California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

November 8, 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 9:06 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:	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 Minutes of the August 23, 2023, Meeting** – *(Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to approve the minutes of the August 23, 2023, meeting, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

3. *Agenda Item:* **Program Updates**
   Presented by: Ricki Hammett

Ricki Hammett, Deputy Executive Director, discussed the following topics:

Promotions: Ms. Hammett congratulated Ken Otrotsyuk on his recent promotion to Compliance Specialist at CDLAC. Ken has been an analyst with CDLAC since the pandemic.

Events: On September 20, Anthony Zeto, CTCAC Deputy Executive Director, attended the Agrihood grand opening in Santa Clara, which was 10 years in the making. The project received an allocation of tax credits and bonds and was developed by CORE Winchester, LLC. This new construction project provides 165 affordable units, 163 of which are 100% low-income units for seniors and veterans with rents affordable to households earning 30-60% of area median income (AMI). The project received HUD project-based vouchers for 33% of the units. The project has a productive urban farm, among other amenities, and is located near shops and community services.

On October 12, Patrick Henning, Chief Deputy Treasurer, attended the Talisa Apartments grand opening in Panorama City. This project received an allocation of tax credits and bonds, and is a new construction, family/special needs project that created 49 total units, 48 of which are 100% low-income units, for residents earning 30% AMI. The project was developed by Domus Development, LLC.

On October 27, Treasurer Ma attended Eden Housing's 55th anniversary celebration. Ms. Hammett congratulated Eden Housing on that accomplishment.

Conferences: On October 6, Anthony Zeto attended the Non-Profit Housing of Northern California Conference and provided updates on CTCAC and CDLAC. He also participated on a panel with developers to discuss resources for rehabilitations and other timely program developments.

The Rural Housing Summit took place from November 1-3. Anthony Zeto participated on the State Housing Director's Panel, along with other public agency directors, to provide agency updates for the upcoming year, particularly regarding policies affecting rural California. Ms. Hammett and DC Navarrette, CDLAC Program Manager, participated on a panel to provide CTCAC and CDLAC updates and discuss issues affecting rural California. Sarah Gullikson, CTCAC Program Manager, and Norma Velarde, CDLAC Analyst, also attended and participated in the conference.

On November 2, Anthony Zeto participated on a panel at the Southern California Association of Non-Profit Housing (SCANPH) Conference - Public Funders Forum. Along with other public funders, Mr. Zeto provided important updates and responded to questions on current regulations, policies, and funding sources.

On November 7, Anthony Zeto provided CTCAC and CDLAC updates to attendees at the California Council for Affordable Housing (CCAH) Fall Conference in San Diego.

The Western States Housing Exchange took place on November 7 and 8, and Ms. Hammett attended on November 7. This is a gathering of Executive Directors and Chief Deputies of Housing Finance Agencies from seven neighboring states. Participants toured two properties: Vista Nueva, a Homekey permanent supportive services project for households earning 30% AMI or less, located in Natomas; and Salvator Apartments, a tax credit and bond project, and one of the first CalHFA Mixed-Income Projects, which will serve households earning 50-70% AMI.

Supplemental Allocation Update: The beginning supplemental pool amount was approximately $195.2 million, and there have been 52 approved allocations, totaling approximately $109.8 million. There are nine pending applications, six of which will be considered by the Committee today. One application will be submitted to the Committee for consideration in December, and the remaining two are pending approval at the staff level. If all pending applications are approved, there will be a total of 61 allocations, for a total of approximately $143.5 million.

Ms. Hammett introduced Emily Burgos, CDLAC Section Chief, to present an update on the CDLAC allocation.

CDLAC Allocation Update: Ms. Burgos explained that at the last meeting, the Committee approved an extension of the bond allocation issuance deadline for the TPI-Holloway Lost Hills Recycling Facility, which is an Exempt Facility Project (EXF). The Committee asked staff to provide an allocation availability update at today's meeting. Since the last meeting, staff has received all of the Round 3 housing applications, as well as an entire round of EXF applications. There is still additional allocation available after considering all of those applications. Ms. Burgos has also been in contact with the Lost Hills project and had a meeting with the Planning Director at Kern County. The permit for the project was expedited, so closing on the bonds is now in the hands of the attorneys. The timeline is aggressive, but the project has overcome the hurdles discussed at the last meeting, and they are confident they will be able to close by the end of the year. If anything changes between now and the next Committee meeting, staff will provide an additional update.

