



California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

December 6, 2023

CDLAC Committee Meeting Minutes

1. *Agenda Item: Call to Order and Roll Call*

The California Debt Limit Allocation Committee (CDLAC) meeting was called to order at 9:02 a.m. with the following Committee members present:

Voting Members: Fiona Ma, CPA, State Treasurer
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 November 8, 2023, Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to approve the minutes of the November 8, 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:

Supplemental Allocation Pool Update: There have been 64 supplemental allocations approved and four are pending, one of which is at the staff level, and the other three will be considered by the Committee today. If all pending applications are approved, there will be a total of 68 allocations for approximately \$154.4 million.

Projects Impacted by Bank Closures: On March 27, 2023, the Committee approved Resolution No. 23-016, delegating authority to the Interim Executive Director to grant issuance deadline extensions for projects impacted by bank closures. Since the last update, one extension was approved, and a total of six extensions have now been approved.

2024 State Ceiling on Qualified Tax-Exempt Private Activity Bonds: On November 9, 2023, the IRS released Revenue Procedure 2023-34 announcing the increase of the per-capita multiplier for private activity bonds from \$120 to \$125. Based on the current year population of 39,029,342, the estimated 2024

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bond volume cap is \$4,878,667,750. Last year, the amount was approximately \$4.7 billion, so it is estimated that the bond cap will increase by about \$195 million. The confirmed 2024 population updates will be received in March, and this number will be adjusted, if necessary.

Mr. Johnson asked if there is an end date on the Executive Director's authority to grant issuance deadline extensions to projects impacted by bank closures.

Emily Burgos, CDLAC Section Chief, clarified that there is no end date on that authority.

Chairperson Ma called for public comments:
None.

4. *Agenda Item: Mortgage Credit Certificate Program Overview* *Presented by: Emily Burgos*

Ms. Burgos explained that at the last meeting, there were several public comments about the Mortgage Credit Certificate (MCC) Program. This raised many questions about the program both internally at CDLAC and from external stakeholders. Therefore, Ms. Burgos invited Matthew Callahan from Southern California Partners in Homeownership (SCPH) to provide an overview of the MCC Program.

Mr. Callahan explained that SCPH is an all-volunteer non-profit organization that works to expand homeownership opportunities for low- and moderate-income individuals and families. He is joined today by his colleagues from Golden State Finance Authority (GSFA), Craig Ferguson and Peter Tran. GSFA finances and administers several innovative homeownership assistance programs throughout the state and has been one of the largest MCC issuers in California.

Mr. Callahan explained that the MCC is a home financing tool that does two important things: it boosts homebuying power and increases household income. The MCC is a federal income tax credit that is generally equal to 20% of the annual mortgage interest paid by a homebuyer. While all homebuyers can take advantage of the mortgage interest deduction on their income taxes, which lowers their tax basis, the MCC is a credit against the actual taxes owed. Tax credits are better than deductions because they lower the amount that the homeowner actually owes on their income taxes. Depending on their loan balance and interest rate, a homeowner with an MCC may see an average annual savings on their income taxes between \$2,000 and \$3,500, usually in the form of an increased refund. This is real, spendable, money that comes into the household due to the MCC.

Additionally, Mr. Callahan explained that the underwriting rules for Fannie Mae, Freddie Mac, and FHA, allow lenders to anticipate the dollar value of the MCC and include it as additional income on the homebuyer's loan application. The more income on the loan application, the bigger the loan can be, which increases buying power. Lenders' ability to anticipate the dollar value of the MCC and add it to the loan application helps address the affordability barrier that is so pervasive for low-income homebuyers in California. The MCC is incorporated during the processing and underwriting stages of the loan, so when a homebuyer applies for a home loan with a lender that participates in the MCC Program, the lender will submit a reservation request to the MCC issuer. After closing, the MCC is issued to the homebuyer, and they are able to claim the credit every year on their federal income tax return. During the underwriting



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process, the lender is able to incorporate the value of the credit on the loan application to help the low-income homebuyer achieve more homebuying power.

Mr. Callahan stated that the MCC is valuable in any market situation, so it is useful whether interest rates and market prices are high or low. Additionally, the MCC can be reissued, so if a homebuyer receives an MCC in a high interest rate environment and then refinances in a year when interest rates drop, the MCC can be reissued based on the new loan balance and interest rate. This enables the MCC to continue for the life of the home loan – theoretically, 30 years. Both low- and moderate-income households are eligible for the MCC Program, but first-time homebuyer status is normally required, meaning the homebuyer has not owned a home in the past three years. However, there are exemptions to the first-time homebuyer requirement in HUD-designated revitalization census tracts. Additionally, there is no first-time homebuyer requirement for active military servicemembers and veterans.

Mr. Callahan explained that the MCC can be issued on a standalone basis, meaning that a buyer receiving a conventional, FHA, VA, or USDA, loan can benefit from the MCC. Additionally, the MCC can be combined with local downpayment assistance programs. For example, both the County of Los Angeles and the City of Los Angeles offer downpayment assistance loans that can be incorporated with a conventional or FHA loan and an MCC. This provides additional leverage and homebuying power and helps local affordable housing subsidies go further.

Based on past performance, Mr. Callahan estimates that for every \$100 million in new allocation, another \$125 million can be leveraged in private mortgage capital, which will translate into almost 300 new units of owner-occupied housing in California. This assumes an average household size of four people. Aside from GSFA, which represents 47 California counties, there are seven other regional MCC issuers in California, including the San Diego Housing Commission, Riverside County, Los Angeles County, City of Los Angeles, Santa Clara County, City and County of San Francisco, and the Sacramento Housing and Redevelopment Agency. SCPH has been in contact with all of these issuers, and they have all confirmed their strong interest in restarting the MCC Program in their jurisdiction. Mr. Callahan expressed hope that the Committee would consider a new allocation to the MCC Program in 2024.

Chairperson Ma stated that CDLAC issues bonds to CalVet, and their program is not necessarily based on FICO scores, but rather on the borrower's ability to repay the loan. Additionally, CalHFA has a first-time homebuyer program, along with the Dream for All Program, which will be replenished. She asked Mr. Callahan how these programs all rank in order of priority and equity in terms of allocating to the MCC.

Mr. Callahan responded that the MCC makes all of those programs better. If a borrower receives a loan funded by a tax-exempt mortgage bond, such as a CalVet loan, they would not be eligible to receive an MCC. However, if the borrower received a regular first mortgage loan from CalHFA, or a conventional or FHA first mortgage through GSFA, and one of their downpayment assistance programs, the MCC could be incorporated into the transaction. The Dream for All Program, scheduled to be released in March 2024, could also be enhanced by the MCC. There are very few tools available in California that address affordability in homeownership. The MCC Program would have a direct and immediate impact on homeownership affordability in California and could be leveraged with virtually all of the other programs Chairperson Ma mentioned.



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Chairperson Ma asked if the participating lenders should know about the MCC Program and help put together the financing for homebuyers.

Mr. Callahan said that the issuers he previously mentioned, including GSFA and the local issuers, would go through a process of alerting local lenders in their market once they received an MCC allocation. They would also conduct lender training and promote and advertise the program. Additionally, local non-profit organizations would be able to talk about the MCC in their pre-purchase homebuyer education workshops. Those entities would be the primary vehicles for getting the word out, but lenders would certainly promote the program as well, because it would be valuable to their clients. Additionally, CDLAC could promote the availability of the MCC if they chose to offer it.

