



California Debt Limit Allocation Committee

901 P Street, Rom 102
Sacramento, CA 95814

May 10, 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 9:03 a.m. with the following Committee members present:

Voting Members: Fiona Ma, CPA, State Treasurer
 Evan Johnson for State Controller Malia M. Cohen
 Gayle Miller for Governor Gavin Newsom

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

2. *Agenda Item: Approval of the Minutes of the March 27, 2023 Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

Approval of the minutes of the March 27, 2023 Meeting passed unanimously via roll call vote.

3. *Agenda Item: Executive Director's Report*

Presented by: Nancee Robles

Ms. Robles discussed the following topics:

Conferences and Grand Openings: Ms. Robles attended the National Council of State Housing Agencies Legislative Conference in Washington, D.C., along with Tiena Johnson Hall and staff from CalHFA. Together, they met with members of congress to educate them on the impact of federal housing programs in local communities. Ms. Robles and Ms. Johnson Hall asked for support from the members of congress to lower the 50% test, increase the federal multiplier for volume cap, and extend the timeframe on the recycled bond program.

Additionally, Ms. Robles attended the grand opening of Amanecer Apartments, a Community Housing Works affordable housing project in San Diego. The project consists of 96 new affordable homes for families, veterans, and transition-age youth. Last week, staff attended the grand opening of Sage at Folsom, a new construction project by USA Multifamily Management in Folsom consisting of 109 one-bedroom affordable units.



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Two weeks ago, the Treasurer toured California Place in Redding, a 77-unit affordable housing community that received \$34 million in tax-exempt bonds and state and federal tax credits.

As a board member for the Council of Development Finance Agencies, Ms. Robles attended its Federal Policy Conference and spoke on a panel discussing tax-exempt bonds. She was also a guest speaker at the Affordable Housing Developers' Roundtable in Southern California, where she gave an update on California housing, which included the 2022 accomplishments of HCD, CalHFA, CDLAC, and CTCAC.

After today's Committee meeting, Ms. Robles and Anthony Zeto, Deputy Executive Director for CTCAC, will speak on a panel to provide a state housing program update at the California Association of Local Housing Finance Agencies Annual Conference along with colleagues from HCD and CalHFA.

Bond Allocation Issuance Deadline Extensions: On February 23, 2022, the Committee adopted Resolution No. 22-004, delegating authority to the Interim Executive Director to grant extensions for projects with USDA components to accommodate USDA's loan approval timeframes. At that meeting, Ms. Robles said she would update the Committee on those approvals. Since the last update, Ms. Robles has granted one USDA-related extension.

On March 27, 2023, the Committee adopted Resolution No. 23-016, delegating authority to the Interim Executive Director to grant bond issuance deadline extensions for projects impacted by bank closures. At that meeting, Ms. Robles committed to update the Committee on those extensions. Ms. Robles has approved 5 bond issuance deadline extension requests so far. The projects that requested extensions did so because they were forced to seek new lenders and investors as a result of the Silicon Valley Bank closure. All the requests also included a back-up financing plan.

On July 20, 2022, the Committee adopted Resolution No. 22-005, delegating authority to the Interim Executive Director to award supplemental allocations to projects whose total delegated supplemental requests are no more than 10% of the project's CDLAC-approved allocation and no more than 52% of the aggregate depreciable basis plus land. At that meeting, Ms. Robles committed to update the Committee on her use of that delegated authority. There have been 28 applications with a total allocation of approximately \$65 million. The beginning balance was approximately \$195 million, and the remaining balance is approximately \$130 million. Seven projects awarded in Round 2 of 2022 requested supplemental allocations and were awarded prior to the beginning of Round 1 in 2023. Tiebreaker reductions for related sponsors were assessed in Round 1 of 2023 in accordance with CDLAC regulations.

Contracts: This month, Ms. Robles used her delegated authority to enter into contracts up to \$300,000 to sign two standard contracts. One contract, in the amount of \$88,670, was for reimbursement through an interagency agreement for annual building and rent-related costs. The other contract, in the amount of \$259,519, was for reimbursement for State Treasurer's Office executive and support services.

Legislation: Ms. Robles is tracking the following legislation which, if passed, would impact CDLAC:

AB-346 (Quirk Silva) Income tax credits: low-income housing: California Debt Limit Allocation Committee rulemaking. Among other things, this bill would authorize CDLAC to adopt, amend, or



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repeal rules and regulations within the same rules and processes of CTCAC to allow for better alignment of the Committees. The Treasurer supports this bill.

AB-519 (Schiavo) Affordable Housing Finance Workgroup: affordable housing: consolidation application process. This bill would require HCD, CalHFA, CTCAC, and CDLAC to jointly convene an Affordable Housing Finance Workgroup to develop a consolidated application for housing developers to use to obtain grants, loans, tax credits, tax-exempt bonds, credit enhancements, and other types of financing for building affordable housing, and develop a coordinated review process for the application.