Additionally, Ms. Burgos thanked everyone who submitted public comments on the CDLAC regulations during the recent unofficial public comment period. Most comments were submitted on the October 31 due date. Staff received many detailed comments and will consider them as they begin to work on their recommendations for the next round.

Finally, Ms. Burgos asked developers with projects awarded in Round 2 this year to notify staff if they anticipate any difficulties with their projects meeting their readiness deadlines in January. If there are any timing issued anticipated, CDLAC staff would like to know about those specific issues now, in order to be proactive and prepared for the next Committee meeting.

Chairperson Ma said it has been a rough road over the past four years due to all the unexpected changes, and she thanked the CDLAC and STO staff as well as all the stakeholders for their patience, flexibility, and communication. This has helped the Committee to try to anticipate changes in the market.

Mr. Johnson echoed Chairperson Ma's sentiments and thanked the staff for their efforts to communicate with developers and offer assistance to keep their projects moving forward.

Chairperson Ma called for public comments:

Scott Littlehale, Executive Research Analyst at Nor Cal Carpenters Union, said that his organization submitted a comment letter to CDLAC during the recent public comment period. He said a disproportionately high number of California construction workers are living in poverty, according to the Public Policy Institute of California. Nor Cal Carpenters Union recommends one immediate change and one future change to the CDLAC regulations, echoing similar recommendations they made earlier this year. One of these recommendations is to adjust the tiebreaker formula, which includes the public benefit in the numerator and the cost in the denominator. Specifically, they are requesting an adjustment for prevailing wages in the denominator to mirror the threshold basis limit adjustment in the tax credit application. Additionally, they would like to have a conversation about addressing the real public benefits of high road labor standards for construction workers, including the lifetime earnings benefits of apprenticeship training and the spillover benefits to communities from families with sustaining wages and benefits, particularly employer-paid healthcare. These benefits are quantifiable, and Nor Cal Carpenters Union urges CDLAC to engage with them and other stakeholders in considering revisions to the regulations.

Matthew Callahan spoke on behalf of Los Angeles Partners in Home Ownership, an all-volunteer, non-profit organization working to expand homeownership opportunities for low-income households in Southern California. He expressed that the Committee's decision in 2019 to cancel the Mortgage Credit Certificate (MCC) Program has been an impediment to his organization's efforts to open doors to homeownership to hardworking low-income individuals and families across the state. This week, Mr. Callahan sent detailed background information to CDLAC staff regarding the importance of the MCC Program, but he would like to highlight two key points today for the Committee's consideration. First, the MCC is not just a nice tax credit for homebuyers after the purchase of their home; its real power is that both conventional and FHA underwriting rules allow lenders to anticipate the dollar value of the MCC and add it to the borrower's loan application as additional income, which has the effect of boosting homebuying power. Mr. Callahan has personally been involved in countless home purchase transactions over the years where the MCC benefit allowed a low-income buyer to qualify for their purchase. Second, the MCC program is a highly efficient way to deploy the state's tax-exempt financing allocation. There are no issuer fees, bond counsel costs, investment banking charges, underwriting fees, or other costs that burden the use of this resource. Also, the MCC can be deployed quickly to local communities, and the allocation can be used fully within the required time period. For these reasons, along with the others outlined in the letter submitted to the staff this week, Mr. Callahan asked the Committee to reinstate the MCC Program as soon as possible.

Chairperson Ma asked if the high mortgage interest rates – currently around 8% for a 30-year mortgage – are impacting people's ability to buy houses, and how the MCC would help.

