California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

February 1, 2023

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 9:02 a.m. with the following Committee members present:

Voting Members:	Fiona Ma, CPA, State Treasurer State Controller Malia M. Cohen Gayle Miller for Governor Gavin Newsom
Advisory Members:	Anthony Sertich for Department of Housing and Community Development (HCD) Director Gustavo Velasquez Kate Ferguson for Tiena Johnson Hall, Executive Director for the California Housing Finance Agency (CalHFA)

2. *Agenda Item:* **Approval of the January 18, 2023 Minutes –** *(Action Item)*

MOTION: Ms. Miller motioned to approve the minutes of the January 18, 2023 meeting, and Ms. Cohen 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 had nothing to report today.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Adoption of Carryforward Priorities (Cal. Code Regs., tit. 4, § 5133) –** *(Action Item)*
   Presented by: Emily Burgos

Ms. Burgos said this item is being presented to the Committee with some changes from the last meeting. There was roughly $825 million in QRRP carryforward last year, and the Committee must decide how it should be allocated. Staff recommends adding the carryforward to the total amount of allocation available for all QRRP projects this year and distributing it based on the priority percentages in Agenda Item 5.

Ms. Cohen asked what the net effect of this adjustment would be.

Ms. Burgos stated the carryforward would be spread across all pools and set asides. Staff's previous recommendation would have heavily weighted the carryforward toward supplemental allocations, Homeless, Extremely Low-Income/Very Low-Income (ELI/VLI), and then the Mixed-Income Program (MIP). Exhibit A shows the order in which projects are sorted and awarded. Per the original proposal, carryforward would have first been applied to supplemental awards, then to the Homeless pool, and finally to the ELI/VLI pool. The carryforward would most likely have been exhausted between the Homeless and ELI/VLI pools, resulting in the carryforward being applied mostly to those two pools.

Staff's current recommendation is to add the carryforward to the total amount of allocation available for the year and distribute it by percentage to all the pools, set asides, and geographic apportionments. If the Committee wishes to adjust its carryforward priorities, the percentages can be adjusted on Exhibit A. The Committee has recently attempted to be more intentional and specific regarding carryforward allocation. Previously, carryforward was allocated to the highest ranked project for that issuer, which was problematic because sometimes an issuer's highest ranked project was in a particular region, so that region received a disproportionate amount of carryforward. In July 2022, the Committee changed the carryforward priorities to be more focused and designated specific pools for the application of carryforward. Staff's current recommendation moves further in that direction so the Committee can be precise regarding the net effect of the carryforward. This recommendation also reduces ambiguity as it allows staff to determine exactly where carryforward will be applied.

Ms. Miller said this is the most carryforward the Committee has ever had, due to the recent problems in the market such as higher interest rates, higher costs, and state tax credits not providing enough capital to make projects feasible. In the past, the application of carryforward was not so transparent. This recommendation will enable the Committee to clearly outline its priorities and gives the Committee more flexibility. There are federal limits on the amount of tax credits available, and every project must have at least 50% tax-exempt financing to be considered an affordable housing project with a rent cap. The carryforward has become more important because of these limits and was hard to predict in the past. Per the previous demand survey results, the highest demand has been for ELI/VLI projects.

Ms. Cohen asked if staff's recommendation is controversial or if it is universally supported by stakeholders.

Ms. Burgos said she cannot speak for stakeholders, but she has received positive feedback regarding this recommendation. Opinions differ on the percentage distributions, but most feedback has been supportive of the transparency of Exhibit A. This is an improvement over the last recommendation, which was less transparent.

Chairperson Ma explained that at the last meeting, staff recommended applying a disproportionate amount of the carryforward to just a couple of pools. Public comments at the last meeting indicated geographic regions would not have had an opportunity to receive any carryforward based on that recommendation, including rural communities and tribes. The new recommendation will more fairly distribute the carryforward.

Ms. Burgos said staff received approximately five comments from members of the development community after the last meeting. Although their suggestions varied, they were mostly in support of staff's current recommendation.

Chairperson Ma called for public comments:

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development expressed support for this recommendation because it is a good use of carryforward and will spread resources among the Committee's existing priorities.

William Leach from Kingdom Development said staff's recommendation will give developers more assurance of where the carryforward will be allocated and direct their priorities accordingly. This will add predictability as well as transparency.

