



California Debt Limit Allocation Committee

901 P Street, Room 102, Sacramento, CA 95814
1021 O Street, Suite 3110, Sacramento, CA 95814
2020 W. El Camino Avenue, Suite 500, Sacramento, CA 95833

August 23, 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 9:04 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: Anthony Sertich for Department of Housing and Community
 Development (HCD) Director Gustavo Velasquez
 Tiena Johnson Hall, Executive Director for the California Housing
 Finance Agency (CalHFA)

Mr. Sertich joined the meeting remotely from 2020 W. El Camino Avenue, Suite 500, Sacramento, CA 95833.

Ms. Miller was present for roll call in-person at the State Treasurer's Office. She expressed her condolences on the recent passing of Pat Sabelhaus, a Sacramento attorney who specialized in state and federal affordable housing tax credit law and tax-exempt bond financing. She expressed gratitude for his service to the housing industry.

Chairperson Ma agreed that his passing will be a loss to the community.

Ms. Miller attended the remainder of the meeting remotely at the publicly noticed location - 1021 O Street, Suite 3110, Sacramento, CA 95814.

2. *Agenda Item: Approval of the Minutes of the July 26, 2023, Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Mr. Johnson motioned to approve the minutes of the July 26, 2023, meeting, and Chairperson Ma seconded the motion.

The motion passed unanimously via roll call vote.

3. *Agenda Item: Program Updates*

Presented by: Ricki Hammett

Ms. Hammett discussed the following topics:



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Grand Openings: On August 3, 2023, Ms. Hammett and CTCAC Section Chief Carmen Doonan attended the groundbreaking event for the On Broadway project in Sacramento. The developer is EAH Housing, and this is their first project in Sacramento. The project includes tax credit and tax-exempt bond financing, and it will create 140 units, 138 of which are affordable housing units. This is a new construction, Extremely Low Income/Very Low Income, large family project, with 37 units for the homeless set-aside and incomes ranging between 30-60% or less of the area median income.

Extension Updates: Since the last meeting, one additional extension was approved related to the impacts from bank closures.

Supplemental Pool Update: The beginning supplemental pool amount was \$195,149,006. So far, staff has received 44 total supplemental requests, seven of which are pending. Thirty-seven have been completed, totaling approximately \$82.6 million. Two of the 44 requests are on the agenda today for Committee approval, as they are above the Executive Director's delegated authority. If all 44 requests are approved, CDLAC will have allocated approximately \$95.1 million, leaving a balance of approximately \$100 million.

Chairperson Ma called for public comments:
None.

4. ***Agenda Item: Appeals for Round 2 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5038)***

This item was skipped because no appeals were received.

5. ***Agenda Item: Round 2 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5037) – (Action Item)***
Presented by: Eddie Fairchild

Mr. Fairchild reported that 60 applications were received on May 23, 2023, for Round 2. Staff is recommending 34 awards for a total of 4,648 [actual amount is 4,600] total units, 4,596 [actual amount is 4,549] low-income units, and 344 homeless units. The total allocation is \$1,340,689,256, which includes \$1,220,094,158 of 2023 bond cap, \$120,575,098 of 2022 carryforward, and \$20,000 of 2021 carryforward. The applications have been reviewed for completeness and compliance with federal and state laws.

Chairperson Ma commended the staff for the detailed Final Recommendations List and said it has improved in the past five years.

Chairperson Ma called for public comments:
None.

MOTION: Mr. Johnson motioned to approve staff's recommendations, and Chairperson Ma seconded the motion.

The motion passed unanimously via roll call vote.