Mr. Callahan said the rising interest rate environment has been a huge challenge, along with the general increase in home prices, especially for lower-income households. That is precisely why the MCC benefit is important; the net effect of the MCC benefit is a reduction in financing costs by about half a point to a full point, so it is an immediate solution to the problem posed by higher interest rates. Additionally, the MCC can be renewed and reinstated for each homebuyer when interest rates drop. Homeowners can refinance to take advantage of lower interest rates and still retain the MCC benefit. It is a highly efficient way to help low-income people purchase homes. Additionally, the MCC Program is one of the few statewide programs that address the affordability barrier. As good as CalHFA's programs are, they only address the savings and cash-to-close barrier; they do not specifically address the affordability barrier, with the exception of the periodic Dream for All program, which is not currently available. HCD's CalHome Program is also useful, but it is not available statewide, and it has features that make it inefficient. On the other hand, the MCC Program is efficient and directly addresses the affordability problem because lenders can immediately deploy it in transactions. Finally, the MCC Program leverages both private mortgage capital and local affordable housing subsidies. When CDLAC cancelled the MCC Program several years ago, local jurisdictions in Southern California had to increase their use of the Community Development Block Grant (CDBG) Program and other local housing subsidies to make up the difference. Taking away a benefit that leverages local subsidies increases the demand on other subsidies. There are many reasons the Committee should consider reinstating the MCC Program as soon as possible.

Chairperson Ma said she had a conversation with staff about the MCC Program yesterday, so depending on what next year looks like and the amount of competition in the rounds, the MCC Program might be in play again. She thanked Mr. Callahan for his advocacy and persistence. She expressed that times have changed in the past five years, and the Committee is looking at the MCC Program again.

Chairperson Ma closed public comments.

4. *Agenda Item:* **Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 4)** – *(Action Item)*
   Presented by: Emily Burgos

Ms. Burgos explained that CDLAC opened another round for EXF projects to try to utilize additional allocation, and staff received three applications. All three applications were reviewed and deemed compliant with CDLAC's regulations, so they are being recommended to the Committee today for approval, for a total allocation of $205,500,000.

Chairperson Ma called for public comments:
None.

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

The motion passed unanimously via roll call vote.

5. *Agenda Item:* **Request to Waive the Maximum Bond Allocation Amount ($75,000,000) for Qualified Residential Rental Project (Cal. Code Regs., tit. 4 §5232) –** *(Action Item)*
   Presented by: D.C. Navarrette

Mr. Navarrette introduced Transbay Block 2 Family (CA-23-638), a new construction project applying in the Extremely Low-Income/Very Low-Income set aside, which will provide 182 affordable, non-targeted units, including 40 for homeless individuals, in San Francisco. The project's total bond allocation request is $95,866,109. The developer is Mercy Housing and the applicant is the City and County of San Francisco.

Chairperson Ma called for public comments on Transbay Block 2 Family:
None.

MOTION: Ms. Miller motioned to approve the waiver of the maximum bond allocation amount for Transbay Block 2 Family, and Mr. Johnson seconded the motion.

Mr. Navarrette introduced All Hallows Apartments (CA-23-660), Bayview Apartments (CA-23-661), La Salle Apartments (CA-23-662), and Shoreview Apartments (CA-23-664). These are all acquisition/rehabilitation projects located within one quarter of a mile of each other, which has triggered the requirement for the waiver of the maximum bond allocation amount. There is no particular housing type for projects that are not new construction, so the projects will provide a variety of unit types. Overall, these projects will provide 596 non-targeted affordable housing units in San Francisco, and the total requested bond allocation amount is $264,500,000. The developer is Related, and the applicant is CalHFA.

Chairperson Ma called for public comments on All Hallows Apartments, Bayview Apartments, La Salle Apartments, and Shoreview Apartments:
None.

MOTION: Ms. Miller motioned to approve the waiver of the maximum bond allocation amount for All Hallows Apartments, Bayview Apartments, La Salle Apartments, and Shoreview Apartments, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

6. *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

Mr. Navarrette explained that Residency at the Mayer Hollywood (CA-23-681) was added to the agenda late without proper notice, so it will not be discussed today. The supplemental bond allocation request for that project will be presented to the Committee at the December 6 meeting.

Chairperson Ma asked Mr. Navarrette to introduce all six projects being presented to the Committee today.