Chairperson Ma closed public comments.

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

Motion passed unanimously via roll call vote.

5. *Agenda Item:* **Resolution No. 23-004, Adoption of the State Ceiling Pools, Application Process, and the Dates and Deadlines to Submit Applications for each Allocation Round (Cal. Code Regs., tit. 4, §§ 5010 (a) - (b), 5020, 5021, 5030)** – *(Action Item)*
Presented by: Emily Burgos

Ms. Burgos indicated this resolution accomplishes three things: first, it establishes a competitive year for the bond allocations; second, it establishes deadlines for the application rounds; and third, it approves Exhibit A. Staff made one small change to Exhibit A after the last meeting. Because Agenda Item 4 was approved, the carryforward has been added to the total amount of allocation available for QRRP projects. Staff's recommendation is similar to the recommendation approved last year; 40% of the available QRRP allocation will be applied to the geographic regions, 56% will be applied to non-geographic regions, and 4% will be reserved for supplemental allocations. The recommended amount reserved for supplemental allocations has increased by 1% since the last meeting, where staff recommended reserving 3% for that pool. This has been increased since staff is no longer relying on carryforward first being applied to the supplemental pool. Staff still recommends allocating $600 million to Other Exempt Facilities among three rounds and $30 million to Industrial Development between two rounds.

Mr. Sertich said that given the additional bonds and carryforward this year, it is important for the Committee to ensure they are maximizing federal contributions as the housing market stabilizes. He supports staff's recommendation.

Chairperson Ma called for public comments:

Darren Bobrowsky from USA Properties Fund thanked Ms. Burgos for addressing his comments after the last meeting. As he stated at the last meeting, most of the carryforward was from the geographic regions. 75% of the carryforward from the third round was from the geographic regions. He asked the Committee to consider allocating 75% of the carryforward to the geographic regions instead of evenly distributing it between the geographic and non-geographic pools. This would enable the geographic regions to obtain state tax credits. He expects state tax credits will be the determining factor for projects receiving funding. All projects except for Other Rehab and Rural can compete in the geographic regions. Even if an ELI/VLI project is not funded in the non-geographic pool, it can still compete in the geographic regions.
Mr. Bobrowsky suggested the Committee consider making accommodations to the development community to increase the Other Rehab pool for the third round if there are state credits remaining after

the first round. He expects the state credits will run out, and there will be a significant amount of unused bond cap. The development community will need sufficient time to prepare projects for the third round, but he expects there will be an opportunity to fund Other Rehab projects. His company does not plan to submit any of those projects, but he is thinking of ways to use any remaining bond cap to fund more projects. An indication from the Committee after the first round regarding the remainder of the year would be helpful.

Caleb Smith from the City of Oakland Department of Housing and Community Development urged the Committee to allocate bonds to multifamily affordable housing rather than Exempt Facilities or Industrial Development. When bonds are used to fund affordable housing, they unlock Low-Income Housing Tax Credits. Every dollar allocated toward affordable housing generates between 81 and 95 cents in federal tax credits. Based on the amount of bonds proposed to be allocated to non-housing projects, the Committee will leave $300-400 million in federal investment in affordable housing on the table. This is unfortunate, considering the other challenges of securing more investment for affordable housing in the state budget. The City of Oakland understands there are several competing priorities; they have solid waste facilities in the process of relocating within the city and they are familiar with the need to invest in non-housing projects. However, as a city government, they believe tax-exempt bonds present a unique opportunity to fund affordable housing and leverage the federal investment.

Mr. Smith asked the Committee to strongly consider allocating bonds to multifamily affordable housing first. Although there were several projects in the last round that were unable to move forward when they did not receive the state tax credits they were relying on, the environment is changing. Some of the City of Oakland's projects are structured assuming they will receive state tax credits, but there are ways for local governments to adapt their local investments in affordable housing if the tax credits are unavailable. He said additional time is needed to get a sense of the new environment and anticipates more projects without state tax credits, or with fewer state tax credits, will be submitted to CDLAC. This should address some of the issues the Committee encountered with affordable housing last year.