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6. **Agenda Item: Resolution No. 23-030, Adoption of the Updated 2023 CDLAC Meeting Calendar and Award Schedule Adding an Additional Round for Exempt Facility and Industrial Development Bond Projects (Cal. Code of Regs., tit. 4, §§5021, 5030) – (Action Item)**

Presented by: Ricki Hammett

Ms. Hammett explained that this resolution will adopt an updated 2023 CDLAC meeting calendar and award schedule, adding an additional round for Other Exempt Facility (EXF) and Industrial Development Bond (IDB) project applications. At the February 1, 2023, CDLAC meeting, the Committee approved allocating \$600 million of qualified private activity bonds for EXF projects and \$30 million for IDB projects. After these rounds, there was \$350 million remaining for EXF projects and \$24 million remaining for IDB projects. Staff has received public comments in support of adding an additional round for these projects before the end of the year, and it was discussed at the July 26, 2023, meeting. Staff can accommodate an additional round as it will assist in allocating as much bond cap as possible and reduce the amount of carryforward in 2024.

Chairperson Ma thanked the staff and stakeholders for their input on this issue.

Chairperson Ma called for public comments:

Ben Barker from California Municipal Finance Authority (CMFA) thanked the staff for adding the additional round. CMFA plans to apply for the remaining EXF allocation, but they do not currently have any IDB projects.

Chairperson Ma asked if the EXF projects are for garbage and recycling.

Mr. Barker confirmed that they are all garbage and recycling projects, including 32 landfills throughout the state.

Chairperson Ma closed public comment.

MOTION: Mr. Johnson motioned to adopt Resolution No. 23-030, and Chairperson Ma seconded the motion.

The motion passed unanimously via roll call vote.

7. **Agenda Item: Request to Extend the Bond Allocation Issuance Deadline for Qualified Exempt Facility Project and Request to Waive Forfeiture of the Performance Deposit (Cal. Code of Regs., tit. 4, §§5052, 5100) – (Action Item)**

Presented by: Emily Burgos

Ms. Burgos reported that there is one EXF project requesting a bond allocation issuance deadline extension and waiver of forfeiture of the performance deposit, TPI-Holloway Lost Hills Recycling Project (CA-23-102). The project was awarded an allocation at the March 15, 2023, meeting, and the original issuance deadline was September 11, 2023. Due to a permitting delay with the County of Kern, the applicant has requested an extension until the end of the year. The county has indicated that



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the permit should be approved by the end of November, and the financing team is working to ensure the project can close within 30 days of the issuance of the permit.

Chairperson Ma invited a representative from the bond issuer, California Public Finance Authority (CalPFA), to speak.

Caitlin Lancot, Project Manager at CalPFA, explained that they are requesting an extension until December 31, 2023, to finalize permits and bond documents. Currently, the transaction is planned to close in early December. Representatives from the bond counsel, the underwriter, and the developer are available to answer questions.

Mr. Johnson requested an explanation of the cause of the permitting delay.

Mark Huddle, bond counsel, asked Brian Maxted from Holloway to address the delay.

Mr. Maxted explained that the developer has been working with the county on the permitting process since March 2022. After the initial submission, the county determined that additional studies were needed to determine the type of Conditional Use Permit (CUP) required. The required studies were completed and submitted to the county, and then it was determined that an Environmental Impact Report (EIR) addendum was needed. Due to time constraints, the county asked Holloway to hire a third-party independent consultant to prepare the addendum. Holloway then entered into an agreement with ESA Associates, a well-known California Environmental Quality Act (CEQA) consultant, to prepare the addendum. After the addendum was prepared and reviewed by a CEQA attorney, it was submitted to the county. It is currently in the possession of the county and will go through the ordinary review process. The consultant's findings did not identify any roadblocks or findings that would prevent the project from moving forward, and the county has fully supported the project. The project should be able to wrap up in the next few months.

Chairperson Ma asked if the permits were approved at the time of the bond application.

Ms. Burgos explained that the requirements for EXF projects are slightly different than housing, and applicants are only required to show that they have made the initial permit application and have obtained preliminary approvals; they do not have to be fully approved at the time of application. The project met the application requirements at that time.

Ms. Johnson Hall asked for confirmation that no public review is required at the county level.

Mr. Maxted confirmed that is correct; there is no requirement of a 60-day waiting period for the EIR addendum. The addendum is a minor addition to the much larger review that was previously submitted.