Chairperson Ma asked how long an allocation to the MCC Program would last if it were allocated this year, and if it would be used up right away.

Mr. Callahan responded that the allocation period is normally two years, but the allocation typically gets used up within the first year. It is a light-touch program that can go quickly without a heavy administrative burden, so once a local issuer receives an allocation, they can make it available right away.

Chairperson Ma asked if the MCC is valuable even in a high interest rate environment, when prospective homebuyers might be waiting for the market to improve, and if the program would help alleviate high interest rates.

Mr. Callahan responded that the MCC effectively reduces the current interest rate by half a point to a full point, in terms of actual buying power. It does help in a high interest rate environment, but homebuyers are not as rate sensitive as one might imagine; they want to know what they can buy and get into the market. The MCC will help more low-income buyers get into the market, regardless of the current interest rates. Mr. Callahan hopes rates drop within the next 24 months, as many experts predict will happen, but regardless, the MCC would have a powerful benefit.

Ms. Ferguson thanked Mr. Callahan for the overview of the MCC Program. She said this is an interesting conversation that breaks down into two issues. The first issue is the allocation of bond cap to single-family housing. The second issue is determining the most efficient use of that allocation. The MCC is one method of using the allocation, but there are a variety of other executions, such as tax-exempt bonds issued by CalHFA paired with downpayment assistant programs, which might actually be cheaper. MCCs are usually used in other states when there are no other uses for multifamily bond or single-family bond programs. MCCs are an interesting and effective way to use the allocation, but Ms. Ferguson recommends that the Committee bifurcate this issue into two conversations. The first question is whether there is bond cap available for single-family housing, whether it is MCC or another program. The second question is what options are available to the Committee for the deployment of the bonds, and which options would be most in line with other opportunities throughout the state. The MCC Program should be considered, but there are other options that should also be discussed.

Mr. Callahan stated that he conducts training across the country on first-time homebuyer programs, and he estimates that around 40 states currently offer MCC programs in conjunction with other uses of their private activity tax-exempt financing, such as multifamily housing and public facilities. It is not an “either/or” situation. Mr. Callahan was cautious about being too much of an advocate for the MCC



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Program, but he believes that in terms of addressing the wealth gap in our state, including the racial wealth gap, homeownership is an extremely powerful tool, as many studies have shown. The state needs to have a balanced housing program that focuses both on creating new multifamily rental housing, which the Committee is already doing in large volume, as well as a significant focus on expanding homeownership opportunities. The MCC Program is an extremely efficient way to do that.

Ms. Miller echoed Ms. Ferguson's comments. She expressed that there is validity to the discussion about the MCC Program, but Ms. Ferguson is suggesting that the Committee conduct an analysis before making a decision on where the leverage has the most efficacy. Ms. Miller expressed agreement with Mr. Callahan about the importance of homeownership. While the struggles in California are clear, if there is limited bond cap available, as has been the case in recent years, the Committee should consider how to get the most leverage out of the allocation. A thorough analysis should be done before the Committee makes a decision. If the Committee is looking at solutions for single-family housing now, which generally has not been the case since they have been more focused on Exempt Facilities (EXF) projects and multifamily housing, it is important to look at other downpayment assistance programs.

Ms. Burgos clarified that this item was presented to the Committee today as an educational item. Staff is committed to making sure the allocation is being used meaningfully. There was a lot of carryforward last year, and there will be carryforward again this year, so staff will continue to research other options to use the allocation to ensure that the recommendations presented to the Committee will benefit the entire state.

Mr. Velasquez stated that the MCC Program could work as part of the equation, but as Ms. Ferguson and Ms. Miller stated, further analysis should be done, including analysis of the single-family housing supply shortage. Driving more customers to the single-family housing market would exacerbate costs, so this issue should be carefully assessed.

Chairperson Ma expressed that she is a big supporter of home buying as a way to build equity, and CDLAC has not funded the MCC Program since she was elected because of the Committee's focus on the construction of multifamily rental projects for Extremely Low-Income/Very Low-Income (ELI/VLI) individuals. However, given the changes in the market, the current interest rates, and the large amount of carryforward, she is open to talking about the MCC Program again. The upcoming year will be volatile due to the Presidential election. She asked Mr. Callahan how many homebuyers would be helped if the Committee allocated bonds to the MCC Program, and what difference the program would make for those homebuyers.

Mr. Callahan responded that based on past performance, he estimates that for every \$100 million allocated to the MCC Program, there would be close to 300 new homeowners. Each home financed in this manner would probably have at least four household members.

Chairperson Ma called for public comments:

Eric Tiche from CalVet Home Loans expressed appreciation for the Committee's consideration of bond allocation to single-family housing. He asked the Committee to allocate up to \$100 million of tax-exempt private activity bonds to CalVet's home loan program in 2024. That amount would fund homes for up to 300 veterans and their families. Tax-exempt bonds are a vital component of CalVet's home loan program



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for lower-income veterans and their families. This particular veteran population is among the most underserved in the California housing space in addition to being the most in need of individualized underwriting and high-touch customer service practices. This population tends to consist of an older demographic as well as veterans with service-connected disabilities. If access to private activity bonds is denied, a large segment of the California veteran community will be excluded from CalVet's program due to restrictions associated with general obligation bonds. Additionally, given the current insurance climate in California, these veterans would also benefit greatly from the specialty property and disaster coverage that accompanies CalVet home loans. The program's current funding is forecasted to be exhausted by mid-2024, so the CalVet is requesting up to \$100 million in allocation in 2024.

Chairperson Ma asked if CalVet's bond allocation had run out.

Mr. Tiche responded that it has not run out.

Chairperson Ma asked if CalVet uses the MCC Program.

Mr. Tiche responded that CalVet uses tax-exempt bonds along with downpayment assistance loans that accompany first mortgage loans.

Chairperson Ma asked how CalVet incorporates the MCC into its home loans program.

Mr. Tiche responded that CalVet does not use the MCC Program.

Chairperson Ma asked Mr. Tiche if CalVet is requesting a separate allocation for the CalVet program.

Mr. Tiche responded affirmatively; CalVet is requesting up to \$100 million in allocation.

Chairperson Ma asked if CDLAC has previously allocated bonds to CalVet.

Ms. Burgos confirmed that CalVet received an allocation two years ago.

Chairperson Ma asked if participating lenders could utilize the MCC Program.

Ms. Burgos responded affirmatively. The MCC Program would be available to all low- to moderate-income homebuyers, including veterans, whereas CalVet's program is available only to veterans. CDLAC funded CalVet two years ago.

Chairperson Ma asked Mr. Tiche to confirm that a \$100 million allocation would help 300 homebuyers.

Mr. Tiche responded affirmatively.

Marina Wiant from the California Housing Consortium (CHC) expressed appreciation for the Committee's commitment to evaluating the best use of the bond allocation. She reminded the Committee that MCCs are created at a 1:4 ratio, meaning that every \$4 of tax-exempt private activity bonds invested



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in the MCC Program results in \$1 of MCC, versus the multiplier effect that occurs with the other programs.

Craig Ferguson from GSFA stated that CalHFA has some amazing programs, and the MCC can be used with those programs, as long as they are not using the same tax-exempt bonds, which has not occurred in a while – rather, those programs use general obligation bonds or private activity markets, like GSFA does. Downpayment assistance programs and the MCC can complement each other, and there is still not enough assistance in California. California is very different from other states, although there may be other states that are experiencing the same issues. Anything that can be done to boost homeownership in California is needed, and if there is carryforward, it could be used for the MCC Program. GSFA also has a multifamily housing program, and Mr. Ferguson does not want to take away from multifamily housing, but he believes the carryforward should be used to make homeownership more affordable in California, especially in the current market.