Gurbax Sahota, President and CEO of the California Association for Local Economic Development (CALED) said her organization represents over 800 economic developers across the state, including 300 jurisdictions, cities and counties of all sizes, state and federal staff, non-profits, and private sector companies who are working hard to sustain and grow the economy. CALED supports staff's recommendation to allocate $30 million for Industrial Development Bonds (IDBs). Manufacturing is a critical driver of the economy, as evidenced by the emphasis placed on reshoring and the CHIPS and Science Act at the federal level, as well as the support in the Governor's recent budget proposal. IDBs help small manufacturers purchase equipment and land so they can grow in California and create good paying jobs. Good paying jobs enable Californians to afford housing. Ms. Sahota thanked the Committee for their balanced approach and understanding that financing is needed not just to build homes, but also to support pathways to housing affordability by giving residents the opportunity and individual dignity of having a job that allows them to support themselves and their families and pay for their homes. She urged the Committee to support staff's recommendation of the $30 million allocation to IDBs.

Emily Ware from Operative Office agreed with Mr. Bobrowsky's previous comment that most of the carryforward came from geographic regions. She asked why there is such a disproportionate division between the 56% allocated to non-geographic pools and 40% for geographic regions. She asked if there could be a more even distribution, such as 50%/50%, to ensure set asides are funded while also distributing resources fairly across the state. As Mr. Bobrowsky said previously, projects can still apply in geographic regions if they are not awarded in other pools. This would give geographic regions a better chance of receiving state tax credits, unlike the last round.

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development agreed with Caleb Smith's assessment that not allocating bonds to QRRP projects leaves a lot of federal investment on the table. While tax-exempt bonds provide a valuable subsidy to Industrial Development and Exempt Facilities projects, the value of that subsidy is significantly less compared to investing those bonds in affordable housing. Industrial Development and Exempt Facilities projects only receive tax-exempt financing with no tax credits, making the bonds between 1/10th and 1/20th as valuable. This is a bad use of federal resources. Mr. Wilcox understands the Committee's many priorities, yet feels they could be better stewards of federal funds. Otherwise, the City of Oakland supports staff's allocation recommendations.

Mark Stivers from the California Housing Partnership said his organization would love to see more bonds in the QRRP pool, and they have submitted ideas to the Committee in the past about how to continue economic development while simultaneously shifting more bonds into housing. However, he believes staff's recommendations are reasonable and the Committee should support them. Additionally, he disagrees with the previous comments from Mr. Bobrowsky and Ms. Ware regarding shifting more bonds away from set asides and into the geographic regions. The set asides are designed to fund the highest-priority projects identified by the Committee, including projects that address homelessness, for which there are not enough solutions, and ELI/VLI projects, which serve families who earn less than 50% AMI. According to the California Housing Partnership's studies, ELI/VLI projects address the greatest need by far because those individuals are paying much more than the anticipated 30% of their income for rent.

Mr. Stivers supports keeping the bonds in the higher priority set asides. Since the Committee just adopted a change to the carryforward policy, Homeless and ELI/VLI projects will not benefit as much as they have in the past. Also, per the proposed allocations, the entire amount of the Supplemental Pool will come from the set asides; none of it will be taken from the geographic regions. This is a shift of resources from Homeless and ELI/VLI projects to the geographic regions. If state tax credits present a problem, as Mr. Bobrowsky asserted previously, that issue can be discussed at future CTCAC meetings. Staff's recommendations are reasonable and consistent with what the Committee has done in previous years.

Michelle Stevens from the California Enterprise Development Authority (CEDA) expressed support for staff's recommendation of $30 million being allocated to Industrial Development Bonds. As she stated at the last Committee meeting, the IDB program supports manufacturers throughout the state. CEDA has submitted an application for a $5.6 million allocation for a rural manufacturer in Lincoln. That manufacturer employs 234 people, making it the largest employer in Lincoln. It is important to recognize the impact of these type of manufacturers throughout the state, both in large cities and rural communities, where they might be one of the main support systems for residents. As Ms. Sahota mentioned previously, manufacturing jobs pay well and provide an opportunity for individuals to move into the middle class and afford homes. Ms. Stevens expressed appreciation for the Committee's balanced approach to the bond allocations and urged them to support staff's recommendation.

Ms. Cohen asked what products are manufactured by the Lincoln facility.

Ms. Stevens said the facility is a family-owned coffee manufacturer which has been operating in Lincoln for at least 20 years. Because the company is a homegrown California business, they have been unable to take advantage of the California Competes Tax Credit (CCTC).