Chairperson Ma called for public comments:

None.

Mr. Johnson indicated that he would motion to approve the extension.



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Ms. Burgos asked if the motion would include the waiver of forfeiture of the performance deposit.

Chairperson Ma asked what the process has been in the past.

Ms. Burgos said this is a relatively new circumstance because of the blanket extensions that were granted previously, but the past couple of times when this issue has come up, the Committee has waived the forfeiture of the performance deposit. If the project does not close by the December 31, 2023, deadline, the performance deposit will be retained. The applicant could come back to the Committee and request a refund of the performance deposit at that time. This action item will grant the extension and give the project an opportunity to close by the new deadline without forfeiture of the performance deposit. Essentially, the forfeiture of the performance deposit will align with the new deadline.

Mr. Johnson said the Committee tries to balance keeping pressure on the applicants to adhere to the timelines without penalizing them for delays outside of their control. Waiving the forfeiture of the performance deposit now is useful because the Committee will retain the ability to keep the deposit at the end of the year if the project does not close by the new deadline. However, the Committee should keep an eye on this to ensure it does not become a frequent practice.

Chairperson Ma said the Committee is trying to prevent carryforward, so if the project is unable to close by December 31, she would recommend that the funds go back into the pool for another project to potentially use. One of the mandates from the state audit was that there should not be a large amount of carryforward. Deadlines should not be extended repeatedly, and applicants should not be able to apply if their projects are not ready to move forward. There should be some consequences.

Ms. Burgos said the bond issuer for this project has a positive working relationship with CDLAC and has been engaged with staff along the way. Staff had a discussion with the issuer about the possibility of carryforward and the potential to reallocate the funds if this project does not close by the end of the year, which is why the project has only requested an extension until the end of the year. If the project does not close, the Committee will have the opportunity to use that allocation elsewhere.

Chairperson Ma asked if the Committee would need to make the decision to reallocate the funds in January since they will not know if this project has closed until after December 31.

Ms. Burgos said staff will be prepared at the December meeting with all the necessary paperwork to give the Committee the opportunity to reallocate the funds in the event that the project does not close. The allocation will not be retained by the issuer and carried forward as EXF allocation unless that is what the Committee dictates.

Chairperson Ma asked Ms. Burgos to confirm the amount of the allocation.

Ms. Burgos said it is \$150 million.

Chairperson Ma asked if staff plans to prepare a proposal to reallocate the funds if the project is unlikely to close by the December 31 deadline.



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Ms. Burgos responded affirmatively. At the end of each year, staff asks the Committee for delegated authority to carryforward funds, and the Committee determines how the funds should be carried forward. Staff will consider the possibility that the project will not close in that request for delegated authority so the funds can be carried forward at the direction of the Committee.

Chairperson Ma expressed that she does not want carryforward. She asked if the Committee could set a date by which the bonds could be used by a housing project or another EXF project if the deadline is not met.

Ms. Burgos said staff should know by the November meeting if there will be any other projects that could use the allocation. By November, staff will have received the third round of housing applications, and they will know at that time if there are any housing applications that cannot be awarded due to lack of funds. There is time to make that determination, and staff is clear on the intent of the Committee not to carryforward allocation if possible, and not to have large allocations carried forward for EXF projects. At this point, staff does not have enough information to be more specific. Staff will be prepared to be flexible at the Committee's direction.

Ms. Johnson Hall said it is important for staff to bring all the necessary information back to the Committee as soon as possible.

Ms. Burgos said that by the next meeting on November 8, she will have a good idea of the projects requesting funding for the rest of the year among the IDB, EXF, QRRP rounds.

Mr. Johnson asked for clarification that if the allocation is not used by December, the only option is for it to be carried forward.

Ms. Burgos said that is correct at the moment, but at the November meeting, she will be able to brief the Committee on whether there are other projects that could use the allocation to prevent carryforward. Currently, there are no applications for IDB, EXF, or QRRP projects for the upcoming rounds.