Chairperson Ma closed public comments.

5. ***Agenda Item: Appeals for Round 3 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5038) – (Action Item)***

Presented by: Emily Burgos

Ms. Burgos reported that CDLAC only received one appeal this round. The project, Costa Mesa M6 (CA-23-617), is appealing the preliminary recommendation list and the final recommendation list and has followed all of the appropriate procedures in order to appeal to the Committee today. The project is asking to reduce its state tax credit request, which the staff does not have the authority to do. Staff does not adjust bond amounts or state tax credit amounts unless it is in direct response to a deficiency, in order to cure that deficiency. Costa Mesa M6 received a grant fund after applying for the bond allocation, so now the project does not need as much in state tax credits as originally requested. Staff has reviewed the project and determined that it meets all of CDLAC's requirements. The additional funding source has also been verified, and it covers the gap created by the reduction in state tax credits.

Chairperson Ma invited a representative from Costa Mesa M6 to speak on behalf of the project.

Stephen Strain from Sabelhaus & Strain, LLP, explained that Costa Mesa M6 is the second phase of a Homekey project which began late last year or the beginning of this year to meet the requirements of that program. The project applied for bonds and tax credits in a prior round and in the current round, and if not for the state tax credit request, the project would have scored well enough to be funded in both rounds. The sponsor has worked to obtain other funding sources, and shortly after the project applied in the current round, a funding source was obtained that would reduce the need for state tax credits by \$3 million. After reviewing the preliminary recommendation list and the final recommendation list, Mr. Strain believes Costa Mesa M6 is the highest ranked feasible project that is not on the list. Therefore, the developer is requesting that the Committee grant this appeal and utilize the available resources to fund the project.

Chairperson Ma asked for clarification on what this project is requesting.



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Ms. Burgos clarified that the project is asking to reduce the amount of state tax credits requested.

Chairperson Ma said that sounds like a good thing.

Ms. Burgos said it is not typically allowed at the staff level.

Ms. Ferguson asked if the reduction in state tax credits increases the project's score and moves it higher up on the list.

Mr. Strain said no, that has not been factored into the project's score or tie breaker. The reduction in state tax credits simply allows the project to fit into the available resources.

Ms. Ferguson asked if granting this appeal would bump any other projects off the list or if this is simply a matter of utilizing leftover resources.

Ms. Burgos confirmed that no other projects would be bumped if this appeal were granted. There are three projects that score higher than Costa Mesa M6, but those three projects have requested much more in state tax credits. By reducing its state tax credit request, this project is able to use up the rest of the state tax credits along with available bond cap.

Ms. Ferguson asked if this would normally go through the regular application process rather than an appeal.

Ms. Burgos said this is being presented to the Committee as an appeal because applicants are not allowed negotiate or adjust their requests. The reason for this is to prevent applicants from adjusting their requests in order to change their position on the list. However, Mr. Strain approached staff with this request because the Costa Mesa M6 project had already closed its funding gap and reduced its state tax credit request to an amount available. The project has been reviewed and the score does not matter.

Mr. Velasquez asked if there is a precedent established for this situation.

Ms. Burgos said there is no precedent; since she has been with CDLAC, there has not been a situation like this where a project had already filled a funding gap and awarding a lesser amount would not have impacted any other projects. Requests are often denied because CDLAC cannot allow applicants to reduce their requests in the hope that they will find funding elsewhere, nor can they allow projects to reduce their requests at the detriment of another project.

Mr. Johnson asked if staff has had any discussions with the three projects that ranked higher on the list about their potential eligibility related to their requests.

Ms. Burgos said staff did not reach out to those projects individually, but this appeal was disclosed in the E-Binder prior to today's meeting. Also, developers all do their own sorts, so they are aware of which projects are in front of them on the list. She believes that if any of those projects had been in a position where they could have adjusted their tax credit requests, they would have reached out to the staff when



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they were made aware of this appeal. Additionally, there was no public comment on the appeal until today.

Mr. Johnson said he is hesitant because he does not want to set up a structure that unfairly advantages a project that adjusts its tax credit request. At the same time, this is a unique situation.

Ms. Burgos agreed that it is a unique situation, and staff does not have the authority to take action on this. Therefore, it had to be submitted to the Committee as an appeal.

Chairperson Ma called for public comments:

Mark Stivers from the California Housing Partnership (CHP) said that he does not have a position on this appeal. In a lot of cases, people think the appeals are about scoring issues, but this is about more resources being made available. It may be a legitimate appeal, but it raises a process question, as Mr. Johnson mentioned. He asked if the other applicants were given the same opportunity or if the community in general knew that this was a possibility. This would set a precedent for applicants to apply for a certain amount of tax credits and then later reduce their requests in order to be more competitive if they were not awarded the amount they initially requested. This would set up some troublesome gaming scenarios in the future. This is probably a great project, and the resources are available, but the Committee should consider all these issues when making a decision.

William Leach from Kingdom Development said that approving this appeal would set a bad precedent since it would add more gaming opportunities. Mr. Leach performs simulations to see which projects will be awarded, and which scores will be appropriate, but he did not read this appeal. He is hearing about this in the public forum, and he appreciates the opportunity to express his opinion that this will set a bad precedent. He has no opinion on the project and does not know who the sponsor is, but he believes this appeal, if approved, would create holes in CDLAC's competitive process.

Kyle Paine, President of Community Development Partners, the sponsor of Costa Mesa M6, said the project was on Mr. Leach's list as a probable awardee. This was just a timing issue; a funding source became available that was not available previously, and the project applied for it. The timing of that funding source did not align with the tax credit application. The project received the other funding and subsequently did not receive a tax credit award, so the developer chose to reduce the state tax credit request because it appeared that there were enough bonds and state tax credits to fund the project. Costa Mesa M6 is a Homekey project that is already under construction, and the second phase will complete the project. There was no gamesmanship involved; this was just a timing issue. After the initial tax credit request was not awarded and the other funding was secured, the developer realized that they would have the resources to get the project done with a reduced tax credit amount. It is an important project for the City of Costa Mesa and the County of Orange, so the developer felt that it would be best to talk to CDLAC and CTCAC about the process for obtaining the available resources and moving the project forward.

Chairperson Ma asked for confirmation that the project is giving back state tax credits that could be issued to other projects, but it will not impact the project's place in line or bump any other projects.



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Ms. Burgos said that if the project does not reduce its state tax credit request, the request is too high for it to be awarded. By reducing the request to an amount that is still available, the project could be awarded.

Mr. Strain confirmed that Ms. Burgos's summary was accurate.

Chairperson Ma asked if the project is asking for more credits.

Mr. Paine clarified that the project is asking for fewer credits.

Ms. Burgos explained that the project initially applied for an award of \$5 million in state tax credits, but that amount is not available. There is approximately \$2.5 million available. The project has adjusted its request to just over \$2 million in order to be awarded because it now has an additional funding source that it did not have at the time of the application.

Chairperson Ma asked what will happen if the appeal is not granted.

Ms. Burgos said the project will not be awarded if the appeal is not granted, and there will still be over \$2 million in state tax credits remaining this year. If the appeal is granted, it will exhaust the state tax credits and the project will be awarded. However, there are the concerns about the precedent that will be set.