Chairperson Ma said the CCTC is generally available to businesses relocating to California or expanding their business in the state. IDBs are utilized by family-owned businesses already in California. She asked Ms. Stevens what kinds of manufacturing companies can apply for IDBs.

Ms. Stevens said any manufacturer can be eligible. In the past, CEDA issued bonds for food processors and a woodworking company. Any business that creates an item can benefit from IDBs.

Ms. Burgos said IDBs have become a product for extremely small manufacturers due to the limits on bond amounts and expenditures. These projects tend to be very small manufacturers in small communities with high numbers of employees.

Chairperson Ma asked if there is a requirement for these manufacturers to employ a certain number of people, be in a certain zip code, or qualify based on revenue.

Ms. Burgos replied no; the bond allocation can be no more than $10 million and the project can have no more than $20 million of expenditures within a certain period. Those limits were created in the mid-1980s and were never adjusted for inflation. As a result, larger projects cannot qualify. The rules are restrictive, and most medium-sized manufacturers will exceed $20 million in expenditures in 5 years.

Ms. Stevens said there is interest at the federal level in changing the IDB limits. There is federal legislation being followed by the Governor's Office of Business and Economic Development which would potentially increase the limits.

Ms. Burgos read a comment in the Teams chat from Fariba Khoie at the California Infrastructure and Economic Development Bank (IBank) clarifying that the total expenditure period for IDBs is 6 years – 3 years prior to the bond issuance, and 3 years after bond issuance.

Chairperson Ma said this is exciting because CDLAC has not had an allocation for IDBs and in the past 4 years the Committee has not discussed them. Mom and Pop manufacturing companies in various districts would likely be interested in this funding.

Chairperson Ma closed public comments. She asked Ms. Burgos to address some of the public comments.

In response to Mr. Bobrowsky's and Ms. Ware's comments, Ms. Burgos said staff recommended roughly a 60%/40% distribution between the non-geographic and geographic pools based on how the Committee has been leaning for the past 2 years. Mr. Bobrowsky's assertion that the majority of the $825 million in carryforward came from the geographic regions is correct; approximately $625 million came from the geographic regions. Staff's current recommendation would return approximately $300 million to the geographic regions. Staff attempted to be transparent and find a balance between what the Committee did previously and the Committee's current priorities.

Chairperson Ma asked Ms. Burgos to clarify if the supplemental allocations will be approved in the first round.

Ms. Burgos indicated supplemental allocations will be approved on an ongoing basis. The Interim Executive Director has the delegated authority to approve supplemental allocations below 10% of the original bond allocation and below 52% of the project's eligible basis plus land. Staff has already received at least 11 applications for supplemental allocations that are under Ms. Robles's delegated authority and will be approved later today if the supplemental allocation pool is funded by the Committee. Two projects requesting supplemental allocations over Ms. Robles's delegated authority will be presented to the Committee today for approval if the supplemental pool is funded.

Chairperson Ma asked how staff will handle any additional supplemental allocation requests.

Ms. Burgos said the process is off-the-shelf on a first come, first served basis. Staff will continue to apprise the Committee on the balance of the supplemental pool. Hopefully, no additional allocation will be needed, but if there is a need, staff may present another recommendation to the Committee.

Chairperson Ma stated allocation could be moved to the supplemental allocation pool if needed.

Last year, the Committee moved $175 million in unused bonds from the Other Exempt Facilities Pool into housing. She recommends keeping the allocation in Other Exempt Facilities, and if market conditions improve, the Committee has the option to move it to housing.

Chairperson Ma asked staff to respond to the public comment regarding Other Rehab projects applying for tax credits remaining at the end of the year. At least one Other Rehab project applied at the end of last year to use remaining credits. She asked if staff has considered what will happen if a similar situation occurs this year.

Ms. Robles said a Committee decision will be required to reallocate. Staff will know more after the second round.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-004, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

Ms. Miller thanked the CDLAC/CTCAC team for their work.

Chairperson Ma thanked the stakeholders for being amendable and working together on this issue.