Mr. Johnson asked if the deadline could be altered if necessary.

Ms. Burgos said that if the funds can be used by other projects this year, staff will present a creative solution to the Committee that will not alter this project's deadline but will still give the Committee the flexibility to prevent carryforward.

Chairperson Ma said the Committee needs to determine if the deadline should be December 31 or earlier. She asked if it would be possible to set an earlier deadline, such as December 1, by which if the project does not close, the plan approved by the Committee in November will take effect. That would eliminate the need to wait until December 31.

Ms. Miller asked if it would be possible to approve the extension of the issuance deadline today but wait to make a determination on the performance deposit in November when staff has made a recommendation.



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Chairperson Ma said the performance deposit is not the issue being debated at the moment. The project is requesting a December 31 closing deadline, and the Committee could potentially move that date up, since the project appears to be close to closing. Since a public comment period is not required, moving up the deadline would ensure that the allocation could be used by another project before December 31 if this project cannot close.

Ms. Miller said that if the Committee anticipates that the performance deposit motivates an earlier closing, it could be left on the table until November.

Chairperson Ma said that the amount of the performance deposit is \$100,000.

Ms. Johnson Hall said that the performance deposit is a nominal amount, and deferring a decision on its forfeiture may not yield the results that the Committee is trying to achieve. She recommends moving the deadline up since that appears to be the key piece to avoiding carryforward, as long as there are no regulations that would prevent the Committee from taking that action.

Theodore Ballmer, legal counsel for CDLAC, confirmed that the Committee may change the deadline to a date other than December 31.

Ms. Burgos said she is not certain if there will be enough housing, IDB, or EXF applications to use the \$150 million allocated to this project if it does not close by the end of the year. If CDLAC receives applications for projects that could use that allocation, staff can propose a conditional approval to ensure that if the allocation is not used by the end of the year, it can be allocated to another available project. She is concerned that if this project does not receive permits until November 30, there will be almost no time for it to close if the deadline is moved up. The timeline is already very tight with a December 31 deadline. Additionally, Ms. Burgos is not confident there will be another project to use the \$150 million allocation, but she is confident she can determine a creative solution to utilize the funds if there is another project available and this project does not close in time. While she agrees that the best motivator would be moving up the deadline, there is also a risk of this project not being able to close and staff not having another project to use the allocation.

Chairperson Ma said she believes there are a lot of projects out there that could use the allocation.

Ms. Burgos said the issue that housing projects are facing is the lack of available tax credits. Housing allocation is being left on the table because there are not enough tax credits to align with the bonds. Additionally, a new EXF round is being added with relatively short notice. Although she agrees that there are a lot of projects, she is not sure how many of them will be ready to apply in the next three weeks, and she does not know how many housing applications CDLAC will receive that are not also requesting state tax credits. Staff's recommendation on the best way to handle this allocation and avoid carryforward is to give this project until the end of the year to close, give staff time to assess if there is another project that could use the allocation if this project does not close, and give staff the opportunity to find an administrative pathway to reallocate that \$150 million to another project if one exists.

Chairperson Ma asked if December 31 gives staff enough time to make those determinations.



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Ms. Burgos responded affirmatively that staff have technically until February 15 and typically the lump sum carryforward is not done until January 2 each year, so although it would be a quick turnaround, staff would have enough time. If this project is not expected to close by the December 31 deadline, staff will know far enough in advance to prepare the necessary paperwork to move the allocation.

Chairperson Ma said many government offices often do not work during the last two weeks of the year.

Ms. Burgos said the County of Kern should be done with the permitting process by the end of November. The financing will need to be completed by the end of the year, but the issuer for this project is reliable and will be available to get it completed.

Ms. Johnson Hall asked the bond counsel for the project to provide his input.