Chairperson Ma said she has not taken a position on AB-519.

Chairperson Ma said she and Ms. Johnson Hall recently spoke at the Novogradac annual conference about housing.

Mr. Johnson asked Ms. Robles and the Committee to describe the impact of bank closures on the development of affordable housing projects.

Ms. Robles indicated she has seen a precautionary approach from affordable housing developers; some projects with commitments from Silicon Valley Bank had to pivot when those commitments could not be met. Those developers had to seek other financing, but they all seemed to have a back-up plan. So far, there have not been any requests for additional time after these extensions were granted, nor have any developers expressed any difficulties. The bank closures have impacted specific projects, but those projects were able to overcome the setback. No requests for extensions have been received within the past couple of weeks.

Mr. Johnson asked if any of the backup financing has fallen through.

Ms. Robles said it is too soon to determine if that will happen.

Chairperson Ma stated the Committee received many concerned phone calls as the bank closures were happening. Callers were assured the Committee was aware and working on remedies. The Committee has done its best to accommodate the needs of impacted projects.

Ms. Johnson Hall said the market is so competitive in California that if one lender drops out, there is at least one more waiting, if not three or four. She was initially concerned about projects that were under construction or coming close to placing in service, as well as projects in CalHFA's portfolio, but the overall impact was minimal, and there were many solutions. The banks and syndicators stepped up to close the gaps.

Chairperson Ma called for public comments:

Mack Rose from Red Stone Equity Partners, a syndicator, said the closures of Silicon Valley Bank and First Republic Bank resulted in a short-term shock to the projects that were relying on financing from those banks. Both of those banks, as well as many regional banks in California, invested heavily in regional-specific funds, which then invested in projects in California. Most syndicators that sponsor



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California regional funds have postponed them for this year and will likely postpone them for next year as well, unless the regional banks feel that they have enough solvency to invest significantly back into the state. Silicon Valley Bank and First Republic Bank invested approximately \$500 million combined into the state. As both of those banks are under new ownership, it has yet to be determined whether they will be able to invest at the same level in the future. There will certainly be a pause in that investment, which will result in a reduction in equity and pricing. Because there will be a scarcer supply of equity, those who are able to invest will be able to do so with higher returns. Hopefully this will resolve itself and the banks that have acquired Silicon Valley Bank and First Republic bank will reinvest at the same level.

Chairperson Ma closed public comments.

4. ***Agenda Item: Resolution No. 23-017, 23-018, 23-019, 23-020, 23-021, 23-022, and 23-023***
Request to Extend the Bond Allocation Issuance Deadline for Qualified Residential Rental Projects and Request to Waive Forfeiture of the Performance Deposit (Cal. Code Regs., tit. 4, §§ 5052, 5100, 5101, 5132) – (Action Item)
Presented by: Emily Burgos

Ms. Burgos reported that there are seven extension requests presented to the Committee today. All of these projects were awarded in Round 2 of 2022, so none of them benefitted from a blanket extension based on the market. All the requests consist of two parts: first, they are requesting an extension of the issuance deadline; second, they are requesting a waiver of the forfeiture of their performance deposit. Representatives from the projects will speak for themselves regarding the reasons for the extension requests. Under the CDLAC regulations, if a project does not meet its original issuance deadline, the applicant forfeits their performance deposit. In addition to an extension, these projects are asking for their new issuance deadline to dictate whether they will be required to forfeit their performance deposit.

Chairperson Ma asked if any of these extension requests are unreasonable.

Ms. Burgos said staff does not make a recommendation, but each request is unique. There were 53 projects awarded at the end of the last round, and staff only received 7 extension requests. The requests are all different from when blanket extensions were being issued.

Chairperson Ma asked to hear from representatives from all projects before voting on any of the resolutions. She invited a representative from Tamien Station Affordable (CA-22-552) to speak.

Vince Cantore, Vice President of The Core Companies, spoke on behalf of Tamien Station Affordable. He said the extension request is due to timing issues with HCD. The project received an IIG award in February 2023, which was a critical piece of funding for the project, and it has taken awhile for HCD to issue the Standard Agreement. The project's current bond issuance deadline is May 29, 2023, so the extension would relieve the pressure to close the financing.

Mr. Olmstead said there has not been a delay from HCD; they committed to issue the Standard Agreement within 90 days of receipt of documentation from the awardee, and they are still within that timeframe. This is a timing issue with the bond allocation issuance deadline.

Chairperson Ma called for public comments on Tamien Station Affordable:



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None.

Chairperson Ma invited a representative from Friendship Senior Housing Apartments (CA-22-617 and CA-23-415) to speak.