6. *Agenda Item:* **Resolution Nos. 23-005, 23-006, Supplemental Bond Allocation Request Above the Executive Director's Authority (Cal. Code Regs., tit. 4, § 5240)** – *(Action Item)*
   Presented by: DC Navarrette

Mr. Navarrette introduced the first of two supplemental requests above the Interim Executive Director's delegated authority, 803 E. 5th Street (CA-23-401). This project previously received an allocation of $28 million on April 28, 2021. The project is now requesting an additional $6.9 million supplemental allocation, which is 24.64% of the approved allocation. However, it is within the 52% limit. The project is in Los Angeles and consists of 94 special needs units. The applicant is the City of Los Angeles, and the developer is the Coalition for Responsible Community Development (CRCD).

Chairperson Ma invited the applicant and developer to speak on behalf of the project.

Elizabeth Selby, Director of Finance and Development for the City of Los Angeles, said 803 E. 5th Street is an adaptive reuse project consisting of two 3-story structures and one 7-story structure for a total of 94 special needs units at 30% AMI and one manager's unit. Three significant issues have impacted the project: additional environmental remediation because of the presence of asbestos and lead-based paint, increased labor and material costs, and required changes to the structural foundation. Total development costs have increased by $13 million. The original total development cost was $61.8 million, and the new proposed cost is almost $75 million, resulting in a per-unit cost of $788,000. The original bond allocation was $28 million, and the project is now requesting a supplemental allocation of $6.9 million. Due to the increased costs, the project will not pass the 50% test without a supplemental allocation.

Chairperson Ma asked what will happen if the Committee does not approve the supplemental allocation today.

Ms. Selby said the project will lose tax credits if it does not pass the 50% test, which will result in project failure.

Alejandro Martinez, President of CRCD Partners, said this is a wonderful project with a long history. It was originally proposed as a condo project in the Skid Row area of Los Angeles. The community, along with the City of Los Angeles Mayor's Office, had concerns about whether a condo project in Skid Row was appropriate. The community successfully rallied against it, and the building sat vacant. Years later, CRCD was approached by the broker to purchase the building. It represented a unique opportunity to improve an entire block. When CRCD's conversation with the broker began initially, the Skid Row homeless community had not fully moved into this area, but since the COVID-19 pandemic, the homeless population in the area has exploded. This project will house transitional aged youth exiting the foster care system, veterans, and homeless adults. CRCD is a supportive services provider and is partnering with the Avenue Foundation on this project. The project is an historic adaptive reuse project comprised of 3 buildings built in different areas. As soon as the rehabilitation started, additional repairs and structural issues were found. This project has faced a lot of challenges due to the nature of the project as well as the pandemic, interest rate hikes, and construction and labor cost increases. Although the project was heavily impacted by outside factors, Mr. Martinez would still choose to do this project again because it is desperately needed and will transform the neighborhood.

Chairperson Ma called for public comments:
None.
Ms. Miller said the Committee has tried to be consistent and will support the supplemental allocation up to 52% of the project's eligible basis plus land, but the Committee will not support a supplemental allocation over that amount and Mr. Sertich clarified that this project is only requesting 52% of its eligible basis plus land.

Ms. Miller said she will support this supplemental allocation.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-005, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

Chairperson Ma invited Ms. Selby to speak on behalf of the second project requesting a supplemental allocation above the Interim Executive Director's delegated authority, La Guadalupe (CA-23-408).

Ms. Selby said this project is requesting a second supplemental allocation in the amount of $3.58 million. La Guadalupe is a mixed-use project which will yield a total of 44 units, including 43 permanent supportive housing units and one manager's unit. It is a 5-story building with a level of subterranean parking. The project will house individuals and families experiencing homelessness and chronic homelessness. The unit mix will be comprised of studios, 1-bedroom units, and five 2-bedroom units for families. The total development cost of the project has increased from $28 million in 2021 to $36 million currently. The project already received a $13.4 million allocation from CDLAC in December 2020 and a $1.9 million supplemental allocation in June 2022.

Ms. Selby explained that this project is located on a brownfield site which had contaminated soil. The City of Los Angeles completed remediation and was issued a closure letter, but once grading and excavation began, they encountered additional contaminated soil which required more remediation. Therefore, the project has encountered some unforeseeable delays. In addition to the supplemental allocation, the project is requesting that the allocation expiration date be no later than 120 days because of the city's approval process for the first supplemental allocation. Those funds are being held until the project receives a second supplemental allocation. Additionally, the project is requesting an extension of the first supplemental allocation's expiration date to match the expiration date of the second supplemental allocation so the bonds can close concurrently. The extension is also needed to allow sufficient time to reissue the original $13.4 million allocation.

