California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

September 28, 2022

CDLAC 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 9:01 a.m. with the following Committee members present:

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

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

2. *Agenda Item:* **Approval of the July 20, 2022 Minutes** – *(Action Item)*

MOTION: Mr. Sertich motioned to approve the minutes of the July 20, 2022 meeting, and Ms. Miller seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

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

Ms. Robles attended eight grand opening and groundbreaking events for CDLAC and CTCAC affordable housing projects since the last Committee meeting. She highlighted three of those projects. PEP Housing had a grand opening for River City Senior Apartments in Petaluma. This project is 17 years in the making and has been delayed due to numerous factors, yet still came in under budget. Standard Communities had a groundbreaking ceremony for Aspen Wood in San Ramon and Ms. Robles announced the approval of their supplemental allocation when she spoke at the event. USA Properties held a groundbreaking event for Terracina at Whitney Ranch in Rocklin, one of the developer's largest communities. The project will serve a wide range of AMI and is located next to Whitney High School, one of the best schools in the area.

Ms. Robles recently attended the Affordable Housing Tax Credit Coalition 2022 Fall Meeting in Washington, D.C. where she listened to a panel of leading congressional staff discuss affordable housing and tax credit issues and the legislative agenda for the remainder of 2022. At the same conference, two California projects were presented Edson Awards for outstanding LIHTC developments: Crestview Terrace in Riverside, under the Small Metro category; and Woo-Mehl LIHTC Homes, located within the

Yurok Indian Tribe Reservation in Humboldt County, under the Native American category. Ms. Robles also attended an event celebrating Mercy Housing's 40 years of developing affordable housing.

The Committee created a supplemental pool and allocated a little over $216,000,000 to the pool at the last meeting. Additionally, the Committee granted authority to the Executive Director to approve supplemental allocations, within certain parameters, to projects applying to fill their funding gaps. The Committee requested an update at this meeting. Ms. Robles used her delegated authority to approve most of the 60 application requests received to date. A few applications are still being reviewed. The total amount is approximately $115,000,000, of which almost $36,000,000 is carryforward allocation assigned to the supplemental pool. There are about a dozen additional, larger applications expected, which will total about $55,000,000. This will leave about $82,000,000 remaining in the supplemental pool.

In legislative news, AB 1288 (Quirk-Silva) is enrolled and pending the Governor's signature. Among other things, this bill would authorize CDLAC to follow CTCAC standards for adopting, amending, and repealing program regulations. The bill would have a sunset date of 2028.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Request to Waive Forfeiture of Performance Deposit and Negative Points (Cal. Code Regs., §§5052, 5230) –** *(Action Item)*
   Presented by: Christina Vue

Ms. Vue said three projects from Round 2 in 2021 requested a waiver of forfeiture of the performance deposits and negative points after notifying CDLAC the projects were unable to issue bonds or failed to meet the readiness deadlines.

Ben Barker from California Municipal Finance Authority spoke about Bana at Palmdale (CA-21-715). The project has become unfeasible, so they chose to return the allocation to the supplemental pool so it can be allocated to new projects. They have requested a return of the performance deposit.

Mr. Sertich said he does not support waiving forfeiture of performance deposits because the projects all missed the grace period to return bonds, but he supports waiving negative points. Ms. Miller agreed; she also supports waiving negative points.

Mr. Barker said Villa Oakland (CA-21-739) missed the grace period to return the bond allocation because they missed the opportunity to get onto the agenda for the previous meeting, and they have requested a return of the performance deposit and waiver of negative points.

Elizabeth Brady from Oakbrook Housing spoke on behalf of Villa Oakland. She said the project is a permanent supportive housing project serving homeless, transitional aged youth from ages 18-25 in West Oakland. She was present for the Committee's discussion of a deadline for forfeiture of performance deposits, and at the time, they did not have enough project information to decide because the deadline was set soon after that meeting. When a performance deposit is not returned, it doubles the cost for the project and further sinks its viability. It is not considered part of the project's eligible basis, so they are unable to pull tax credit equity from it. This cost doubling is harmful to the project. She requested waiver of forfeiture of the performance deposit for the overall wellbeing and cost containment of the project.

Chairperson Ma requested confirmation that the allocation was returned after the grace period. Ms. Vue confirmed it was returned after the May 30, 2022 grace period.

