemental allocations and had expressed a need for additional supplemental allocations. There were also a few projects from 2019 and 2020 that would need additional allocation to place in service but not as many as projects from Round 3 from last year.

Mr. Sertich stated \$46,000,000 may be closer to what was needed than they originally thought but for this to be a truly over-the-counter process, they should have enough funds for everyone that needs it. Rather than coming back to address the source of additional supplemental funds later, the Committee could allocate funds that were to be used in Round 2 this year as part of the supplemental pool. There might be returned funds that could come back and be used for this, yet they were not sure. An alternative would be to make the process over the counter for the first \$46,000,000 and then come back later for more funds.

Ms. Johnson Hall asked if the staff had thought about reassessing the exempt facilities or the underuse in all the pools and the set-asides. She also asked when the final round of the exempt facilities would take place. Ms. Burgos replied that the awards would be made on September 28th for exempt facilities and applications were due August 3rd. Staff had not looked too deeply into addressing the items questioned by Ms. Johnson Hall since they had not received much direction



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from the Committee at the last meeting. They were making recommendations on the items in which the Committee have given direction. She expected to have a better idea of surplus in the pools and set asides by the September 28th meeting, after Round 2 applications had been reviewed.

Ms. Robles stated once applications were received on August 3, the staff would still need to review them to determine if they were viable and they would know at that time what would be leftover in the exempt facilities pool as there might be nothing available. Ms. Castro Ramirez suggested identifying and prioritizing the different pots of funds that could contribute to the supplemental pool, including the \$46,000,000 from the MIP pool, any returned funds, and any underused funds. Ms. Castro Ramirez said she did not know if that addressed not having to come back to the Committee once the funds were exhausted. Mr. Sertich stated if they did take funds from somewhere and did not use them then they could always put them back. The Committee was trying to be as transparent as possible, and he was concerned about pulling back funds that were already promised to be available. Although he had been a vocal opponent of funding too much in the exempt facilities, he did not think they should take those funds back because projects were already counting on \$170,000,000 being available in Round 3. If they truly wanted to streamline this process, then they may want to overfund it to some extent and potentially take a certain percentage from all future Qualified Residential Rental Projects.

Chairperson Ma stated housing was the priority of the Committee and the Administration and with the amount of time projects take and the difficulties with the market, the funds would need to be taken from someplace else to push them through.

Ms. Castro Ramirez requested clarification from the staff that supplemental funds could not go toward additional developer fees. Ms. Burgos clarified the supplemental requests for projects in Round 2 of this year and forward could not increase developer fees. It was decided at the last meeting the projects that applied prior to Round 2, this year, were not aware that the supplemental off-the-shelf process was going to be an option; there was not an opportunity for them to “lowball” their request and come back for an easy supplemental award. The Committee was aligned on not penalizing those projects but any project that applied in Round 2 of this year or forward would know in advance that they would not get an increase in their developer fee.

Ms. Johnson Hall strongly supported the MIP projects having some level of priority in this process. She thought the only other deals that should have priority were those that had to close and get the 8609 approved. She supported the staff’s recommendation and expressed that it was the right thing to do.

Ms. Castro Ramirez requested clarification on how staff would prioritize projects and asked for a walk through of the five priorities. Ms. Burgos stated the projects waiting to be placed in service this year are waiting on supplemental allocation. Any project that had already issued their bond and used the allocation they were given would be prioritized for supplemental allocation to get units on the market faster. This would ensure that bonds already allocated would be fully utilized and come to fruition. The recommendations were based on chronology, so the oldest projects would have preference before a newer project. The only exception would be a preference for MIP



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projects up to \$46,000,000 as not to penalize the MIP projects for being good stewards of the program. Post issuance projects should be their priority as far as awarding supplemental.