Mr. Navarrette reported that Aspen Woods (CA-23-671) is a new construction project that was originally allocated $26,342,943 and received a previous supplemental allocation of $2,634,230 at the Executive Director's level. The project is currently requesting an additional supplemental allocation of $1,622,763, which, combined with the previous supplemental allocation, is within the 52% aggregate basis limit but is 16.16% of the Committee-approved allocation. The project will provide 122 affordable units for seniors in San Ramon. The developer is Standard Communities, and the applicant is California Municipal Finance Authority (CMFA).

Prospera at Homestead (CA-23-674) is a new construction project that was originally allocated $19,000,000 and received a previous supplemental allocation of $1,900,000 at the Executive Director's level. The project is currently requesting an additional supplemental allocation of $2,850,000, which, combined with the previous supplemental allocation, is within the 52% aggregate basis limit but is 25% of the Committee-approved allocation. The project will provide 107 affordable large family units in Dixon. The developer is The Hampstead Companies, and the applicant is California Statewide Communities Development Authority (CSCDA).

La Prensa Libre Apartments (CA-23-676) is a new construction project that was originally allocated $27,200,000 and received a previous supplemental allocation of $1,592,260 at the Executive Director's level. The project is now requesting an additional supplemental allocation of $1,463,513, which, combined with the original supplemental allocation, is within the 52% aggregate basis limit but is 11.23% of the Committee-approved allocation. The project will provide 62 affordable non-targeted units in the City of Los Angeles. The developer is AMCAL, and the applicant is CMFA.

803 E 5th Street (CA-23-679) is an adaptive reuse project that was originally allocated $28,000,000 and received a previous supplemental allocation of $6,900,000, which was approved by the Committee. The project is now requesting an additional $5,100,000, which is within the 52% aggregate basis limit but is 14.61% of the combined Committee-approved allocation. The project will provide 94 affordable special needs units in the City of Los Angeles. The developer is Coalition for Responsible Community Development, and the applicant is the City of Los Angeles.

3rd and Dangler Apartments (CA-23-684) is a new construction project that was originally allocated $22,000,000 and is now requesting a supplemental allocation of $4,800,000, which is within the 52% aggregate basis limit but is 21.82% of the Committee-approved allocation. The project will provide 77 affordable non-targeted units, including 39 units for homeless individuals in Los Angeles County. The developer is National Core, and the applicant is Los Angeles County Development Authority.

Marcella Gardens (CA-23-685) is a new construction project that was originally allocated $15,900,000 and is now requesting a supplemental allocation of $1,955,095, which is within the 52% aggregate basis limit but is 12.3% of the Committee-approved allocation. The project will provide 59 affordable special needs units, including 30 units for homeless individuals, in the City of Los Angeles. The developer is the Coalition for Responsible Community Development, and the applicant is the City of Los Angeles.

Ms. Miller commented that two of the supplemental allocation requests are nearly 40% of the original allocation. She will vote to approve them since there is not a lot of competition for the allocation, but if the allocation becomes constrained again in the future, the Committee may want to consider whether there should be a limit to the total allocation.

Ms. Ferguson asked Mr. Navarrette where the cost increases are originating for these projects. She asked if they are related to construction interest reserves or actual hard costs of construction.

Mr. Navarrette said some projects have experienced rising construction costs, while others are nearing the end and realizing that they will not meet the 50% test and need additional allocation in order to close.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to approve all the supplemental bond allocation requests above the Executive Director's authority, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

7. *Agenda Item:* **Request to Extend the Bond Allocation Issuance Deadline for Qualified Residential Rental Project and Request to Waive Forfeiture of the Performance Deposit (Cal. Code Regs., tit. 4 §§5052, 5100, 5132) –** *(Action Item)*
   Presented by: D.C. Navarrette

Mr. Navarrette noted that The Arlington (CA-23-585) is being removed from the list of extension requests because the project was able to close last Friday.

Chairperson Ma asked Mr. Navarrette to introduce all of the projects requesting bond allocation issuance deadline extensions.