Mr. Johnson expressed two concerns. First, he is concerned about the fairness to the other three projects ahead of Costa Mesa M6 on the list and their opportunity to consider amending their applications to become eligible. His second concern is about the broader question of creating holes in the process. He asked if safeguards would be in place to prevent this from happening again if the Committee were to approve this appeal, or if this would open the door to gaming the system. Both of these issues should be tackled when the Committee makes a decision on this appeal. Additionally, in fairness to the process, there should be a conversation with the other three projects ahead of this project on the list to determine if they could also reduce their requests in order to be awarded.

Mr. Strain said Costa Mesa M6 has utilized the process put in place by the regulations. That process is available to any applicant. Additionally, the other three projects had notice that the appeal would be presented to the Committee today, and they had the opportunity to do the same thing. Allowing those other projects to revisit this issue would disadvantage Costa Mesa M6 and curtail the rights available under the regulations, which were utilized. In terms of precedent, this is a unique situation that came up in the last round of the year, only because there are resources left on the table. This is not a situation that would come up in the first or second rounds, because any remaining resources would roll over to the following round. The precedent set would be narrow.

Mr. Velasquez said Homekey is an important program for the state and a priority for the Governor, but he has given a lot of thought to the processes that are established. HCD has stringent processes and is very concerned about applicants making changes or providing different information than what was presented on the application. There are penalties associated for those circumstances. He advised the Committee to deny the appeal because of the comments made on the process. However, he is conflicted because of the project's association with the Homekey program. The issue is the process that will be established; even if there is no established precedent, the information presented during the rounds has to be accurate.



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Mr. Paine echoed Mr. Strain's comments regarding the project having followed the process that was put forth in the regulations. The information changed while the developer was in the midst of applying for funding sources and waiting for a response to those applications. Mr. Paine's goal now is to make sure the Homekey project moves forward. The Homekey portion of the funding has already closed, but the bonds and state tax credits are needed to complete the project. This was a timing issue, so the decision was made to alert CDLAC and CTCAC that additional funds had been received and the tax credit request could be reduced to an amount that could be awarded with the remaining state tax credits and bonds available.

Mr. Johnson asked Mr. Paine to clarify that between the time the CDLAC/CTCAC application was submitted and when the applicant received a response is when they discovered that the project received the additional funding.

Mr. Paine responded affirmatively; the application had already been submitted for the bonds and tax credits, and then the developer found out that they had received funding from the other source. They applied for the additional funds without knowing the outcome of the tax credit application. They received the other funding and then realized they were not going to receive an award of bonds and state tax credits. They then realized that there were state tax credits available, but not enough to meet their initial request, so they decided to adjust their state tax credit request. This was possible because of the additional funding that they were not previously aware of at the time the CDLAC/CTCAC application was submitted.

Cherene Sandidge from the Black Developers Forum said the Committee should not be concerned about the three projects that scored above Costa Mesa M6; they should be concerned about the projects that scored lower and missed out on state tax credits because they might have only asked for \$1.5 million, and now that money has become available. The Committee cannot be so antiquated in processes and should be more proactive in developing precedents that are fair to everyone. She asked the Committee to support the appeal because there could be other projects on the list that only asked for \$1.5 or 2 million in state tax credits with the same funding that were not awarded.

William Wilcox, Bond Program Manager at the City and County of San Francisco Mayor's Office of Housing and Community Development (MOHCD), said that Costa Mesa M6 sounds like a great project, and Homekey has been important to MOHCD as well, but this would be the second time in a row that the Committee changed the regulations from the dais at a meeting. At the last meeting, the Committee approved extensions which were not in the regulations, and if this appeal were approved today, it would create another new process that is not in the regulations. As an issuer, it is hard to make decisions on applications if the rules are unknown. It is the Committee's prerogative to change the regulations and override the process, but it makes the system harder for applicants to use. MOHCD spends a lot of time thinking about what resources are available, and this would allocate state tax credits that would otherwise be available next year to other projects. The Committee should think about the impact of repeatedly changing the regulations at the dais during meetings and how hard it is for other projects to understand. At a previous meeting, there was a similar discussion where projects had requested too many state tax credits and there were not enough to award the project, and developers asked if they could substitute out the developer fee. The Committee's decision was that it was unfair to allow that afterwards and that it would not work out well. Mr. Wilcox expressed that he understands that this is a great project, but he is thinking about the bigger picture across the programs.



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Ms. Miller said that because the Committee does not know if the other projects that ranked higher on the list could make a smaller state tax credit award work, she would vote to deny this appeal. The project could apply in the next round. That would make more sense because approving this appeal would set a precedent, and there is not adequate time to consult with the other three projects before making a decision. She asked Ms. Burgos to confirm if the project could apply in the next round, which would give the Committee more information on which to base this decision.

Ms. Burgos responded affirmatively. While she cannot speak to the timing of the rest of the project's funding sources, from CDLAC's perspective, the project could apply in the next round. If the Committee's main holdup is the precedent that would be set, that is a separate issue. If the holdup is the three projects that did not have the opportunity to reduce their state tax credit request, the Committee could approve the appeal contingent on staff contacting those other projects. The Committee has approved things contingently before.

Ms. Miller said she would prefer to wait so that the Committee has all the information in terms of what the other projects are requesting. The Committee can delay a decision without discrimination. She asked if a decision could be made in January since there is not another meeting scheduled in December.

Ms. Burgos said a decision would need to be made this year.

Ms. Miller said the project would have to apply in January. She would vote to deny the appeal and welcome the project to apply again next year.

Mr. Strain reiterated that this is a Homekey project that the developer accelerated earlier this year in order to comply with the requirements of the Homekey program. Waiting until the next round, which is in April 2024, would mean waiting until June or July to receive an award and closing at the end of the year. That would delay the project, which is already underway on its first phase, by six to nine months. Additionally, this appeal was noticed, and the project utilized regulations that were available to everyone. That is the purpose of the notice requirements for Committee meetings. The other three projects that ranked higher on the list would have known that this appeal was being presented today, and if they had similar appeals or other concerns, they had the opportunity to make public comments today, but they have not. This project utilized the process in place and proper notice was given. It would not be fair to Costa Mesa M6 to give those other projects more time since the proper process has been followed.

Mr. Leach commented that the projects that Costa Mesa M6 is competing against in the current round are not the only stakeholders in this matter. If this project were not awarded, the \$2 million in available state tax credits would go to the projects competing in the next round. The onus is not on everyone in the industry to read all appeals and make public comments regarding the abnormal process and the problems that would be caused for them down the road. The absence of people opposing this appeal should not be a reason to approve it. There are many people with other projects who would plan on following this process, so this would set a bad precedent.

Mr. Strain reiterated that the projects ahead of Costa Mesa M6 on the list had the opportunity to take the same actions.



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Chairperson Ma closed public comments.

There was no motion.

6. ***Agenda Item: Round 3 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 79 applications were received on September 6, 2023, and 66 award recommendations are being presented to the Committee today. One project on the list withdrew this morning: Lassen Apartments (CA-23-655). The total unit count is 7,437, and 7,345 of those are low-income units, including 451 homeless units. The total allocation is \$2,167,658,827.17, of which \$2,103,627,132.17 is 2023 bond cap and \$64,031,695.00 is 2022 carryforward. Staff has reviewed all the applications for completeness and compliance with federal and state laws and recommends them for approval.

Chairperson Ma called for public comments:

None.

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

The motion passed unanimously via roll call vote.