Chairperson Ma called for public comments:

Darren Bobrowsky, representing USA Properties Fund, stated projects were facing significant challenges due to current construction markets and interest rates and supplemental allocations would help those projects close. It would not do any good for the Committee to issue bonds and then not support the projects to close. Lenders and investors would require proof of bond allocation to make closing deadlines and also know the project is going to meet their 50% test and the Committee would need to consider preparing for extensions if they did not issue supplemental allocations. He suggested overfunding the supplemental allocation pool to ensure all projects could meet closing deadlines and begin construction as these projects are much further along than projects in the second round. He had no opposition for taking from the Exempt Facilities but understands it was committed. He recommended taking 5% of the remaining bond cap in Round 2 and putting it into the supplemental pool. He further suggested 45 days before the November 29th allocation meeting, that staff should review the unused portion of the supplemental pool. At that time, they could then leave some funds in the supplemental pool and move the remaining funds back into their set-asides and geographic apportionment. This was to address the projects that have been awarded bonds, regardless of what round they are in, to meet closings and get the projects done.

Ann Silverberg agreed with the previous speaker's idea to move 5% of the future allocation and revisit it 45 days before the allocation meeting to ensure these projects continue.

Ben Barker with the California Municipal Finance Authority stated he had about 8 deals that would be coming in for supplemental allocation that total less than \$20,000,000. Most of them were between \$1,100,000 and \$2,500,000 and they do not have any deals asking for large amounts. With interest rates potentially increasing by another full point, the financing for projects could end up drastically different by the time they were ready to close.

Cherene Sandidge spoke on behalf of the Black Developer's Forum. She understood the struggle to close deals in this market but wanted the Committee to be cautious about taking 5% of the BIPOC allocation for the supplemental allocation pool, as a reduction could affect a good BIPOC project.

Mark Stivers stated full support for an adequate source of funds in the supplemental pool to make awards as needed and agreed with Mr. Bobrowsky's proposal to move 5% of the remaining bond cap from Round 2 into the supplemental allocation pool. He supports moving returned bonds and excess funds from the exempt facilities pool into the supplemental pool. It would make it more likely that the 5% reduction in the second housing round would go back to the round later.

Andre Perry spoke on behalf the Los Angeles Housing Department. In 2020, most deals were able to apply for bonds with a 60% cap, which provided enough bond allocation at the original issuance so supplemental allocations were not needed. He asked if staff could look at their list of



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applications and stated their first supplemental allocation was a 2021 Round 3 deal which was closing in the next couple days. He anticipated more supplemental rounds at around \$2,000,000 per deal and if the 55% cap were raised to 60% in the future calendar year, then they would not have this concern regarding creating a supplemental pool. He is supportive of what CDLAC has proposed and agreed it is not necessary to set aside 5% since Round 2 was twice as large as a typical round. He anticipated leftover Round 2 allocation for the supplemental bonds. He anticipates by the time applications come in on August 9th, other issuers that are looking at deals will likely have leftover Round 2 allocation for supplemental bonds. If the Committee moved forward with the 5% set-aside now, there will be supplemental applications coming that will not be ready to submit at this moment because this is new. The City of Los Angeles had previously spoken to CDLAC about “Boarding Group A” being reviewed sometime in September based on the unused MIP allocation, followed by “Boarding Group B” on October 31st to use the unutilized 2022 allocation and the exempt facility allocation. This would give enough time for all allocations to be used by the end of the year and would be done through a non-competitive process. If 5% were allocated upfront, then some developers would feel there was a competition between now and August 9th. What is being proposed by the Committee, an over the counter, non-competitive process for supplemental allocations, would provide confidence to the market that deals could close even if the original allocation was no longer meeting the 50% requirement due to interest rate increases. He supports what is being proposed without any changes.

Chairperson Ma stated she believed funders would be nervous without having allocation committed and the Committee should decide today.

Jeff Williams spoke on behalf of Bridge Housing. They were trying to understand the timeframes. They have Round 1 2022 projects trying to close this fall, prior to the CDLAC deadline, and they might need supplemental allocations. He asked if a project applies competitively in Round 2 for a supplemental allocation, does the project then have the ability to apply for an over-the-counter supplemental allocation or do they have to choose?

Chairperson Ma replied the Committee had created an over-the-counter process. They wanted to make sure it was funded and the process was streamlined so the Executive Director could make those decisions without waiting for another Committee meeting or more funding.

Chairperson Ma closed public comment.