Mr. Navarrette reported that 80 Saratoga Avenue Apartments (CA-23-430) is a new construction project that is requesting a 30-day extension. The project was awarded on May 10, 2023, and the original bond allocation issuance deadline was November 6, 2023. The extension would move the deadline to December 6, 2023. The project will provide 198 affordable large family units in Santa Clara. The developer is Pacific West Communities, and the applicant is CMFA.

Valhalla Townhomes (CA-23-436) is an acquisition/rehabilitation project that is requesting a 90-day extension. The project was awarded on May 10, 2023, and the original bond allocation issuance deadline was November 6, 2023. The extension would move the deadline to February 4, 2024. The project will provide 44 affordable non-targeted units in Crescent City. The developer is GreenShoots Communities, and the applicant is CMFA.

West LA VA - MacArthur Field B (CA-23-451) is a new construction project that is requesting a 90-day extension. The project was awarded on May 10, 2023, and the original bond allocation issuance deadline was November 6, 2023. The extension would move the deadline to February 4, 2024. The project will provide 74 affordable special needs units in Los Angeles County. The developer is Core Affordable Housing, and the applicant is CalHFA.

Belmont Family Apartments (CA-23-488) is a new construction project requesting a 150-day extension. The project was awarded on May 10, 2023, and the original bond allocation issuance deadline was November 6, 2023. The extension would move the deadline to April 4, 2024. The project will provide 124 affordable large family units in Belmont. The developer is ROEM, and the applicant is CSCDA.

Woodlake Family Apartments (CA-23-472) is a new construction project requesting a 40-day extension. The project was awarded on May 10, 2023, and the original deadline was November 20, 2023. The extension would move the deadline to April 4, 2024. The project will provide 99 affordable large family units in the City of Los Angeles. The developer is Daylight Community Development, and the applicant is CMFA.

Mr. Johnson asked staff if other projects have had difficulty obtaining insurance due to wildfires, like Valhalla Townhomes.

Ms. Hammett said some of the recent supplemental allocation requests were related to insurance cost increases, and staff is hearing about more issues related to insurance. At the Rural Housing Summit, one project reported that its insurance costs had increased to about $1,000 per unit.

Mr. Johnson said the Committee should keep an eye on the increasing insurance costs and broader lack of insurance availability outside of the California FAIR Plan.

Ms. Ferguson said CalHFA is seeing 30-50% annual increases to insurance costs throughout its portfolio of 500 projects. New projects, especially in areas that experienced wildfires in the past five years, are struggling to find insurance carriers to provide reasonably priced insurance. It is a big issue that CalHFA is seeing routinely with both new and existing projects.

Ms. Miller said her preference is not to waive the forfeiture of the performance deposit for these projects. The Committee has moved away from a good precedent by waiving the forfeiture of performance deposits recently, and it makes sense not to waive the forfeiture of performance deposits in order to keep developers mindful going forward. She expressed that she is happy to approve the extensions, but she asked the other Committee members to provide their thoughts on the performance deposits.

Chairperson Ma said it is tricky once a precedent has been set.

Ms. Miller said the financing environment now is different from what it was in 2019 and 2020, and she would like to hear the Committee's input on whether it makes sense to waive the forfeiture of performance deposits.

Ms. Ferguson said CalHFA has been seeing more delays in getting projects completed, and she predicts that there will be additional requests for extensions of bond allocation issuance deadlines in the future. Generally, the delays are market-driven rather than due to any negligence by the developers. It is just taking a longer time to get deals put together, and with interest rates increasing, gaps are being created. Time is needed to fill those gaps, especially if soft dollars are needed to fill them. The reason for the extension request matters, and if staff recommends waiving the forfeiture of the performance deposit, Ms. Ferguson will stand behind that decision. CalHFA is seeing legitimate delays across the board on new projects, so the Committee should be prepared to see more of these requests. Ms. Ferguson is curious to see what feedback Ms. Burgos will receive in response to her previous request for feedback from the developer community.

Ms. Miller asked if Ms. Ferguson thinks it makes sense to waive forfeiture of the performance deposits due to the market factors.