Ali Milani from Milare Housing Investments, Inc. spoke on behalf of Bana at Palmdale. The equity investor was unable to find an investor placement for the project. They could not meet the closing deadline and requested additional time. This occurred around the same time the Committee was considering granting extensions, but even with an extension, the investor was unable to meet the closing deadline. As soon as the project was aware of this situation, they notified CMFA of their decision to return the allocation. He asked the Committee to waive negative points and forfeiture of the performance deposit due to circumstances beyond the developer's control.

Scott Reed from Reed Community Partners spoke on behalf of Algarve Apartments (CA-21-706). The project is a partnership between Reed Community Partners and Allied Housing in San Jose. The project got updated pricing and changed general contractors in the first quarter of the year, and then secured a tax equity commitment from the National Equity Fund. NEF discovered an environmental cleanup issue resulting from a drycleaner that was previously on the site. Although the project had a corrective action plan, including Phase 1 and Phase 2 environmental reports and bids for the cleanup, NEF backed out of the project. The project then secured a tax equity commitment from Royal Bank of Canada contingent on an extension from CDLAC, with the understanding that the cleanup would be completed after closing. When CDLAC gave the 90-day extension, RBC provided an LOI, but they were slow to execute it after minor changes were made. On June 22, RBC informed the project of their environmental review committee's determination that the environmental cleanup had to be completed prior to closing. At that point, the developer decided to return the CDLAC allocation since they could not close on time. The project is now working with County of Santa Clara, City of San Jose, and Destination Home to secure funding for the site cleanup prior to construction loan closing. Mr. Reed asked for a return of the $100,000 performance deposit and waiver of negative points due to the unique situation.

Chairperson Ma called for public comments:

Caleb Smith from the City of Oakland Housing Department spoke about Villa Oakland and asked the Committee to at least waive negative points for the project. The project did not receive any City funding, but the developer will likely seek City funding for future projects, and they will be more capable of meeting deadlines and other CDLAC requirements if negative points are waived.

Chairperson Ma closed public comment.

Mr. Sertich said he understands the performance deposit is needed capital for projects, but it is also important to hold developers to the rules and standards established by the Committee because they want to award projects that are ready. Projects that were not ready should not have accepted an award.

MOTION: Ms. Miller motioned to waive negative points for all three projects listed in Agenda Item 4, but not to waive forfeiture of the performance deposits. Mr. Sertich seconded the motion.

Motion passed unanimously via roll call vote.

5. *Agenda Item:* **Request for Extension of Bond Allocation Issuance Deadline for Qualified Exempt Facilities Project** – *(Action Item)*
   Presented by: Christina Vue

Ms. Vue said Williams Aymium Production Facility (CA-22-101) received its first allocation of $69,400,000 on April 27, 2022. They received an additional allocation of $45,600,000 on July 20, 2022. The issuer requested an extension for the original allocation to align the two bond allocation issuance deadlines to January 16, 2023 in order for both allocations to close concurrently.

Ben Barker from California Municipal Finance Authority said he would prefer to have the bond issuance deadline shortened to the end of this year rather than next year, so the allocation will go to housing rather than exempt facilities if it must be returned. A concurrent closing will save hundreds of thousands of dollars because the bankers, attorneys, and bond counsel will not be paid twice for the same project.

Mr. Sertich asked if December 15, 2022 is an acceptable deadline. Mr. Barker thinks the project will close by mid-December, but he would prefer a deadline at the end of the year.

Ms. Robles said a deadline on the last day of the year will create an issue for staff. Mr. Barker proposed December 23, 2022. Ms. Robles said that date will work, but because there is no Committee meeting scheduled in December, she needs authority in advance from the Committee to return bond allocation to housing if the project does not close.

Ms. Miller said there are two questions about this project. The first question is the deadline extension, which she supports. The second question is where the allocation will go if it is returned after the deadline.

Chairperson Ma said the allocation will go to exempt facilities. Ms. Miller said the Committee can motion to return it to housing for just this specific project, which she supports. Chairperson Ma asked if there are other similar cases for which this will set a precedent.

Ms. Robles said the Committee has the option to put the disposition of the potential returned allocation for this project on the agenda for the upcoming November meeting. Mr. Sertich agreed to address it later.

