



## California Debt Limit Allocation Committee

801 Capitol Mall, Room 141  
Sacramento, CA 95814

March 27, 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 1:32 p.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: Zachary Olmstead 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)

Chairperson Ma reminded the Committee and members of the public that the State Treasurer's Office has moved from the Jesse Unruh building to the Bonderson building at 901 P Street, Sacramento, CA 95814. The next meeting will be held at the Bonderson building, and location information will be published on the meeting agenda.

#### 2. *Agenda Item: Approval of the Minutes of the March 15, 2023 Meeting – (Action Item)*

**MOTION:** Ms. Miller motioned to approve the minutes of the March 15, 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: Delegation of Authority to the Executive Director to Extend Bond Allocation Issuance Deadlines and Take Necessary Action for Projects Impacted by Bank Closures (Cal. Code Regs., tit. 4, §5081) – (Action Item)* *Presented by: Ricki Hammett*

Ms. Hammett said the purpose of this item is to delegate authority to the Interim Executive Director to grant extensions for bond allocation issuance deadlines and take necessary action for projects impacted by bank closures. This refers to Section 5081 of the CDLAC regulations. Silicon Valley Bank (SVB) recently closed, in addition to another bank, and there could potentially be more bank closures. Staff recommends the Committee grant authority to the Interim Executive Director to extend bond allocation issuance deadlines and take legally allowed remedies to assist projects funded by these banks.



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Ms. Miller thanked staff for offering this assistance and asked developers of impacted projects to reach out to the agencies they are working with for financing (CDLAC, CTCAC, CalHFA, HCD, etc.) as quickly as possible to ensure issues are addressed. The Committee has already authorized supplemental allocations and is committed to building as much housing without disruption as possible.

Chairperson Ma called for public comments:

Mark Stivers from California Housing Partnership (CHP) thanked the Committee for being flexible on this issue as it is much needed in these tumultuous times. However, he hoped the language in the resolution would refer to “impacts” as opposed to “direct impacts.” CHP had a project with a bond secured by a line of credit with SVB, and that bond commitment was rescinded at the last minute. Later, after SVB got an infusion of \$30 million, the commitment was reinstated, and the project was able to move forward. Many collateral impacts can occur, which may not be directly related to the bank. Mr. Stivers asked the Committee to remove the word “directly” from the resolution. Additionally, he asked the Committee to remove the language specifically referring to FDIC bank closures, since there are other bank regulators, such as the Office of the Comptroller of the Currency and the Federal Reserve, which could also be impacted. Finally, he asked the Committee to consider actual or threatened bank closures. For example, First Republic Bank has had significant issues but has not closed. Mr. Stivers is confident Ms. Robles will use her discretion wisely, but broader language would prevent the Committee from having to revisit this issue if nuances not covered by the resolution were discovered.

Ms. Robles thanked Mr. Stivers for his comments and clarified the resolution gives her much broader authority than just direct FDIC bank closures. It was written to incorporate unanticipated circumstances, but it can be changed at the Committee’s discretion.

Chairperson Ma closed public comments.

Chairperson Ma explained the State Treasurer’s Office has a Time Deposit Program which puts approximately \$5 billion into banks headquartered in California. Some smaller banks have asked about that program. It works similarly to a line of credit for banks to ensure they have enough cash in their portfolio. The State Treasurer’s Office will put out a press release this week about the parameters of the program for banks wishing to participate.

Ms. Miller asked Ms. Robles to report back to the Committee if this resolution does not give her the flexibility needed because the Committee’s intent is to provide maximum flexibility.

**MOTION:** Ms. Miller motioned to adopt Resolution No. 23-016, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

4. ***Agenda Item: Resolution No. 23-015, Reduction in the Tiebreaker Calculation for Qualified Residential Rental Projects Awarded Supplemental Allocation Where the Original Allocation was Awarded in Round 2 of 2022 or Later (Cal. Code Regs., tit. 4 §5240) – (Action Item)***  
*Presented by: Emily Burgos*



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Ms. Burgos reminded the Committee this item was presented at the last meeting and was originally drafted prior to the SVB closure. In light of that uncertainty and after receiving feedback from the Committee, staff is presenting an alternate solution to the tiebreaker reduction for sponsors who request supplemental allocations. Last July, the Committee approved a Supplemental Allocation Pool and intended to ensure projects originally awarded after the creation of the Supplemental Allocation Pool would receive a penalty or consequence if they applied for a supplemental allocation. Staff received and considered feedback from both the public and the Committee when drafting the new proposal, which is a sliding scale. Sponsors requesting a smaller supplemental allocation will receive a lesser penalty, and the scale adjusts based on project size. There was concern smaller projects would automatically request a higher percentage, so adjustments were made to take that into consideration. Staff hopes this solution offers the Committee a baseline to either increase or decrease the penalty over time as needed.