7. ***Agenda Item: Request to Transfer Allocation from the California Municipal Finance Authority to the Los Angeles County Development Authority (Cal. Code Regs., tit. 4 §5120) – (Action Item)***

Presented by: Emily Burgos

Ms. Burgos explained that Santa Fe Springs Village (CA-23-536) is requesting a transfer of allocation from its original issuer, California Municipal Finance Authority (CMFA), to a new issuer, the Los Angeles County Development Authority (LACDA). This project received public funds from the County of Los Angeles, and they are requiring LACDA to be the bond issuer. That is the reason for this transfer request.

Chairperson Ma invited a representative from CMFA to speak.

Ben Barker from CMFA asked the Committee to approve the transfer of allocation so the project could move forward and be funded. CMFA wants to see projects move forward.

Chairperson Ma stated that CDLAC has a robust and transparent process, and a transfer of allocation at the last minute requires work and costs additional money. She asked for a representative from LACDA to explain why they did not submit the application themselves.

Matthew Lust from LACDA explained that the developer of this project was initially contemplating a 9% tax credit application but then switched to a 4% tax credit application afterwards. LACDA was notified about two weeks before the application was due that the 4% tax credit application was going to be



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submitted. That did not provide enough time for LACDA to get their program underway and receive approval from their board authority for the inducement. Therefore, with the understanding that the bond allocation would be transferred back to LACDA, they authorized the developer to apply to CDLAC through CMFA. LACDA issued a letter to the developer to that effect, with the notice that if the bond allocation was not transferred back, LACDA would pull its funding from the project. This was not an ideal situation, but these actions were taken to try to speed up the project's timeline.

Chairperson Ma said everyone is under the same time constraints and everyone works hard to get their applications submitted on time. If LACDA wanted to be the bond issuer for this project, they should have submitted the application, and if they did not have time to submit it, they should not have put the project forward. There may now be other requests for transfers, which will disrupt the system, like the last appeal. The system is transparent, and people are doing the work, including the bond counsel and underwriter. She asked if it would cost the developer more money to transfer the allocation back to LACDA.

Mr. Lust said he does not know if there would be any additional costs. The goal was not to cause an administrative burden on the Committee, CMFA, or the developer. This was done at the request of the developer, and if LACDA had known that this situation would have occurred, they would have likely denied the request and submitted the application next year.

Chairperson Ma asked the developer to speak.

Dalila Sotelo from Primestor Development explained that in an effort to expedite the project, the decision was made in early 2023 to switch to a 4% tax credit application because the subsidy request from LACDA was approved in April, and the developer missed the deadline for the 9% application rounds. Instead of waiting another full year, they decided to switch to a 4% application, in order to expedite the project and get units on the ground sooner rather than later in the City of Santa Fe Springs. The developer appreciates everyone's commitment to solving the housing crisis and adjusting to the administrative burden that this may have caused. As Mr. Lust stated, there was not an intention to create an administrative burden. Given that there is a significant subsidy from LACDA on the residual receipt side, the decision was made to transfer the bond allocation. Ms. Sotelo asked the Committee to consider approving the request so the project could move forward to begin construction and close on time.

Chairperson Ma said her understanding of this situation is that because the project is receiving funding from LACDA, they have the option to request that the allocation be transferred back. She asked Ms. Sotelo to confirm if that is correct.

Ms. Sotelo said that is correct; the project is also receiving a project-based Section 8 subsidy from the county.

Chairperson Ma asked Mr. Lust how many other allocation transfers LACDA anticipates requesting for other projects.



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Mr. Lust said LACDA does not anticipate requesting transfers for any other projects. If they had known this issue would have occurred, they would not have made the request. They did not anticipate this would be a burden.

Chairperson Ma asked if this would cost the developer any additional money.

Ms. Sotelo said the issuer costs for CMFA are considerably lower than LACDA. There is an additional cost associated with the allocation transfer, but given the good partnership Primestor Development has with LACDA and the desire to get the project moving, the cost can be absorbed within the project. The developer appreciates their partnership with LACDA and the Committee's patience.

Chairperson Ma asked how many other cities and counties have similar regulations that allow them to ask for a transfer of allocation.

Ms. Burgos said that a number of counties require housing bonds issued in their area to be issued with their county offices. However, Los Angeles is not one of those counties. Ms. Burgos's understanding, based on the paperwork she reviewed, is that it is a stipulation of their public funds that they use LACDA as the bond issuer. Most, if not all, of the public fund providers that are also bond issuers have similar requirements. It is common that projects receiving public funds from certain municipalities also have to use those municipalities as the bond issuer.

Mr. Barker explained that cities and counties have their own internal bond policies and procedures. The cities that require a waiver process are San Jose, San Francisco, Sacramento, Los Angeles, Oxnard and San Diego. If those cities are putting funds into the project, they request that they are also the bond issuer on the project. All the other cities, counties, and housing authorities, that Mr. Barker is aware of do not have that requirement. CMFA does 50-70 deals per year, and soft funds are put into the projects from many different municipalities.

Chairperson Ma asked Mr. Barker how long he has been doing this work.

Mr. Barker responded that he has been doing this for 17 years.

Chairperson Ma asked how many allocation transfers have been requested in that time.

Mr. Barker said circumstances like this do not happen often. CMFA has been asked to go this route multiple times, and they are going through this with a few other municipalities right now, but CMFA has generally pushed back on these requests. Many cities and counties have asked CMFA to apply for them because they were unable to meet the timeline, and CMFA ended up being the issuer for those projects. This request is odd, and when CMFA was first approached, Mr. Barker was unaware of the agreement between the developer and LACDA. Mr. Barker submitted a letter without knowing that there were preexisting letters that had already been submitted. While this is odd, there are multiple cities and counties that make this request and require developers to go through a six-month process to obtain a waiver.



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Chairperson Ma said CMFA ends up doing the work, and then after the allocation is awarded, the other issuer asks for the allocation back. That is not a transparent process.

Mr. Barker said that CMFA wants the housing projects to get built, even if they are not the issuer. There is a lot of upfront work, but CMFA helps cities and counties that need help because they cannot meet the timelines. CMFA would prefer that the projects get funded and have the bonds issued, despite the amount of work that CMFA has put into the projects.

Ms. Burgos said LACDA was clear that they would need to be the issuer of these bonds. The developer was also aware, but they did not make that explicitly clear to CMFA when they applied to CMFA.

Chairperson Ma asked Mr. Barker if CMFA would get paid for their work.

Mr. Barker said CMFA is only paid when they issue bonds. They would not request any money for this process.

Chairperson Ma asked if the attorneys working on this would be paid.

Mr. Barker said that LACDA will most likely demand different bond counsel, different trustees, and a different financial advisor. If that is the case, the existing attorneys on the project will not be paid. Everyone works on contingency and is paid at bond issuance. If anything happens and a municipality or another issuer demands different bond counsel instead of the one that completed the tougher formation documents, such as the initial resolution, they would typically not be paid. They could ask for compensation, but the bond issuer would not get involved in that.

Chairperson Ma asked Mr. Lust if LACDA would require a change in bond counsel and make everyone redo all the work.

Mr. Lust said LACDA has approved bond counsel through the county. He is not aware of who the bond counsel was at the time of the initial application, but only the bond counsel under contract with LACDA can be used.

Chairperson Ma said it sounds like additional work will need to be done with LACDA's team.

Mr. Lust said that is correct.