Ms. Miller indicated Ms. Robles asked for the resolution of the disposition of the allocation in the event of a return. Ms. Robles confirmed she thought it should be discussed. Chairperson Ma said in the event of a returned allocation, Ms. Robles would like the authority to move it, since there is no meeting scheduled for December.

MOTION: Mr. Sertich motioned to grant the extension of the bond allocation issuance deadline to December 23, 2022 for Williams Aymium Production Facility, and Ms. Miller seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

6. *Agenda Item:* **Request for Extensions for Round 1 of 2022 Projects** – *(Action Item)*
   Presented by: Nancee Robles

Ms. Robles said the Committee unanimously approved a blanket 90-day extension of the issuance deadlines for QRRP projects awarded in December 2021 at the May 25, 2022 meeting, in response to the volatile market and the COVID-19 pandemic. This also triggered the supplemental pool. Due to the number of extension and supplemental requests received, a 90-day extension is also needed for projects awarded in Round 1 of 2022.

Mr. Sertich acknowledged the letter from CalHFA to CDLAC requesting a 90-day extension for the Mixed Income Pool projects. He asked if this is a broader issue and if other issuers are also having similar difficulties getting projects closed. Ms. Robles said CDLAC has not received formal letters from other issuers, but evidence from the supplemental pool and extension inquiries received supports a need for an extension across the board.

Mr. Sertich said there have not been a lot of changes in terms of inflation since these projects were awarded, but at that time they did not have a supplemental allocation pool. He agreed to grant this extension, but he does not want to get into the habit of granting blanket extensions. Ms. Robles said the most notable change was the interest rate increase.

MOTION: Ms. Miller motioned to approve the 90-day extension for projects from Round 1 of 2022, and Mr. Sertich seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

7. *Agenda Item:* **Request to Waive the Maximum Bond Allocation Amount ($75,000,000) for Qualified Residential Rental Projects (Cal. Code Regs., §5232)**– *(Action Item)*
   Presented by: D.C. Navarrette

Mr. Navarrette said CDLAC regulation, California Code of Regulations, title 4, section 5232(a), limits the bond allocation to no more than $75,000,000 for any proposed Qualified Residential Rental Project during a Competitive Application Process. The regulations further state: "The Committee may waive the maximum allocation amount if the Committee determines that the demand for allocation for QRRPs is such that the maximum allocation amount is not warranted. An Applicant requesting an Allocation in excess of seventy-five million dollars ($75,000,000) may seek a waiver from the Committee based on the following factors:

> (1) The Qualified Residential Rental Project qualifies as an At-Risk Project [as defined in California Code of Regulations, title 4, section 5170]; or
> (2) Documentation is provided in the Application indicating why a QRRP cannot be developed in phases at a $75,000,000 level."

Mr. Navarrette introduced four projects requesting a waiver:

Project 1: 730 Stanyan (CA-22-574) – This project applied on August 9, 2022 for the November 30, 2022 allocation meeting and requested $81,104,569. This project is in San Francisco in the Bay Area region.

Project 2: Middlefield Junction (CA-22-577) – This project applied on August 9, 2022 for the November 30, 2022 allocation meeting and requested $80,380,295. This project is in Redwood City in the Bay Area region.

Project 3: Azuriik (CA-22-596) – This project applied on August 9, 2022 for the November 30, 2022 allocation meeting and requested $97,246,474. This project is in National City in the Coastal region.

Project 4: 515 Pioneer Drive (CA-22-660) – This project's original $74,970,489 allocation was awarded at the June 15, 2022 meeting, and they are requesting a supplemental allocation of $7,497,049, for a total of $82,467,538. This project is in Glendale in the Balance of Los Angeles County region.

Chairperson Ma requested confirmation that if these waivers are granted, it will not take away allocation from any other projects. Mr. Navarrette confirmed.

Mr. Sertich supported granting these waivers, especially with the change in the scoring system to incentivize efficiency. One of the reasons the Committee did not want large projects in the past was because the scoring system did not take efficiency into account as much.