Ms. Miller thanked Ms. Burgos for creating a flexible solution that strikes a balance between assessing a penalty and allowing projects to access supplemental allocations as needed. This solution ensures the tiebreaker reduction will not hurt projects and maintains flexibility for the Committee and Interim Executive Director. It is important to ensure as many projects are awarded as possible while not allowing abuse of the Supplemental Allocation Pool. Supplemental allocations will remain a tool to allow projects to close their financing when necessary.

Chairperson Ma thanked staff for their flexibility and consideration of public comments.

Chairperson Ma called for public comments:

Ellen Morris, Director of Development at Eden Housing, expressed appreciation and support for the sliding scale approach. However, she asked the Committee to consider implementing the tiebreaker penalty only for future CDLAC rounds. Developers assess the risk of their applications based on existing rules and regulations, so rule changes after-the-fact seem especially punitive. If that is not an option, she would like to see an exception for projects working with SVB. Eden Housing has a project which was awarded in Round 2 of 2022 and was in the middle of closing with SVB. SVB has offered the most competitive terms to projects in recent years, so their replacement will cause a big hit to project budgets. Eden Housing has a local partner willing to provide additional financing to that project, but it will create a problem with the 50% test, so the project will need a supplemental allocation even though the funds are not needed. Ms. Morris hopes the authority granted today to the Interim Executive Director will encompass tiebreaker reduction exceptions for projects impacted by the closure of SVB.

Anup Patel, Director of Real Estate Development at West Hollywood Community Housing Corporation, thanked the Committee for considering a 90-day extension for Third Thyme, a 104-unit senior housing project with a 9% CTCAC reservation. The project was supposed to close on April 10, 2023, but because SVB was the construction lender and first-tier equity investor, the closing process has been halted. Although the developer has a plan for closing, additional time is needed because many of the reports needed from third parties were directly coordinated by SVB. [Mr. Patel later clarified during the CTCAC meeting that he spoke prematurely, and his comment was intended for the CTCAC meeting.]

Chairperson Ma closed public comments.

Ms. Cohen said she will support staff's proposal but asked if the Committee will revisit the supplemental allocation penalty in the future and when the appropriate time would be to make changes if needed. She is not advocating for changes, but she would like to know how it would work.



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Ms. Burgos said the supplemental allocation penalty is new, so there is no protocol for when it would be revisited. The regulations state there is a tiebreaker reduction established by the Committee, so the Committee has discretion to change it as needed. Flexibility was written into the regulations so the Committee could be nimble. Additionally, the tiebreaker reduction could be reduced to zero without a regulation change.

Ms. Cohen indicated the Committee should consider establishing a policy stating when the supplemental allocation penalty will be revisited in order to allow developers to plan ahead for their projects. She is open to discussion about this, but it is important for policy and good governance to clearly communicate the rules and expectations.

Chairperson Ma agreed with Ms. Cohen and suggested the Committee revisit this issue every year because there are often challenges that require pivoting and adding flexibility.

Ms. Cohen asked Ms. Burgos to determine the best time of year to revisit this issue.

Ms. Burgos replied it would make sense to address this issue at the beginning of each year, establishing the parameters and schedule, when the allocation pools and set asides are established and the allocation of carryforward is decided.

Ms. Cohen said that is exactly what she was thinking. She asked if the Committee would need to take a vote to implement this practice.

Ms. Burgos said the staff has an established practice of bringing carryforward to the Committee annually, so the tiebreaker reduction can be included at that time.

Ms. Cohen asked how this will be communicated to the public.

Ms. Burgos said it will be included in the meeting minutes, which will be posted to the CDLAC website. Staff can also determine another place to advertise this.

Ms. Robles said the Supplemental Allocation Pool is new, so there is not an established practice. If a Supplemental Allocation Pool is funded at the beginning of the year, the tiebreaker reduction can be part of that discussion going forward.

**MOTION:** Ms. Miller motioned to adopt Resolution No. 23-015, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

### 5. *Agenda Item:* **Public Comment**

There was no public comment.

### 6. *Agenda Item:* **Adjournment**

The meeting was adjourned at 1:53 p.m.