Ms. Sotelo said this was the developer's attempt to expedite the construction of the project. It is tied to LACDA's public subsidy; under their NOFA, they note that they must be the issuer of any bonds in a 4% tax credit transaction. Because this project applied as a 9% tax credit transaction, that was not relevant initially. Once the project pivoted to a 4% tax credit application, it was determined that because of the two-week turnaround time and LACDA's long process, LACDA could not be the issuer. The developer felt that it was more important to go ahead and submit the application under CMFA to ensure they would be able to receive an allocation and begin construction. The developer takes full responsibility, and if there is a cost implication for CMFA, Ms. Sotelo will work with CMFA's team to figure that out and mitigate any impacts. The developer is not seeking to create a problematic precedent; they are just eager



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to get units built in Santa Fe Springs and keep the goodwill with the City of Los Angeles to move forward. The developer takes full responsibility for having to pivot on this project.

Chairperson Ma said that bond counsel has also put in a lot of work, and that is the problem. Now that the project has received an allocation and the developer wants to switch bond issuers, it will potentially cost more money for the developer, and the people who did all the work will not be paid for it.

Mr. Barker said that CMFA does not want to be compensated. They want the project to move forward. However, more transparency in the process would have been helpful. CMFA holds regularly scheduled meetings and plans its calendar in advance of the CDLAC calendar with the knowledge that these issues happen constantly. There is a lot of foresight that goes into how CMFA operates. CMFA supports the transfer of the allocation and wants the project to move forward.

Chairperson Ma called for public comments:

None.

Ms. Miller expressed that she recognizes how complicated these issues are, but she will motion to approve this transfer. The need for Los Angeles to get this project done is important, and the bond issuance is important. The costs to CMFA and bond counsel are not issues that the Committee has dealt with before, so they are irrelevant to this conversation. It is important to work to get this project done, and the Committee has approved allocation transfers before. It is important for LACDA to get to the point where they can get this project done.

Chairperson Ma said that during the pandemic, everyone at CDLAC came to work and made things happen, including rolling out the 4% tax credit allocations and two rounds of 9% tax credit allocations. Government can work at a faster pace if they choose to. If Los Angeles has a housing crisis, which appears to be the case, they also need to work at faster pace. CDLAC did not make excuses that people were home or unavailable; they did everything they could to expedite processes. The Governor also did all he could during the pandemic to expedite processes.

Ms. Miller said she agrees that LACDA needs to deliver on this project. However, given the housing crisis in Los Angeles and the fact that there will be remaining bond allocation, and the fact that this project can put the allocation to use, it is hard not to approve this allocation transfer. However, she agrees that local governments are on the hook to get bonds issued. Everything Chairperson Ma said is right, but allowing this allocation transfer is important to enable this project to move forward. Both things are true, but she agrees that local governments are the only entities that can execute these deals, and it is incumbent upon them to do so in a timely manner. She agrees with Chairperson Ma's admonition and supports it, but she is also willing to support the allocation transfer so this project can be done. However, local governments should not be let off the hook because things are complicated. Housing will never be built if that is the case.

Chairperson Ma said she anticipates that more jurisdictions will now come to the Committee and ask for an allocation transfer.



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Ms. Miller agreed that would be problematic, and if things were the way they were last year, she would be more skeptical about whether or not the Committee should do this. However, there will be leftover allocation, and the state has huge housing goals. This capital stack is vital in terms of getting the project done. While she agrees with Chairperson Ma, she is not sure if there is a perfect solution unless Chairperson Ma wants to require monthly reporting. Ms. Miller is deeply disappointed in Los Angeles County and any other county that makes such a request because this is a crisis and they have received billions of dollars from the State of California and have been given every opportunity. This is no longer a money problem; it is a leadership problem at the local level. While it is deeply disappointing, this is the last chance to hold the county and city, along with CMFA, accountable to get the project done. She agrees with Chairperson Ma that this is disappointing, but she supports approving the allocation transfer because she would hate to see any allocation left on the table. If this were a different year, she would have different thoughts, but for now, this allocation transfer makes sense with some discrimination that if this project does not get done, the Committee would like a report back. She would motion to approve the allocation transfer with the requirement for CMFA and LACDA to report monthly on the progress of this project.

Mr. Barker stated that once the allocation transfer occurs, CMFA will no longer be involved in the project. There would be nothing for them to report back to the Committee.

Ms. Miller said she understands that there is technically nothing CMFA can report, but since CMFA made a deal with LACDA and is collaborating on the transfer agreement with the goal of building more housing, this will be a special occasion that requires CMFA to keep up with the project. Ms. Miller understands that CMFA is technically out of the project, but she is also setting an expectation that CMFA and LACDA will report back. CMFA cannot claim to be out of the transaction after asking for the transfer to help enable the building of the project.

Chairperson Ma asked Mr. Barker to confirm that he did not know about the agreement between LACDA and the developer.

Mr. Barker confirmed that is correct.

Ms. Miller said Mr. Barker has signed off on the transfer.

Mr. Barker said that once he was made aware of the transfer request, he agreed to sign off on it so that the project funding would not be pulled, and the project could move forward.

Ms. Miller said Mr. Barker cannot have it both ways. CMFA knows enough about the project to be the issuer and to make sure it gets done. It is important for everyone to be involved, including LACDA, if this crisis is going to be solved. She understands where CMFA's jurisdiction begins and ends, but she is asking for accountability on this since it is so difficult for Chairperson Ma.

Chairperson Ma said Mr. Barker agreed to be the issuer for this project in good faith, without the knowledge of the developer's deal with LACDA to transfer the allocation. CMFA went through the whole process and then found out about the deal. Mr. Barker does not want to jeopardize the project, so he has agreed to the transfer, which means he also agreed to waive CMFA's fees, and CMFA will no longer be



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part of this project. The issue is that not all parties involved knew about the deal to transfer the allocation back to LACDA. Chairperson Ma is concerned about other projects taking similar actions in the future.

Ms. Miller said CMFA's fees are the least of the Committee's worries, and issuer fees are never something that the Committee should be concerned about. She understands what Chairperson Ma is saying, but CMFA agreed to be the issuer with enough due diligence to understand the situation. She does not agree with Chairperson Ma on this, but she agrees with holding LACDA accountable. She would motion to approve the transfer of the allocation with the monthly reporting requirement.

Chairperson Ma asked how long the monthly reporting would be required.

Ms. Miller said the requirement would remain until the project was built.

Mr. Johnson said the critical parts of this decision are both accountability and upfront transparency. He agrees with a lot of Ms. Miller's comments; there is a need for accountability as well as the sanctity of the process. However, he feels that this project needs to move forward.

MOTION: Ms. Miller motioned to approve the transfer of bond allocation with a requirement of monthly progress reports from CMFA and LACDA. Mr. Johnson seconded the motion.

AYE: Gayle Miller

Evan Johnson

NAY: Fiona Ma

Motion passed 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

Mr. Navarrette reported that three projects are requesting approval of supplemental bond allocations above the Executive Director's authority. The first project, Residency at the Mayer Hollywood (CA-23-681), is an adaptive reuse project that was originally allocated \$29,500,000 in 2021. The project is now requesting an additional \$11,500,000, which is within the 52% aggregate basis limit at 50.21%. However, it is 39.98% of the Committee-approved allocation. The project will provide 78 affordable units for seniors in Los Angeles. The developer is ABS Properties and the applicant is CalHFA.