MOTION: Mr. Sertich motioned to approve the waivers for all four projects (Resolutions 22-007, 22-008, 22-009, and 22-010), and Ms. Miller seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

8. *Agenda Item:* **Request for Supplemental Bond Allocation Above the Executive Director's Authority (Cal. Code Regs., §5240)** – *(Action Item)*
   Presented by: D.C. Navarrette

Mr. Navarrette said pursuant to California Code of Regulations, title 4, section 5240(a), requests for Supplemental Allocations for Qualified Residential Rental Projects may be submitted to the California Debt Limit Allocation Committee during any Allocation Round throughout the year. Staff is required to review each request for Supplemental Allocation and make a recommendation to CDLAC regarding any possible award of additional Allocation. California Code of Regulations, title 4, section 5240(b) grants delegated authority to the CDLAC Executive Director to award Supplemental Allocation to projects where the total supplemental request are no more than 10% of the project's original allocation and no more than 52% of the aggregate depreciable basis plus land basis.

Mr. Navarrette introduced six projects requesting supplemental bond allocation above the Executive Director's Authority:

Project 1: Maison's Palmdale Apartments (CA-22-544) – This project was allocated $17,513,929 on September 16, 2020. They requested a supplemental allocation of $3,800,000. This exceeds the Committee approved allocation at 21.7% of the original request and 53% of the aggregate depreciable basis. The project is in Palmdale in the Balance of Los Angeles County region.

Project 2: Brentwood Crossings (CA-22-639) – This project was allocated $12,200,000 on April 28, 2021. They requested a supplemental allocation of $4,500,000, which is 36.89% of the original request and 53% of the aggregate depreciable basis. The project is in Bakersfield in the Inland region.

Project 3: Villa St. Joseph (CA-22-646) – This project was allocated $15,525,000 on December 8, 2021. They requested a supplemental allocation of $2,428,275, which is 15.64% of the original allocation and 52% of the aggregate depreciable basis. The project is in Orange in the Coastal region.

Project 4: North Harbor Village (CA-22-661) – This project was allocated $19,000,000 on September 16, 2020. They requested a supplemental allocation of $4,284,275, which is 22.55% of the original allocation and 52% of the aggregate depreciable basis. The project is in Santa Ana in the Coastal region.

Project 5: Mirasol Village Block D (CA-22-664) – This project was allocated $30,757,773 on June 15, 2022. They requested a supplemental allocation of $3,192,227, which is 10.38% of the original allocation and 53% of the aggregate depreciable basis. The project is in Sacramento in the Northern region.

Project 6: 2400 Willow Pass (CA-22-675) – This project was allocated $52,800,000 on June 15, 2022. They requested a supplemental allocation of $5,280,000, which is 10% of the original allocation and 54.47% of the aggregate depreciable basis. The project is in Concord in the Bay Area region.

Mr. Sertich said the reason supplemental allocations are granted through the over-the-counter process is to make sure projects can meet the 50% test and maximize their federal 4% tax credits. He questioned why the first two projects and the last two projects requested more than 52% of the aggregate depreciable basis. The last two projects specifically could have gone through the over-the-counter process if they only requested 52%. He would like to hear from the developers of the four projects requesting more than 52% of their aggregate depreciable basis.

Daniel Falcon from McCormack Baron Salazar, Inc. spoke on behalf of Mirasol Village. Their tax credit investor requested more cushion to account for any changes in the marketplace that may occur. With interest rates rising, they were not sure what the final implications would be by the time they were ready to close. They did not want to be slightly over 52% and then end up needing extensions or modifications, so the request for 53% was intended to provide a cushion to meet the requirements of their tax credit investor.

Mr. Sertich said he understands Mr. Falcon's response, but he is not fully on board. The Committee wants supplemental requests to come in after all costs are locked in. It is not helpful to staff or the Committee to keep receiving requests for increases.

Ross Ferrera, Vice President of Housing for Willow Pass, said when they submitted their application, they did not have updated construction figures from their general contractor due to a delay. The project had significant cost pressures, and they were hoping to get redesigns approved by the city which would reduce some items that were previously approved. Those changes were denied, and the project now has updated cost figures and can submit an updated application for less than 52%.

Mr. Sertich said he understands applicants' reasoning for submitting applications for supplemental allocations as soon as possible for fear of the funds running out, but there are plenty of funds reserved to fulfill all supplemental allocations at least at the 10% level. He is comfortable providing exactly the amount needed, as opposed to excess that may not be used. He proposed awarding 52% of the eligible basis in supplemental allocations for all these projects, which would save about $5,000,000 overall in supplemental allocations. The last two projects, which applied for supplemental allocations before their costs were nailed down, would not have had to come to the Committee for their supplemental awards if they limited their requests to 52% of their anticipated costs. He expressed hesitation to approve the requests over 52%.