Mark Huddle, bond counsel for the project, confirmed that the finance team is currently projecting an early December closing, but they would like a couple of extra weeks due to market conditions. They will not be waiting for the final permit approval to begin working on documents. They have already started that process and will be moving forward aggressively so they are in position to close in early December.

Aaron Gadouas from Ziegler Investment Banking said that his intention is to be in the marketplace in November, well before permitting is verified, but bonds will be priced contingent upon receiving the permits in early December.

Ms. Johnson Hall said this is a tough situation, but Ms. Burgos's plan is a good solution, and the Committee can trust the staff to manage this process tightly. The Committee will be in a better position to change direction if needed in November, so she recommends revisiting this issue at that time.

Ms. Burgos said staff will provide more information in November, and hopefully this project will already have closed by the December meeting.

Mr. Ballmer said this item may be bifurcated if the Committee wishes to vote on the extension of the bond allocation issuance deadline and waiver of forfeiture of the performance deposit separately, or a single vote can be taken on both issues.

MOTION: Ms. Miller motioned to extend the bond allocation issuance deadline and waiver of forfeiture of the performance deposit for TPI-Holloway Lost Hills Recycling Project, and Mr. Johnson seconded the motion.

Chairperson Ma called for additional public comments:
None.

Motion passed unanimously via roll call vote.

8. ***Agenda Item: Supplemental Bond Allocation Request Above the Executive Director's Authority (Cal. Code Regs., tit. 4, §5240) – (Action Item)***
Presented by: D.C. Navarrette



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Mr. Navarrette reported that there are two projects requesting supplemental bond allocations above the Executive Director's authority. The first project, The Monarch Apartment Homes (CA-23-583), is currently requesting \$1,290,215 in supplemental allocation. The project was originally allocated \$15,176,717 and also received two previous supplemental allocations: \$1,517,672, which was approved at the Executive Director's level, and \$1,420,457, which was approved by the Committee. The combined non-Committee approved supplemental request is now \$2,807,887, which is 16.92% of the total Committee-approved allocation of \$16,597,174. The project meets the 52% test. This is a 60-unit, large family, new construction project in Palm Springs. The applicant is CMFA and the developer is Community Housing Opportunities Corporation (CHOC).

Chairperson Ma invited representatives from CMFA and CHOC to speak on behalf of the project.

Anthony Stubbs from CMFA explained that the project has encountered cost overruns on materials such as HVAC, steel, and labor. There were also unforeseen change orders to some of the construction materials from steel to wood, which caused delays.

Vince Nicholas, Vice President of Real Estate Development at CHOC, said he was available to answer questions.

Chairperson Ma said she has been to the project site and there is a lot of community support for this project, which is exciting because housing is needed in the area.

Mr. Nicholas said the project is aiming to begin occupancy in October.

Chairperson Ma called for public comments on The Monarch Apartment Homes:
None.

MOTION: Ms. Miller motioned to approve the supplemental bond allocation request for The Monarch Apartment Homes, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

Mr. Navarrette introduced the second project requesting a supplemental bond allocation above the Executive Director's authority, North Harbor Village (CA-23-584). The project is currently requesting \$2,218,110 in supplemental allocation. The project's original allocation was \$19,000,000 and it received a previous supplemental allocation of \$1,535,178, which was approved at the Executive Director's level. Additionally, it received a second supplemental allocation of \$4,284,275, which was approved by the Committee. The combined non-Committee approved supplemental request is \$3,753,288, which is 16.12% of the Committee approved allocation, which totals \$23,284,275. The project meets the 52% test. The project is a 91-unit, special needs, new construction project in Santa Ana. The applicant is CMFA and the developer is Jamboree Housing Corporation.

Chairperson Ma invited representatives of the project to speak.

Mr. Stubbs explained that this project has experienced cost overruns and had a comprehensive plan check requested by the city which resulted in an unexpected requirement for seismic building code upgrades.