Ben Barker from California Municipal Finance Authority (CMFA) spoke on behalf of Friendship Senior Housing Apartments. He said this project was delayed because on February 8, 2023, the City of Oakland was hit with a ransomware attack. The city shut down all computers and email for a period of time, and they may not be up and running yet. Therefore, the project has not been able to get loan documents needed for closing. They are just waiting for those documents and then they will be able to close. The project's current bond issuance deadline is May 29, 2023.

Donald Gilmore, Executive Director at Community Housing Development Corporation, agreed with Mr. Barker's comments. This is his company's first faith-based initiative to come this close to breaking ground. It is a BIPOC project with a community equity component. The project is requesting the extension with no penalties due to the unforeseen circumstances.

Chairperson Ma called for public comments on Friendship Senior Housing Apartments:
None.

Chairperson Ma invited a representative from Jordan Downs Area H2B (CA-22-606) to speak.

John Castanon from the Housing Authority of the City of Los Angeles (HACLA) spoke on behalf of Jordan Downs Area H2B. He said this project is a major phase of a large redevelopment project in Los Angeles, and there have been delays due to conditions and events beyond the developer's control. The extension is being requested so the project can keep its phases on track and move its residents in sequence from one phase to the next. The project is employing a "build first" strategy to inflict the least amount of hardship possible on its residents. The letter from BRIDGE Housing attached to the request goes into more detail on the circumstances.

Matt Mason from BRIDGE Housing explained that the extension request is due to weather events over the past two months and coordination with HUD's Rental Assistance Demonstration Program (RAD). The application for that program requires an updated ALTA survey reflecting demolition that was delayed by the weather events. This caused a delay in the HUD submission, which generally takes two months. Once the demolition was able to proceed and the ALTA survey was updated, allowing submission of the RAD application to HUD, the project was a month behind schedule. The extension is needed to accommodate the HUD review timeline.

Chairperson Ma called for public comments on Jordan Downs Area H2B:
None.

Chairperson Ma invited a representative from Casa Aliento (CA-22-628) to speak.

Steve Strain from Sabelhaus & Strain, LLP, attorney for the developer of Casa Aliento, explained that this is a Homekey project which is a conversion of a former hotel into permanent supportive housing. The site



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contains both the hotel and a Denny's restaurant. A subdivision map must be recorded to create a separate legal parcel for Denny's so it will not be secured by the project's financing. Normally that would have been done before the acquisition of the property, but the time constraints on the Homekey funds necessitated that the site was acquired sooner. When this process started, there were staffing shortages due to the COVID-19 pandemic, which caused a delay in the subdivision. More recently, issues arose regarding the configuration of the parking area on the Denny's parcel. Those issues have been resolved, and the project is on pace to receive tentative approval of the map on June 6, 2023, which is within the current bond allocation issuance deadline. However, additional time is needed to record the final map with the parcels divided.

Chairperson Ma asked where this project is located and if the Denny's will remain.

Mr. Strain said the project is in Oxnard and the Denny's will remain.

Mr. Olmstead expressed support for the extension for Casa Aliento. This was a Round 1 project from the very beginning of the COVID-19 pandemic, and there was a lot of uncertainty at that time. Those funds had to be spent within six months and projects had to work very diligently to close. He congratulated the developer on getting it done. He asked Mr. Strain if the project was operating as interim housing before converting to permanent supportive housing.

Mr. Strain confirmed the project has operated as interim housing since its acquisition, but the funding for that is running out. This is why the developer moved forward with the bond and tax credit application.

Mr. Olmstead said it is always a good outcome to have more permanent supportive housing.

Chairperson Ma called for public comments on Casa Aliento:

None.

Chairperson Ma invited a representative from Junipers (CA-22-568) to speak.

Cheri Hoffman from Chelsea Investment Corporation, the developer of Junipers, said the project is an 81-unit senior housing community that is being developed as part of a larger Lennar Homes master plan community. Junipers received its allocation in December and has a May 29, 2023, bond issuance deadline. The developer was notified in January of a challenge to the EIR and CEQA clearance. Neither the developer nor the city staff were aware of the issue when they were seeking the permit and local approval required to submit the bond application. Lennar and the community group challenging the EIR are working on a settlement which will result in upholding the CEQA clearance. The developer has been told that the settlement is in the process of being finalized and it is expected to be achieved within 30 days, but the project has been halted until that is complete. This is the reason for the extension request.

Colin Miller from the San Diego Housing Commission (SDHC), the local issuer for Junipers, reiterated that the legal challenge was unknown and unforeseen by the developer. An extension of the bond allocation issuance deadline until August 27, 2023, is needed to allow the project time to work through the settlement, move forward to SDHC's board and the Housing Authority, and then issue bonds, if approved.