Ms. Miller asked Ms. Robles to clarify what she already approved. Ms. Robles said 60 applications were received for a total of about $115,000,000 and she approved most of them. These six applications being presented to the Committee requested more than she was authorized to approve.

Mr. Sertich requested clarification that all six projects are from 2022 and have not begun construction yet. Ms. Robles confirmed.

Ms. Miller said returning an allocation is a complicated process, and she is concerned that if the Committee does not approve the supplemental allocations, the projects will not move forward. Mr. Sertich agreed it does not make sense for the projects to return their allocations, but he recommends only approving up to 52% of the eligible basis. There is a middle ground between approving the requests as presented to the Committee and asking them to return their allocations.

Ms. Ferguson asked if these projects were presented to the Committee for approval because they are over the 10% supplemental allocation limit or the 52% eligible basis limit. Ms. Robles said they are over both limits. Ms. Ferguson said since there are two separate issues, the Committee can approve the requests above the 10% supplemental allocation limit, but only up to 52% of their eligible basis.

Mr. Sertich expressed concern about the project requesting nearly 37% of their original allocation (Brentwood Crossings) because it is a very large request. Although costs increased, it is a big change from their original plans. Ms. Ferguson said CalHFA has seen 30% increases in hard costs alone, so that request is not surprising.

MOTION: Mr. Sertich motioned to approve the supplemental allocation requests for all six projects above the Executive Director's authority, with the requests exceeding 10% of the original allocation, but limited to 52% of the depreciable basis plus land. Ms. Miller seconded the motion.

Chairperson Ma called for public comments:

Paisley Boney spoke on behalf of Maison's Palmdale. The project is under construction and the units are scheduled for completion between November and the beginning of next year. They requested more than 52% because their tax credit purchase price was only 84.5%. They need the additional credit to fund the rest of the construction, and they deferred all development fees. They cannot wait to come back for another supplemental hearing because the project is almost complete, and they need money right away to pay their vendors. He hopes the project will be completed by February.

Mr. Sertich asked Mr. Boney to explain how the extra 1% they requested will provide more equity to the project. Mr. Boney said it will allow them to sell more tax credits, because tax credits are based on the project's eligible basis, which is based on the amount of bonds they have outstanding. None of the money will be used for construction; they need it to increase their basis so they can sell more tax credits. Mr. Sertich said once they get above 50%, they will get their whole basis as tax credits, so he does not understand how the increase from 52% to 53% increases the basis. Mr. Boney said they need more bonds to have a higher basis from which to sell tax credits.

Ms. Ferguson said the project is trying to fill a gap, and Mr. Boney agreed. Ms. Miller questioned why they need to exceed the limit of 52% plus land. Mr. Boney said the amount requested will satisfy their financial obligation to complete the project. Ms. Ferguson said the difference between 52% and 53% represents a nominal amount of tax credits, and she questioned whether the 1% difference would keep the project from completion. Mr. Boney said they will have less tax credit basis available to sell tax credits, so it will create a shortfall. Ms. Ferguson said the project is trying to fill the gap with tax credits, but the Committee will not allow them to fill their entire gap by increasing their bonds.

Ms. Miller asked if they could fill the gap at 52%. Mr. Boney said there would still be a small gap. Ms. Miller asked if there are any alternatives to fill that gap. Mr. Boney said even at this level, they are contributing their own cash equity to complete the project. Ms. Miller said the whole idea of bonds is leverage, and everybody needs to contribute their own resources.

Mr. Sertich said the goal is to meet the 50% test, and he will not change his motion. The Committee can address one-off issues if they occur. Ms. Ferguson highlighted a timing concern because the project would have to come back to the next meeting in November for additional requests, but they are scheduled to begin completion of construction in November.

Mr. Boney asked the Committee to clarify if they will approve the request over the 10% supplemental allocation limit if it does not exceed 52% of their eligible basis. He expressed concern about the timing and said he does not want to have to come back to the Committee with an additional request. Chairperson Ma confirmed that is correct. Mr. Boney said 52% will be acceptable.

Chairperson Ma closed public comment.

Motion passed unanimously via roll call vote.