Vanessa Delgado from Azure Development explained the history of La Guadalupe. Ms. Delgado grew up in Boyle Heights, where the project is located. The project is named after her grandmother. Azure Development is one of the only Latina-owned development firms in the nation. La Guadalupe was the company's first project in 2016. Ms. Delgado knew upfront that the project would be difficult because the site had been vacant for over a decade. However, she felt this was the type of project she should be building as a Latina developer. Azure Development was awarded the project in 2017, and problems began immediately. A Councilmember had personally given the project to another developer, so the project was delayed until 2018, after the Councilmember was indicted. At that point, Ms. Delgado was unsure how to proceed with financing the project, so she opened 5 personal credit cards to charge the planning entitlements. The entitlements were secured, and Azure Development partnered with Many Mansions to help secure all the financing for the project. Six years later, in February 2022, the project closed and broke ground. Three weeks after the groundbreaking, they encountered the first piece of contamination. This was surprising because the city had spent over $1 million on remediation and received a "no further action" notice. More contamination was found, and remediation was finally finished in December 2022.

Ms. Delgado recognizes her request is out of the ordinary and she does not take that lightly. Without the Committee's support and special considerations, these types of projects would be impossible. This project will provide permanent supportive housing in a community of color, across from the Gold Line, in an underserved area. It is led by a BIPOC developer, but until this project is completed, they will not qualify as an Emerging Developer under HCD standards. Therefore, they cannot apply for BIPOC-intended funds. CDLAC has set up a process that allows the Committee to consider situations out of the ordinary. Ms. Delgado understands the Committee does not want to set a precedent for making exceptions like this on a continuous basis, but she is asking the Committee to consider the unique circumstances of the project. Nobody could have predicted an additional $1 million worth of contamination after the city received a “no further action” notice, but this is what happens in communities of color. These types of sites get leftover. She is asking for the Committee’s support to finish the project for families who need homes.

Rodney Thompson from Many Mansions said the recent rain in Southern California flooded the subterranean excavation at the site. Because the site was contaminated, the water had to be specially treated. As of last week, the site is finally ready for normal construction to resume. Because the remediation took almost a full year, there were other impacts on the project’s budget. This is the reason for the large supplemental request; it represents a year of general conditions from the general contractor. Additionally, due to the uncertainty of how the schedule would realign, they were never able to complete the buyout phase. Therefore, they could not bring in subcontractors for structural concrete, mechanical, electrical, or plumbing. Pricing for all the subcontractors expired, so the project was unable to lock in pricing early in the year when construction was supposed to begin originally. As a result, there have been huge change orders.

Mr. Thompson explained that the developer voluntarily engaged in a project labor agreement to enrich the job community. They also trusted the training and quality of labor provided by the unions. Unfortunately, due to the small size of the project, there is a small pool of interested bidders, so the developer has limited options to choose from. For example, they received a $1 million change order just for structural concrete. That represents one of many subcontractors the project has only recently been able to buyout. Now that the remediation has been completed, the project can move into a more productive construction phase. The project is requesting this high level of commitment from CLDAC because they are still in the buyout process; they need to exceed the 50% test by a comfortable amount so they have room for that percentage to drop, which Mr. Thompson expects will happen. Additional costs will be incurred as the project completes the buyout process, and those costs will need to be funded by other sources. Although the project is currently requesting approximately 54.52%, that percentage will drop. He is afraid if the project does not request enough allocation now, it will fail the 50% test by the time buyout is complete.

Francisco Lopez, Supervisor of the HHH Unit at the Los Angeles Housing Department, said the second supplemental allocation is critical to this project, but the timing is also critical. An extension for the first supplemental allocation is needed to close concurrently and allow enough time for the bonds to be reissued.

Chairperson Ma called for public comments:
None.

Chairperson Ma said the Committee has been consistent in the past about denying supplemental allocations and basis adjustments based on interest rates, construction costs, logistics backlogs, and labor costs because those issues are predictable. In this case, the contamination and remediation were unpredictable. The developer acquired a site they thought was clean, but then they broke ground and found further contamination. This was an unforeseen circumstance beyond the developer’s control, and it could not have been predicted. Therefore, she supports this resolution to allow completion of the project.