Ms. Ferguson said it depends on the circumstances of each project. The project she knows most closely is West LA VA - MacArthur Field B; in that case, the project is waiting for the VA to respond to them with an agreement required for closing. That is completely out of the developer's control, and there are other ongoing delays that are similarly out of developers' control. Ms. Ferguson would like to hear staff's recommendations for each project, so that the Committee does not have to assess projects individually. She would trust staff to assess if a request is reasonable. If delays are outside of developers' control, the Committee should continue to try to make sure the projects get across the finish line. Ms. Ferguson agrees with Ms. Miller's comments regarding the Committee's treatment of the forfeiture of performance deposits in the past, but the environment is different now.

Mr. Velasquez agreed with Ms. Ferguson that not every project is equal. HCD has seen that dictating something across the board can help with future actions and behavior. HCD has received a multitude of extension requests across multiple programs; Homekey, for example, has received a large number of requests. They understand that developers are requesting extensions for different reasons, most of which are completely legitimate. However, CDLAC has been consistent across the board regarding the forfeiture of performance deposits, and HCD has to do the same thing. Mr. Velasquez encouraged the Committee to continue with the same behavior it has exhibited in the past, which is to allow the extension but not waive the forfeiture of the performance deposit. However, input from staff regarding the reasons for the extension requests should be considered.

Ms. Miller agreed with Mr. Velasquez's comments.

Ms. Hammett clarified that in the past, the Committee has not waived the forfeiture of the performance deposit when an allocation was returned, but the forfeiture of the performance deposit has been waived in the case of extensions. Staff has reviewed these extension requests and found them to be reasonable.

Ms. Ferguson said that her understanding is that staff has reviewed these extension requests and found them to be reasonable, and generally, the Committee has allowed the waiver of the forfeiture of the performance deposit for extension requests, but not for returned allocations. Ms. Ferguson believes the Committee has been consistent with that position.

Ms. Miller said that makes sense.

Chairperson Ma called for public comments:

Aaron Barger with The Core Companies said he is available to answer questions about the extension request for West LA VA - MacArthur Field B.

Ms. Miller asked Mr. Barger to explain the cause of the delay for that project.

Mr. Barger said the developer has been working diligently with the VA since May to provide all of the essential lease documents that are required for the VA and congress to sign. The project is a 75-unit development for disabled veterans at the West LA VA campus. This is the second phase of the project; MacArthur Field A is currently under construction. The VA and congress have statutory requirements that include reviews by other government agencies outside of the VA to approve the lease documents. The project received a five-day emergency extension beyond the November 6, 2023, deadline, and documents are supposed to be fully signed today. However, if there are any delays with the signatures, or if there are any problems with the delivery of the final documents needed for closing, the potential government shutdown on November 17 may cause further unknown delays. The project has requested a 90-day extension as a precautionary measure. The developer believes the project will close within the next week.

Ms. Miller thanked Mr. Barger for his explanation and expressed hope that the project closes before the potential government shutdown.

Cherene Sandidge from Sandidge Urban Group said she supported this agenda item. Interest rates have been at the mercy of the Federal Reserve in recent years, insurance companies have been leaving or increasing their prices, and most importantly, developers no longer have easy access to soft money to fill funding gaps. Cities have started doing NOFA rounds with specific deadlines, and everyone is in conflict with everyone else. It takes an enormous amount of money to put projects together. She asked the Committee to approve this agenda item because delays are not being caused by developers, and they need someone to be as dedicated to affordable housing as the developers are and help them to move through the process.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to approve the bond allocation issuance deadline and the waiver of forfeiture of the performance deposit for all the projects, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

8. *Agenda Item:* **Request to Transfer Unused Exempt Facility (EXF) Project Allocation and Unused Industrial Development Bond (IDB) Project Allocation to the Qualified Residential Rental Project (QRRP) Round 3 Allocation (Cal. Code Regs., tit. 4 §5021)** – *(Action Item)*
Presented by: Emily Burgos

Ms. Burgos reported that after the final rounds for EXF and IDB projects, there was $168.5 million in allocation remaining. Staff is requesting to transfer the remaining allocation to the QRRP Round 3 allocation, so that it can become housing allocation before the end of the year.

Ms. Ferguson asked which pool the funds would be transferred to.