Chairperson Ma stated although she is supportive of putting the bonds in non-housing projects, she was willing to fund all the supplemental allocations prior to funding the next round of exempt facilities projects. If there were extra bonds at that time, the Committee could then go back and fund the exempt facilities projects. The housing projects were urgent, took a long time, and there were more options for the exempt facilities companies to obtain financing elsewhere but when it comes to housing there are not many options. She proposed putting the entire exempt facilities pool into the over-the-counter supplemental allocation pool.

Mr. Sertich stated he was supportive of Chairperson Ma’s proposal, and they should determine a date to move any leftover funds back into the exempt facilities pool. He did not know if that



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meant moving the application or award deadline. Ms. Robles proposed moving the funds after the August 3rd application deadline because there were exempt facilities projects with prepared applications waiting for an allocation they believed would be available to them. She asked Mr. Sertich to clarify whether he was referring to any exempt facilities allocation remaining after applications were received.

Mr. Sertich asked staff to confirm how much allocation was required to create a true over-the-counter process. The Round 3 projects with a September deadline were the most critical and they had more time for the Round 2 projects with the deadline in December for those projects to close and they will have more knowledge of the need. The September projects, and projects ready to be placed in service, were the ones that should be fully funded right away.

Ms. Castro Ramirez said she appreciated Chairperson Ma for looking at pulling funds from the exempt facilities pool because the Committee's goal should be stable and affordable housing. She supported this plan yet anticipates problems it would create. Returned funds could also be added to the exempt facilities pool to minimize the amount taken from the exempt facilities. She was not comfortable with a 5% reduction from future funding because the goal was to produce more housing.

Mr. Sertich indicated he was also comfortable with using the funds from exempt facilities pool and any returned funds for the supplemental allocations and then backfilling the exempt facilities pool. He reiterated the importance of timing. Ms. Robles stated staff did not have a pipeline and did not know how much funding would be needed.

Chairperson Ma asked if there was a proposed date when applications would open for over-the-counter supplemental allocations. Ms. Burgos replied the applications were open and staff would put out guidelines for the application process once the regulations were approved, since it will be a streamline application. There would be cutoff dates based on priority groups, starting with Group 1 and 2 on a certain date, the priority groups 1, 2, and 3 on a certain date. By the time they got to Group 5 the applications would be accepted on an ongoing basis. Projects would be advised to apply as soon as possible to ensure they received supplemental allocations.

Ms. Robles stated Round 2 was a round comprised of two-thirds of the housing allocation [to be processed] in a total of 3 months, when normally they would have 3 rounds per year and 4 months to complete them. She expressed that the Committee should consider the strain on staff when establishing a timeline.

Chairperson Ma indicated she did not want to take funding from housing or create problems for the staff. The bonds had already been set aside for the tax-exempt facilities that had not been awarded and she would rather set that money aside for supplemental allocations that needed it. Any funds leftover by a certain date would then be put back into the exempt facilities pool and award based on what is remaining. This would give the Executive Director more capacity to keep projects moving.



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The Committee discussed setting a date by which unused funds would be returned to the exempt facilities pool. Ms. Burgos stated staff would be able to give more informed statements about the status of the allocation by the September 28th meeting and they would know if any of the pools in Round 2 are undersubscribed. They would also have a better idea of how much of the exempt facility allocation they have utilized and will continue to utilize, if any. She wanted to be cognizant as there are only a few issuers that need to funnel the requests. Chairperson Ma asked Ms. Burgos to come back to the September 28th meeting and provide an update on how supplemental allocations are going and how much is still in the pool.

Mr. Sertich stated he wanted to be clear that they are managing two things – the supplemental process, which he agrees should be open, and managing bonds that they are taking, and they will have a better idea of how much they can return to exempt facilities.

MOTION: Mr. Sertich motioned to move the remaining allocation from the MIP pool, the remaining allocation from the exempt facilities pool, and any returned QRRP allocation into the newly defined supplemental allocation pool. Chairperson Ma stated they would re-evaluate on September 28th. Mr. Sertich said the Committee would continually re-evaluate this pool and its necessary volume and move some of those bonds back into their original pools if there were excess bonds which the Committee would then implement the priority method recommended by staff. Ms. Castro Ramirez seconded the motion.