She believes Ms. Delgado and Mr. Thompson are earnest in their commitment to meet the CDLAC and CTCAC requirements and they understand this is a unique request.

Ms. Cohen also expressed support for this resolution. She has experience working with developers dealing with toxic land. She served 8 years in the City and County of San Francisco in the southeastern neighborhood of Hunter's Point and continues to deal with the remediation of the Hunter's Point shipyard. She asked Ms. Delgado which contaminates were found at the site.

Ms. Delgado said there was an unpermitted gas station on the site in the 1960s. The developer knew the site was contaminated since it had been vacant for so long, which often happens in communities of color. The developer received a grant from the Water Board, which delayed the project by about a year. The City of Los Angeles owns the site, and they were very careful with the cleanup. However, brownfield sites are unpredictable because more contamination can be revealed even after it appears to have been resolved. Everyone on the team was surprised to find more contamination after the "no further action" notice was received.

Ms. Delgado feels comfortable asking for the second supplemental allocation. If the developer had not done their due diligence or if they had missed something, they would not have taken a developer fee. However, the additional contamination was a shock.

Ms. Cohen asked Ms. Delgado to explain the remediation strategy.

Ms. Delgado said the remediation was finished before the holidays and the project was able to start the buyout phase. This is how the developer discovered they needed an additional supplemental allocation. Now that they know the costs, construction can probably begin very soon if their supplemental allocation request is approved. Otherwise, the lenders are on hold and are willing to restructure the deal. However, they want assurance that this action is complete before they finish the refinancing of the project.

Ms. Robles clarified that Resolution No. 23-006 incorporates the requested extension and resolves the timing issue, so it is only necessary for the Committee to vote on the single resolution.

Mr. Sertich said Department of Housing and Community Development (HCD) Director Gustavo Velasquez supports this project. However, Mr. Sertich expressed concern about the use of the bonds since the request is over 52% of the eligible basis plus land. It sounds like some costs are still not locked down, which is why the request exceeds 52%. He understands the reason for the request, but he is concerned the entire allocation may not be needed, or the project may need to request another allocation once costs are finalized. He asked for an explanation of the timing of the financing to ensure the project passes the 50% test.

Mr. Thompson said the contractor is due to complete buyout by the end of this week. When the project applied for the supplemental allocation at the end of December, there was still approximately 13% left in the buyout phase. At this point, a lot of that is done. Based on preliminary calculations, if the supplemental allocation request were reduced to 52%, the project would lose about $871,000. Since the beginning of January, toward the end of the buyout phase, the project has received roughly $1 million in change orders. He is confident they will not need to request an additional supplemental allocation and the final percentage will be approximately 50-51%.

Ms. Miller expressed enthusiasm for this project and wished the developers luck, but she will not support this resolution.

MOTION: Ms. Cohen motioned to adopt Resolution No. 23-006, and Chairperson Ma seconded the motion.

AYES: Fiona Ma

Malia M. Cohen

NAY: Gayle Miller

Motion passed via roll call vote.

7. *Agenda Item:* **Calendar Year 2023 CDLAC Meeting Schedule** – *(Informational Item)*
   Presented by: Ricki Hammett

This is an informational item. The CDLAC meeting schedule includes the dates and deadlines to submit applications for each allocation round, as adopted under Resolution No. 23-004, and the proposed award schedule. Additionally, per a previous resolution adopted by the Committee, the Interim Executive Director has delegated authority to alter the meeting schedule as necessary. This new schedule adds a public meeting on March 15, 2023 to award the first round of Other Exempt Facilities and Industrial Development Bond projects, with an application deadline of February 14, 2023. It also adds a second round for Other Exempt Facilities and Industrial Development Bond projects to the meeting already scheduled for May 10, 2023, with an application deadline of March 22, 2023. Additionally, it adds a round of Other Exempt Facilities projects to the meeting already scheduled for July 26, 2023, with an application deadline of May 23, 2023.

Chairperson Ma called for public comments:
None.

8. *Agenda Item:* **Public Comment**

There was no public comment.

9. *Agenda Item:* **Adjournment**

The meeting was adjourned at 10:14 a.m.