Ms. Burgos said staff recommends transferring the allocation to the surplus pool. If the allocation were dispersed among the pools and set asides, it would not change which projects were awarded. Additionally, the preliminary recommendation list must be posted tomorrow. It will be easier for staff if the allocation can be added to the surplus pool since it will not make a difference in terms of which projects receive an allocation.

Mr. Velasquez said that when he is speaking to different communities and groups, he emphasizes that the statewide housing plan released last year calls for the creation of 2.5 million new homes by 2030. HCD is receiving new data all the time from jurisdictions that are making progress toward this goal across the income spectrum. This progress can be attributed to the huge amount of state and federal subsidies in the past three years that have been good to the housing industry. However, the state is still far behind where it needs to be, and it is therefore important give more allocation to housing whenever there is an opportunity. It is the right thing to do, and that is supported by the data. Mr. Velasquez is willing to come back at a future meeting and provide data showing some of the progress jurisdictions are making toward their housing targets.

Chairperson Ma said it would be great if Mr. Velasquez could come back and provide that data.

Chairperson Ma called for public comments:

Michelle Ota expressed her support for the MCC Program. She said she is a lender who has been in the business for 33 years, and she started working with the MCC Program in 1996 in various counties. Many of the counties that previously offered the program already have the forms and would not need to start over to reboot the program, so they could be up and running again very quickly. Additionally, the program provides a savings of 1-1.25% for clients, so if their interest rate is, for instance, 7%, the net effect of the MCC Program is a 6% interest rate. In today’s market, that would help people who have been outpriced in the market or for whom rates have increased too much for them to purchase a home. The MCC Program can make the purchase affordable, and that is especially important for first-time homebuyers who need as much help as they can get.

Cherene Sandidge from Sandidge Urban Group asked how much allocation would be transferred to QRRP Round 3 if this agenda item were approved.

Ms. Burgos said the specific amount of allocation was not posted in the agenda because Agenda Item 4 had to be approved before an exact amount could be determined, but staff determined that the exact amount of allocation to be transferred from the EXF and IBD projects to QRRP Round 3 would be $168,500,000.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to approve the transfer of allocation, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

9. **Public Comment**

Peter Tran from Golden State Finance Authority (GSFA) echoed Matthew Callahan's previous comments regarding the MCC Program. GSFA had an MCC Program that included 48 counties in California and helped over 3,000 low- to moderate-income families attain homeownership. With the current housing market conditions, GSFA strongly believes the MCC Program would benefit low- to moderate-income families attain homeownership, and they recommend that the Committee consider reinstating the program. GSFA is happy to share more information with the Committee about their success with the program.

Chairperson Ma expressed interested in receiving more data on GSFA's MCC Program. She asked Mr. Tran which counties the program operated in.

Mr. Tran clarified that 48 counties were included in the program, which represented the majority of California.

Robert Blunt from Nor Cal Carpenters Union reiterated the comments made previously by his colleague Scott Littlehale. He provided printed copies of the letter his organization previously submitted to the Committee. He spoke about the positive social and economic benefits of incorporating prevailing wages, apprenticeship training opportunities, and healthcare coverage, into the tiebreaker formula. Currently, the only impact prevailing wages have on CDLAC's scoring guidelines is in the denominator of the tiebreaker formula, which is only a reduction of the prevailing wage trigger. This framing ignores the measurable benefits of higher labor standards for construction workers, including the following: higher wages allow construction workers to spend more in their communities; apprenticeship training opportunities boost workers' lifetime earnings; and employer-paid healthcare reduces workers' reliance on publicly funded healthcare services. These are quantifiable metrics that should be included in the calculation next to rent savings and location benefits created by affordable housing.

Cherene Sandidge spoke on behalf of the Black Developers Forum, stating that her organization had previously submitted a public comment letter to CDLAC staff during the recent public comment period regarding the conversion of downtown commercial space into residential units. Conversion makes sense if the infrastructure is in place, but the programs currently do not align. The major urban cities are going to have to start addressing housing in downtown urban areas that were originally developed for office use.

10. **Adjournment**

The meeting was adjourned at 10:12 a.m.