9. *Agenda Item:* **Change to Minimum Points Threshold for Preservation and Other Rehabilitation Pools (Cal. Code Regs., §5010) –** *(Action Item)*
   Presented by: D.C. Navarrette

Mr. Navarrette said that on January 19, 2022, the Committee approved a minimum point threshold of 105 points for the New Construction, Rural, and Preservation Pools and a minimum point threshold of 99 points for the Other Rehabilitation Pool for the 2022 program year. In July, CDLAC approved Emergency Regulations in which scoring was adjusted. For the purposes of this item, the most notable adjustment was made to the Affirmatively Furthering Fair Housing section limiting these points to New Construction projects. This change eliminated the opportunity for Preservation and Other Rehab projects to earn these points. As a result, it is necessary to change the minimum points threshold for the Preservation and Other Rehabilitation Pools to account for this adjustment. For Round 2 of 2022, the minimum threshold recommended is 105 points with the exception of the Preservation Pool at 95 points and the Other Rehabilitation Pool is recommended at 89 points.

MOTION: Mr. Sertich motioned to approve staff's recommendation, and Ms. Miller seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote

10. *Agenda Item:* **Disposition of Remaining Allocation** – *Informational*
    Presented by: Nancee Robles

Ms. Robles indicated this informational item is presented to suggest a discussion regarding the expected remaining volume cap after the Qualified Residential Rental Projects are awarded in November 2022. Although this is a competitive round and staff have received 100 applications for the November awards, the lack of state tax credits needed to pair with the bond allocation will result in an excess of volume cap of approximately $700,000,000 from the QRRP pool, not including the supplemental pool.

Ms. Robles said the volume cap was moved from the exempt facilities pool to the QRRP supplemental pool at the June 20, 2022 CDLAC meeting. Staff and stakeholders will benefit from a discussion to anticipate whether volume cap will be restored to the exempt facilities pool and/or the industrial development bond pool so staff can make recommendations for those projects at the November 30, 2022 meeting. Issuers need to prepare for the possibility and submit applications if the pool is reestablished. Staff have received one application for an industrial development bond in the amount of almost $6,000,000 and one application for an exempt facility project in the amount of $60,000,000. These two applicants need to know whether they should continue with their projects or seek financing elsewhere. It is possible that staff will receive more applications, but according to a demand survey, there are no other projects in the pipeline. The purpose of this item is to discuss the possibility of reallocating bonds at the November 30, 2022 meeting.

Chairperson Ma said more exempt facilities projects are probably waiting to apply because there is currently no allocation, but they would apply if bonds were reallocated.

Ms. Ferguson asked how much allocation was moved from the exempt facilities pool to the supplemental pool. Ms. Robles said approximately $173,000,000 was moved. Ms. Ferguson asked if $115,000,000 is expected to remain in the supplemental pool. Ms. Robles clarified that $82,000,000 is expected to remain. Ms. Ferguson asked if the $700,000,000 previously discussed is related to the supplemental pool. Ms. Robles said it is unrelated.

Ms. Ferguson asked if the discussion at hand is whether to take part of the remaining QRRP pool to reestablish the exempt facilities pool. Chairperson Ma confirmed that is the discussion, and the Committee could also put back the $173,000,000 that was moved to the supplemental pool. Ms. Ferguson said that decision was made because of the housing shortage and the state of the market. She asked if the $82,000,000 will remain in the supplemental pool. Ms. Robles confirmed it will remain there until the Committee decides otherwise.

Ms. Miller echoed Ms. Ferguson's comments. She said the Committee needs more specific information about the exempt facilities applications to make the decision to move bonds from housing to exempt facilities. The Committee has spoken to a housing priority, and staff has not presented a full accounting of the exempt facilities requests or the demand survey. There is not enough information to decide on anything other than housing because there has been no compelling evidence of demand.

Ms. Robles said staff received one industrial bond application and one exempt facility application, for $6,000,000 and $60,000,000, respectively. The demand survey was sent out within the last week and showed no additional demand for exempt facilities. Ms. Miller said she would like to have the details of each project in writing and a detailed staff analysis before deciding, because unfortunately many exempt facilities projects have not worked out. The Committee needs a better understanding of the projects and their timelines, because if any of them can be pushed to 2023, maybe the 50% test will be reduced to 25% at that time. Ms. Miller said she has an open mind but this is a premature conversation.