The second project is Avalon 1355 (CA-23-689), an adaptive reuse project that was originally allocated \$15,675,000 and also received a \$1,567,357 supplemental allocation which was approved at the Executive Director's level. The project is now requesting an additional supplemental allocation of \$600,643, which is 52% of the aggregate basis when combined with the previous supplemental allocation and is within the limit, but it is 13.83% of the Committee-approved allocation. The project will provide 53 affordable special needs units in Los Angeles. The developer is The Richman Group and the applicant is the City of Los Angeles.



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The third project is Pelican Harbor (CA-23-691), a new construction project that was originally allocated \$15,413,241. The project is now requesting a \$2,186,759 supplemental allocation, which is within the 52% aggregate basis limit at 51.78% but is 14.19% of the Committee-approved allocation. The project will provide 42 affordable special needs units in Los Angeles. The developer is Jamboree Housing and the applicant is CMFA.

Chairperson Ma asked if staff has a recommendation on these requests.

Ms. Burgos said staff does not make a recommendation, but all the projects have been reviewed and meet CDLAC's requirements.

Mr. Velasquez said that while he understands it is within the limits, Residency at the Mayer Hollywood has a cost per door of over \$1 million. The housing crisis is hard to solve, but everyone has to contribute to solving it in a much more efficient way. Projects that continue to be proposed costing \$1 million per unit or more should catch everyone's attention. HCD is taking a close look at proposals that are submitted with costs that high because it is concerning that proposals continue to grow so exorbitantly in costs.

Mr. Johnson commented that a 40% supplemental allocation request is quite significant. He asked if staff had any insight regarding the validity of that cost increase after the initial application.

Mr. Navarrette explained that the project was originally allocated in 2021, and costs have increased significantly since then. There have also been employee and material shortages. Inflation in general has affected the project, so prices in 2021 versus prices today are a factor. Additionally, the supplemental allocation would fill the gap to meet the 50% test because the project is barely meeting that at 50.21%. The percentage of the original allocation is huge, but it is needed in order to meet the 50% test.

Ms. Burgos stated that the project has already completed construction and is trying to place-in-service and move tenants in.

Mr. Navarrette said his understanding is that the supplemental allocation is needed in order to meet the 50% test and close.

Chairperson Ma invited a representative from the developer of Residency at the Mayer Hollywood to speak.

Samir Srivastava from ABS Properties explained that although the per-unit cost is high, ABS is filling the gap through private seller financing and deferred developer fees to meet the cost increases. The primary reason for the supplemental allocation request is to meet the 50% test. The project experienced substantial cost increases and is an adaptive reuse project that underwent a seismic upgrade on an historic building. In 2021 and 2022, the project experienced cost increases across the board by about 25%, some of which were construction related. Additionally, in August this year, the City of Los Angeles was hit by a thunderstorm that caused moisture damage to the project when it was near completion of construction. The developer spent close to \$2.5 million on repairs. Although the costs were covered by insurance, they still have to be included in the basis and factored into the 50% test. Those are the primary reasons for the



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increased costs. Additionally, even though it looks like the per-unit cost is over \$1 million, the true cash cost, excluding the deferred developer fee and the seller note, is about \$700,000.

Ms. Miller asked for clarification on Mr. Srivastava's comments regarding the per-unit cost.

Ms. Ferguson said her understanding, based on Mr. Srivastava's comments, is that the developer is contributing money to cover their own developer fees, which is not a true cost to the property. Additionally, they are covering some of the other costs, so the actual cost being financed is approximately \$729,000.

Chairperson Ma clarified that the developer's explanation letter states that the true cash per-unit cost is less the deferred developer fee of approximately \$10 million and the seller carry back loan of approximately \$14 million.

Chairperson Ma invited Mark Stivers to explain the concept of the total project cost versus the true cash per unit cost.

Mr. Stivers explained that the "true cash" concept is something CTCAC came up with several years ago. The total project cost reflects all costs that contribute to the eligible basis, such as the developer fee that the developer returns to the project, and the property acquisition cost, which is partially loaned back to the property. While these are costs in reality, there is no cash exchanged for them. As a result, these are costs that help generate additional tax credit equity and basis without really costing the project money. CTCAC and CDLAC calculate a "true cash" cost to reflect what the project actually costs.

Chairperson Ma called for public comments:
None.

Ms. Miller expressed agreement with Mr. Velasquez's comments on project costs.

MOTION: Mr. Johnson motioned to approve all three supplemental allocation requests, and Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

9. *Agenda Item: Request to Waive Forfeiture of the Performance Deposit and Negative Points for the Return of Allocation for Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §§5052, 5230) – (Action Item)*
Presented by: D.C. Navarrette

Mr. Navarrette explained that Crest on Imperial (CA-23-469 & CA-23-678) was originally allocated \$19,524,394 in Round 2 of 2021. That allocation was returned on February 3, 2022, and resulted in a forfeiture of the performance deposit, but no negative points were assessed. The project applied again and was awarded \$23,805,269 in Round 1 of 2023. The project received a supplemental allocation of \$1,666,368 on October 20, 2023. Those two allocations are now being returned, and the project is requesting a waiver of forfeiture of the performance deposit and waiver of negative points.

Chairperson Ma asked Ms. Ferguson to speak, since this is a CalHFA project.



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Ms. Ferguson explained that the developer could not get the deal put together, so they are returning the allocation.

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

Arnulfo Manriquez from MAAC, Inc., explained that the first time the developer worked on this project, the City of San Diego was experiencing staffing issues within their development services, and the project was not going to be able to complete the permitting process on time. That was the reason for the first returned allocation. This time, the project continued to move forward, began the permitting process, and was ready to close. However, interest rates went up between the time the project was funded and now, creating a larger funding gap. Additionally, the general contractor that had been working on the project until about two months before the deadline could not be bonded, so the developer had to find another general contractor. The total cost increases were close to \$2 million, and as the project continued to move forward, the developer knew these additional expenditures were occurring. The project had funding from bonds and tax credits, but there was no soft money in the project. In addition to the increases in construction costs and interest rates, approximately \$500,000 in seller financing was pulled. All of these issues occurred within the last two weeks, and up to two days, before the decision was made to return the allocation. MAAC, Inc., is a nonprofit organization and its board of directors committed \$5.5 million to this project to get it funded. Between the loss of the seller financing and the \$5.5 million the developer already committed to the project, the new investment required from them would have been close to \$6.5 million, which was unattainable for the organization. Therefore, they made the decision not to move forward with the project. The project is substantially ready to move forward now and is permitted. The developer has spent about \$3.4 million on the project, and they want to be able to come back again and get it funded.

Mr. Johnson asked for confirmation that an assessment of negative points would only be for one round.

Ms. Burgos said Mr. Johnson might be thinking of the tiebreaker reduction assessed in one round following the award of a supplemental allocation. Negative points are assessed for two years.

Chairperson Ma asked what the Committee has done in the past in situations like this.

Ms. Burgos said the Committee has not approved the waiver of forfeiture of the performance deposit, and until now, the Committee has not assessed any negative points. However, there has also never been a project that returned allocations two allocations.

Mr. Johnson said that the Committee has previously discussed the significant impact of a two-year assessment of negative points on the prospects of a project moving forward. However, some penalty is necessary for returned allocations. Although this project has returned two allocations, which gives Mr. Johnson some pause, the two-year penalty is significant.

Chairperson Ma called for public comments:
None.

There was no motion.