Motion passed unanimously via roll call vote.

7. Agenda Item: Recommendation to Delegate Authority to the Interim Executive Director to Award Supplemental Allocation – (Action Item)

Presented by: Emily Burgos

Ms. Burgos recommended the Committee delegate approval to the Executive Director to award supplemental allocations in certain situations according to the approved regulations.

MOTION: Mr. Sertich motioned to approve, and Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

8. Agenda Item: Adoption of Carryforward Priorities – (Action Item)

Presented by: Emily Burgos

Ms. Burgos stated the Committee had approved regulations allowing the Committee to set priorities for where the net-effect of carryforward should be applied. This authority would give the Executive Director the ability to apply carryforward held by the issuer according to a list of priorities set by the Committee. The priority would be the supplemental pool so carryforward would be applied there first. The next priorities would be in the following order: Homeless, ELI/VLI, mixed income, and then geographic regions. This was a shift from the previous year,



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where carryforward was applied to the highest ranked project by that issuer. Staff would now make sure the net-effect of carryforward was applied in a way that affected a specific pool or set-aside.

Mr. Sertich stated it was important for the Committee to allocate according to their priorities at the beginning of each year. He complimented the staff for reducing the carryforward and stated he supported the staff's recommendation. It should go pro rata to the different pools if it did grow larger.

MOTION: Mr. Sertich motioned to approve, and Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

9. *Agenda Item: Public Comment*

Elizabeth Brady spoke on behalf of Oakbrook Housing., It works in homeless housing for at risk youth and transitional aged youth ages 18 to 25, with its non-profit partner, Covenant Housing California. There is concern about a perspective risk: CDLAC might not be able to fully deploy the bond allocation in Round 2, particularly in the most critical set asides of Homeless and ELI/VLI. Every production of ELI/VLI is important and not fully utilizing bonds in that set aside is of concern. So far this round there was a repeat of average statistics from 2021 rounds; in this past round 12,800 housing units applied and 7,000 were awarded, or 56%. 53-56% was the average. The numbers looked a little different when you look at projects and the number of housing units and the number of projects do not yield the same statistics. About 45% of projects are getting through. Last year's production level was 22,000 homes, which meant they are right on track at 33% of 7,000, which is not a coincidence because 33% of the bond allocation is the limiting resource, so the numbers are correlated. In this coming Round 2, they might want to award 15,000 affordable homes if they wish to keep the same production level as last year. 45 projects that applied in Round 1 were not awarded and will likely apply in Round 2, which is about 5,000 homes a third are queued, and they will want around 9,000 new entrants. They had historically seen 40 – 60% of new entrants. It is a high number and applicants may be racing because there is not another round until 2023. If they took the 45 projects carry over, to produce the 5,500 homes, the requested state tax credits total \$361,000,000, as opposed to the \$96,000,000 that is proposed liquid. That is only a third of what they are trying to get done and it is off by a multiple of four, and the demand is greater than the supply of state tax credits. If they wanted the new entrants to be successful, they may need \$600,000,000 to \$800,000,000 in state tax credits and they face the risk in this next round that the set asides in Homeless and ELI/VLI will have excess unspent bond allocation because such a high percentage of projects need state tax credits. The carryforward of what they know in Round 2: 90% of Homeless projects ask for them and 2/3 of ELI/VLI asked for them. She suggested an option; If in the fall the bond issuance is going badly the Committee should work with staff and Governor Newsom to declare an 18 month emergency proclamation in California's statewide affordable housing industry, followed by an executive order authorizing CTCAC to pull forward the 2023 state tax credits into



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2022 plus the reset of state tax credits in 2023 to 2 to 3 times the \$500,000,00 that has been earmarked, scaling that resource from \$1,000,000,000 to \$1,500,000,000. This is what is needed to service the pipeline, and this was tied to financials and market dynamics. 66% of Round 1 winners were tied to state tax credits, showing the high correlation.

10. Agenda Item: Adjournment

The meeting was adjourned at 1:49 p.m.