Chairperson Ma asked if CPCFA analyzed the exempt facility project. Ms. Robles said the application was not for a CPCFA project. The applications were not presented because no allocation is available for these projects. Ms. Miller said she would like to see a summary of the applications as a basis for this discussion. Chairperson Ma asked if this could be put back on the agenda for the next meeting on November 30, 2022. Ms. Robles said this will be a moot point in November. Ms. Miller said it was put on the agenda as an informational item today. Chairperson Ma said the Committee cannot decide on an informational item. Ms. Miller asked why it will be a moot point in November.

Ms. Robles said the projects need to know whether to move forward with requesting allocations in November. Ms. Miller said as of now, the only direction from the Committee is that housing is a priority, and the Committee is unable to give additional direction on this informational item. Chairperson Ma asked if it could be brought back in October. Ms. Robles said there is no meeting scheduled in October.

Ms. Ferguson asked if staff made a recommendation to reallocate funds. Ms. Robles said no, this is not an action item; it is a discussion so the stakeholders know where they stand and can determine if they need to seek funding elsewhere. Ms. Miller said a discussion is not enough of a direction for an applicant to be able to move forward with an application, and if the applicants and/or staff need direction by November, the Committee should have an October meeting with a complete analysis presented. There will always be applications without a resolution since there is not enough allocation. She expressed hope that the federal government will reduce the 50% test to 25%.

Chairperson Ma said staff should stay the course, and if necessary, schedule another meeting in October to discuss this further.

Ms. Ferguson asked if the remaining $700,000,000 will remain allocated to QRRP projects and be carried forward. Ms. Robles confirmed that is correct.

Chairperson Ma called for public comments:

Joanna Ladd, Associate Director of Housing Development for Chinatown Community Development Center (CCDC) in San Francisco, said she hopes the Committee will allow the $700,000,000 to roll over to Round 1 next year. CCDC does not have any projects applying in Round 1, but there are 49 projects not projected to get funding in the current round, which is over 5000 affordable apartments, and bonds need to roll over to match the availability of state tax credits in the next round in order to have fewer stalled projects.

Alexis Lang from Lang Companies said she hopes part of the $700,000,000 will go toward housing. She asked the Committee to consider allocating bonds to projects that applied in Round 2 with state tax credits but can now confirm they can close without state credits, so they can close within 180 days after the next Committee meeting. With interest rates and construction costs rising, she has heard from other developers that they will commit to finding a way to close their projects without state tax credits in order to start construction as soon as possible.

Nevada Merriman, Policy Director at MidPen Housing, echoed Joanna Ladd's comments and said the competitive bond process is unpredictable, but her organization has an interest in making sure the 45 cities and counties they work with can see predictability in the housing system overall. She would like to see the bonds roll over because there will be a large demand at the beginning of next year.

Mark Stivers from the California Housing Partnership said he appreciates the Committee keeping the focus on housing bonds in the QRRP and supplemental pools. He expressed confidence that those bonds will be needed for housing next year. Not only will more state tax credits be coming next year, but the HCD Super NOFA projects will be awarded in December, and many of them are expected to apply for bonds in Round 1. As discussed in previous January allocation rounds, when bonds are put into affordable rental housing, they generate 4% Low Income Housing Tax Credits equivalent to 80 cents in federal equity per dollar in bonds. There is no other use of the state's bond cap that generates that type of return. Leaving bonds on the table means passing up free federal resources.

J.T. Harrechmak from Non-Profit Housing Association of Northern California asked the Committee to consider keeping the bonds in housing. The infrastructure has done quite well in recent state and federal budgets, and housing is still fighting for funding.

Michelle Stephens from the California Enterprise Development Authority asked the Committee to schedule a meeting in October to further discuss this issue. CEDA is applying for an industrial development bond, and an allocation in November would allow the project to move forward. She said she recognizes the housing crisis in California, but quality manufacturing jobs also benefit communities. Their project is in a rural area which has not recovered evenly since the pandemic. She asked the Committee to set aside allocation at the beginning of the year for small issuances because it is very difficult to fight for a project once it is ready to go, and it takes a fair amount of lead time to apply for an allocation.

Chairperson Ma closed public comment.

Ms. Miller said this is a hard situation with such limited allocation and she agrees that exempt facilities should be taken care of eventually, but it is hard at the end of the year.

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

No public comment.

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

The meeting was adjourned at 10:18 a.m.