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Chairperson Ma called for public comments on Junipers:
None.

Chairperson Ma invited a representative from Adelante Vista (CA-22-601) to speak.

Stephen Pelz, Executive Director for the Housing Authority of the County of Kern, explained that the Housing Authority is the issuer and developer of Adelante Vista, a 142-unit, low-income, public housing development in Bakersfield. The developer received preliminary approval from HUD in early 2022 to modernize and convert the property under the RAD program. After receiving the tax-exempt bond allocation from CDLAC, the required financing plan was submitted to HUD on January 5, 2023. Under the typical RAD approval process, HUD will review and approve the financing plan and issue the RAD conversion commitment, known as the RCC, and close within 90 days. Unfortunately, HUD's review process was delayed for unknown reasons, and they also experienced a glitch in their online system, which erased most of the project's data and documents that had been submitted to HUD. As of this morning, HUD has not yet issued the RCC required to begin closing, but the Housing Authority has been in contact with the director of the HUD Office of Recapitalization. On Monday, HUD finally assigned a closing coordinator, but it is unlikely that they will be ready to close prior to the May 29, 2023, CDLAC deadline. All other readiness-to-proceed requirements will be met prior to the CDLAC deadline. Therefore, due to delays outside of the control of the developer and issuer, a 60-day extension and waiver of forfeiture of the performance deposit are requested. Mr. Pelz thanked the Committee for considering the request.

Chairperson Ma called for public comments on Adelante Vista:
None.

Chairperson Ma invited a representative from Delano RAD (CA-22-616) to speak:

Mr. Pelz said the Housing Authority of the County of Kern is also the issuer and developer for Delano RAD, which is a scattered-site, 102-unit, low-income public housing development in Delano. This is the sister project of Adelante Vista with the same timeline, and it has experienced the same HUD delay with the RAD program. Due to the delays outside the control of the developer and issuer, a 60-day extension is requested for this project from the June 12, 2023, bond issuance deadline along with a waiver of forfeiture of the performance deposit.

Chairperson Ma called for public comments:
None.

Mr. Johnson asked if the Committee needs to waive the forfeiture of the performance deposit or if that is accomplished by extending the deadline.

Ms. Burgos said the Committee will need to waive the forfeiture of the performance deposit in addition to granting the extension for each project.



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Ms. Miller asked if the Committee could approve the extensions but deny the waiver of forfeiture of the performance deposits.

Ms. Burgos said the Committee has the option to approve either or both.

Ms. Miller said she would motion to grant just the extensions but not the waiver of forfeiture of the performance deposits.

Chairperson Ma said that would cause the projects to lose their performance deposits.

Ms. Miller said historically the Committee has not waived forfeiture of performance deposits.

Ms. Robles said historically the Committee has not waived the forfeiture of the performance deposit for projects that returned their allocation, but these projects are requesting extensions. Ms. Robles has been waiving forfeiture of the performance deposit for extension requests that are within her delegated authority to approve.

Mr. Johnson said it is his understanding that the Committee still has the ability to retain a performance deposit if a project later returns an allocation, even if the waiver of forfeiture of the performance deposit is approved now along with the extension.

Ms. Robles confirmed that is correct.

Mr. Johnson said he sees value in waiving forfeiture of the performance deposits now, and the Committee can address the issue later if any allocations are returned.

Chairperson Ma said that for consistency, since Ms. Robles has been granting extensions and waiving forfeiture of the performance deposit for other projects, it makes sense to waive forfeiture of the performance deposit for these projects as well.

Ms. Miller agreed with Chairperson Ma.

Ms. Robles said a separate vote will need to be taken for each project because each has a separate resolution.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-017, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-018, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-019, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.



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MOTION: Ms. Miller motioned to adopt Resolution No. 23-020, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-021, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-022, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-023, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

5. ***Agenda Item: Appeals for Round 1 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5038)***

This item was withdrawn because no appeals were received.

6. ***Agenda Item: Round 1 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5037) – (Action Item)***
Presented by: D.C. Navarrette

Mr. Navarrette reported that 85 applications were received for Round 1 on February 7, 2023, 36 of which are recommended for awards, totaling \$1.153 billion in allocation. The projects consist of 3,660 total units, 3,617 of which are affordable units. The applications have been reviewed for completeness and compliance by staff and are being recommended for approval.

Mr. Johnson asked if there was anything unexpected or notable in any of the applications.

Mr. Navarrette said the applications were straightforward.

Chairperson Ma called for public comments:

None.

MOTION: Mr. Johnson motioned to approve the allocations, and Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

7. ***Agenda Item: Public Comment***

There was no public comment.

8. ***Agenda Item: Adjournment***

The meeting was adjourned at 9:47 a.m.