10. Agenda Item: **Disposition of Potential Returned Allocation** – (Action Item)

Presented by: Emily Burgos



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Ms. Burgos said staff recommends delegating authority to the Executive Director to transfer any potential returned allocation received before the end of this calendar year to the QRRP pool, where it will remain until it is carried forward. This would apply to any project that returns an allocation before the end of the year, including housing projects, Exempt Facilities (EXF), and any excess allocation that has not been allocated.

Chairperson Ma called for public comments:
None.

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

Motion passed unanimously via roll call vote.

11. Agenda Item: Adoption of a Resolution Delegating Authority to the Executive Director to Allocate Remaining and Reverted Volume Cap for 2023 – (Action Item)
Presented by: Emily Burgos

Ms. Burgos explained that this resolution would delegate authority to the Executive Director to assign carryforward. At the end of the year, staff will determine how much bond cap is still unallocated. In the past, the carryforward was assigned to three separate issuers in the QRRP pool – CMFA, CalHFA, and City of Los Angeles. This year, staff recommends assigning the carryforward to CMFA and CalHFA because they have continued to be the most active issuers, so the carryforward will be used if it is assigned to them. Staff will report back to the Committee at the January meeting how much carryforward was assigned.

Chairperson Ma asked if there will be a methodology for how the carryforward is assigned.

Ms. Burgos clarified that CMFA and CalHFA are the highest volume issuers.

Ms. Ferguson pointed out a typographical error in the resolution – it currently reads “California Housing Finance Authority,” but it should be corrected to “California Housing Finance Agency.”

Ms. Burgos confirmed that staff is aware of the error and is working to correct it.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-032 with the correction of the typographical error. Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

12. Agenda Item: Adoption of the 2024 CDLAC Meeting Schedule (Cal. Code Regs., tit. 4, §§5021, 5030) – (Action Item)
Presented by: Ricki Hammett

Ms. Hammett presented the proposed meeting schedule with five meeting dates in 2024: January 17, May 15, August 7, October 2, and December 11. The schedule includes proposed dates for the QRRP application deadlines and award dates. Two QRRP rounds are proposed with application deadlines on



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April 23 for the first round and August 27 for the second round. The award meetings will be August 7 for the first round and December 11 for the second round.

Chairperson Ma asked if there will be rounds for other project types.

Ms. Hammett clarified that this calendar only reflects dates for the QRRP rounds and will align with CTCAC's 4% tax credit rounds. The 9% and 4% rounds will be discussed in the CTCAC meeting.

Chairperson Ma asked if there will be rounds added for non-QRRP projects.

Ms. Burgos said CDLAC's statute dictates that announcements for the funding rounds are made after the first of the year, which does not allow much time for housing projects. That is why the schedule includes proposed QRRP rounds. The other rounds will be added next year.

Ms. Hammett said that if there is allocation for EXF projects, Industrial Development Bonds (IDBs), or MCCs, the schedule will be updated accordingly.

Mr. Velasquez spoke in favor of the schedule. The development community is vocal about the importance of syncing the CDLAC application schedule with schedules of other entities, like HCD, and this schedule goes a step further in making the alignment work better. He thanked the staff for their efforts.

Chairperson Ma called for public comments:

Ben Barker from CMFA expressed that the staff has done an amazing job, especially compared to 2008 and 2011 when there were only two rounds. The six-month extension process resulted from that time period because so many projects were getting backlogged, and it was tough to get them all done at once. He asked CDLAC to consider adding a third closing timeline to stagger the closing dates so half of the projects are not closing within a week or two.

Marina Wiant from the California Housing Consortium (CHC) echoed Mr. Barker's comments. The only concern from CHC's member developers is that there will be too many projects closing at one time. Her organization has some ideas for how to stagger them.

Anne Nicholls asked Ms. Hammett to repeat the proposed meeting dates.

Ms. Hammett shared her screen in Teams and explained that the first two meetings would be held on January 17 and May 15, which would not be aligned with any QRRP application rounds. The first round of QRRP applications would be due April 23, and the award date would be August 7. The next meeting would be October 2. The second round of QRRP applications would be due August 27, and the award date would be December 11.

William Wilcox from MOHCD expressed that it is vital for HCD's award dates to align with CDLAC's schedule. If the award dates for the Affordable Housing and Sustainable Communities (AHSC) Program are not aligned to be at least a month prior to the application deadline for CDLAC's second round, it will leave a six-month gap during which projects will not be able to apply. There was a similar issue with HCD's Super NOFA. MOHCD will need at least a month to apply, otherwise they will not be able to put projects forward with the knowledge of how much funding is needed. MOHCD is committed to moving



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projects forward, but they need alignment in the timeline between CDLAC and HCD's AHSC and Super NOFA programs.

Tim Gorman from Eden Housing spoke on behalf of the Oak Hill project on the excess state land site at San Quentin. That project submitted a placeholder application for DDA status at the end of 2022, which would require the project to receive a bond allocation by June 30 and release bonds by mid-December. With the proposed August award date on this schedule, it would be impossible to meet that requirement. Mr. Gorman asked the Committee to offer contingencies for these circumstances.

Ms. Burgos asked Mr. Gorman to reach out to her after the meeting. The timeline has been adjusted so that his project can still be awarded in the first round next year and maintain the DDA.

Chairperson Ma asked for clarification that the schedule presented today is only for the QRRP rounds.

Ms. Burgos responded affirmatively; this schedule just establishes the meeting dates. Although staff welcomes comments regarding the QRRP rounds, CDLAC has authority to announce the rounds after the first of the year. The Committee is just voting on the meeting schedule today. The application deadlines for the rounds for the other types of allocations, along with their deadlines, will be added to the schedule next year. Staff wanted to give the housing development community as much time as possible to prepare for the QRRP rounds.

Chairperson Ma said the schedule appears to be final.

Ms. Burgos said it is the proposed schedule. It was confusing last year, so staff attempted to make it less confusing this year. They will try to make it clearer next year. There should be no assumption based on this schedule that staff does not intend to propose additional rounds for non-QRRP projects.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to approve the 2024 meeting schedule, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

13. Public Comment

Michelle Stephens spoke on behalf of the California Enterprise Development Authority (CEDA), a joint powers authority that issues tax-exempt debt for nonprofits and manufacturers. She said she missed the beginning of the meeting, so she does not know if Ms. Hammett made a recommendation in the Program Updates on the 2024 state ceiling on qualified tax-exempt private activity bonds. CEDA advocates that the Committee allocate \$30 million to IDBs as part of the state ceiling pool. CEDA was happy to issue the only IDB allocation this year to a rural manufacturer, JBR Rogers Coffee, and they would like to reiterate that manufacturing is a critical driver for California's economy, as evidenced by the emphasis placed on reshoring at the federal level. Also, the IDB program benefits manufacturers that provide quality jobs and help people move into the middle class. The program also helps small manufacturers purchase equipment and land so they can stay and grow in California. Manufacturing is key to a successful economy and provides living wages that make it possible for Californians to afford housing.



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CEDA has submitted the Demand Survey for 2024 and is in discussions with two potential IDB projects for 2024. However, it is difficult to plan without knowing if there will be allocation, so CEDA urges the Committee to allocate \$30 million to IDBs in the next calendar year. She thanked the Committee for taking a balanced approach and understanding that there should not only be support for the financing of building homes, but also pathways to housing affordability by giving residents the opportunity and individual dignity of a job that allows them to support themselves and their families.

Chairperson Ma said allocations will be announced in January.

14. Adjournment

The meeting was adjourned at 11:10 a.m.