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Tish Kelly, Senior Vice President of Housing Development at Jamboree, explained that North Harbor Village is an Acquisition/Rehabilitation project which is a conversion of a former hotel. Construction is expected to be completed by the end of the year. The project experienced many hurdles due to the COVID-19 pandemic and is requesting a third supplemental allocation. Unknown structural issues had to be resolved once construction commenced, which caused cost overruns. Additionally, the most recent supplemental allocation requested is needed due to an additional comprehensive plan check that was required by the city at the beginning of this year, and additional costs were incurred due to the requirement for seismic and building code upgrades. This included a requirement for added shear walls, which were not required at the time of permitting. This impacted the project's scope and caused delays. Other cost overruns impacting the project include increased interest rates, construction administration, construction management, and soft cost increases attributable to delays. Closing on the bonds is expected to occur within the next 60 days, and the project should be completed by the end of the year. Lease-up efforts have already begun.

Chairperson Ma asked for an estimate of the cost per unit. CDLAC has a cost minimum of \$60,000 per unit.

Mr. Navarrette clarified that this is a conversion of a hotel to a residential project, so the cost per unit is likely to be much higher than a typical Acquisition/Rehabilitation project.

Chairperson Ma called for public comments on North Harbor Village:
None.

MOTION: Mr. Johnson motioned to approve the supplemental bond allocation request for North Harbor Village, and Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

9. Public Comment

Ms. Miller stated that she has been at the remote location listed on the meeting agenda since she departed from the State Treasurer's Office, and she heard the whole meeting in transit. There is no public comment at her location.

William Leach from Kingdom Development thanked the Committee and staff for holding public forums, allowing the public to hear deliberations over important issues, and giving the industry an opportunity to voice concerns and pose questions. The process is refreshing and not every state housing agency operates this way; for example, HCD does not have a public process that involves stakeholders, which inhibits transparency and predictability. He thanked the staff for providing an applicant list for each program with all the pertinent scoring information necessary for the industry to gauge whether they will be successful in the competition. When applicants are able to gauge their likelihood of success, they are able to make important decisions on their project that either expedite the project's delivery or contain costs while they wait to be awarded another allocation. CDLAC's effort to inform the industry and applicants is not standard across all housing departments.

Mr. Leach additionally stated that Kingdom Development has a couple of projects with a November 6 readiness deadline, but the next Committee meeting is November 8. With the deadline so close to the next meeting, housing sponsors are questioning whether they will have an opportunity to request an extension. He asked the Committee to consider holding a meeting in October to hear extension requests.



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Chairperson Ma said the Committee is open to holding an additional meeting if necessary. She asked Mr. Leach to keep staff informed on the status of his projects.

Chairperson Ma expressed her appreciation for the virtual meeting participation capabilities. When she was first elected, there were few attendees at the Committee meetings, yet housing was the number one topic. Transparency is important, and because there are only three voting members on the Committee, no discussions between Committee members can take place outside of meetings. Some meetings have lasted several hours because working through these issues must be a transparent and public process. Additionally, the other State Treasurer's Office committees have learned from the housing community the importance of giving the industry as much early communication as possible and having good communication with stakeholders. For example, the STO is currently rolling out \$150 million for distressed hospitals, so they conducted a preliminary assessment and notified potential applicants that they may be eligible and should complete the entire application if they were interested. Chairperson Ma thanked Mr. Leach for his comments.

Mr. Barker said that CMFA is currently working on September 6 QRRP applications, and currently they have approximately 52 Acquisition/Rehabilitation projects and other projects that will be submitting applications, for a total of about \$1.3 billion in allocation needed. Mr. Barker anticipates that CMFA will be able to compete for the excess funds available, and he hopes there is no carryforward. He has spoken with other issuers such as CalHFA, California Statewide Communities Development Authority (CSCDA), CalPFA, and others who will be submitting applications that do not require state tax credits. Everyone is hoping the excess funds will be used by the end of the year and there will be no carryforward.

Chairperson Ma said many cities have been waiting for Other Rehab allocations.

10. Adjournment

The meeting was adjourned at 10:00 a.m.