California Tax Credit Allocation Committee

Strategic Plan

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Table of Contents

Introduction and Background

In the mid-1980s, the United States Congress adopted legislation that changed the way states allocated private activity bonds and tax credits for affordable housing and other exempt facilities. In response, the California Legislature created the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTCAC). Both are chaired by the State Treasurer and perform a critical role in the development of affordable housing throughout California, particularly by providing tax incentives in support of the private development of affordable housing units throughout the state. CDLAC allocates tax-exempt bond authority to issuers—typically municipal governments—throughout the state, which use that authority to issue tax-exempt private activity bonds that provide additional financing for the projects. CTCAC allocates federal and state tax credits that investors purchase from private developers, the proceeds of which are then used to finance the development of affordable housing projects. The statutory authority of both is described below.

California Debt Limit Allocation Committee

The Tax Reform Act of 1984 placed an annual dollar limit on the number of tax-exempt private activity bonds a state may issue, and required that each state specify a designee to manage allocation of the state's bond ceiling amongst local and state issuers. Subsequently, the Tax Reform Act of 1986 placed bonds for multifamily and single-family housing under the state bond ceiling. CDLAC was initially created by the Governor's proclamation in 1985 as a direct response to the 1984 Tax Reform Act. In 1986 the Governor proclaimed CDLAC as the sole tax-exempt private activity bond allocator for the state of California, giving CDLAC express authority to allocate qualified mortgage bonds and exempt facility bonds for qualified projects.

CDLAC was statutorily established in 1987 when the California Legislature enacted SB 114 (Chapter 943, Statutes of 1987). Here, the Legislature specifically noted the express public benefit served by promoting housing for lower income families and individuals, as well as rehabilitating and/ preserving governmental assisted housing for lower income individuals and families.

Ultimately, the purpose of CDLAC continues to be the implementation of Section 1301 of the Federal Tax Reform Act of 1986 and Section 146 of the Internal Revenue Code, which established the original annual state ceiling for tax exempt private bonds. Under California Government Code Section 8869.84, CDLAC maintains the responsibility to set the annual state ceiling at the beginning of each calendar year, to allocate the annual bond ceiling to state and local agencies, and to perform related administrative functions. Consistent with this responsibility, CDLAC's mission is to ensure its bond allocation is fully and efficiently used to finance projects and programs while providing maximum public benefit and contributing to the economic vitality of California. It currently allocates bond authority under five different programs: the Qualified Residential Rental Project Program, the Exempt Facility Program, Small-issue Industrial Development Bonds, Single-Family Housing Program, and the Qualified Public Educational Facility Bond Program.

Consistent with its mission, as well as past and current state priorities, CDLAC allocates the majority of the annual bond ceiling to affordable housing initiatives in the State of California, specifically through its Qualified Residential Rental Project Program. Specifically, in 2021, CDLAC awarded more than $4 billion in tax exempt private activity bond authority to 114 projects, of which nearly 89.5 percent were awarded to 102 projects under the Qualified Residential Rental Project Program, and 10.5 percent were awarded to 12 projects under the Exempt Facility Program. Under the Qualified Residential Rental Project Program, local and state agencies can issue tax exempt housing revenue bonds, which lower the interest paid by housing developers. The purpose of these bonds is to aid developers of multifamily rental housing units to acquire land, construct new units or rehabilitate, and purchase existing units. Because of the decreased interest rate, developers can then produce and offer affordable and market rate housing through reduced rental rates for low and very low-income residents.

Bond authority for rental projects is currently awarded under four pools: the New Construction Pool, which includes the Mixed Income Pool and the Rural New Construction Project Pool; the Preservation Pool; the Other Rehabilitation Pool, which includes all project applicants ineligible for treatment as a new construction or preservation pool; and the BIPOC (Black, Indigenous and Other People of Color) Pool, which was initiated in 2021 with an inaugural allocation of $112 million in bond authority awarded to three projects.

CDLAC project bond allocations are awarded throughout the year in a series of rounds. In January, the Commission meets to set the specific dates of these rounds for the year. Each application is submitted as a package, through an online application submission system, complete with supporting documentation and the $1,200 application fee.

Organizational Structure

The CDLAC committee is comprised of three voting members and three non-voting members. The voting body consists of the State Treasurer as Chair, the Governor, and the State Controller, or their specified designees. The non-voting body is made up of the Director of Housing and Community Development, the Executive Director of the California Housing Finance Agency, and a representative from local government selected by two of the voting members.

CDLAC's Executive Director is responsible for managing the organization, which is organized into two primary divisions: Initiation and Servicing. Under the Executive Director, the Staff Services Manager (SSM) II oversees two SSM Is, one Associate Governmental Program Analyst, and one Office Technician. Each SSMI leads a team of approximately four staff. Currently, this includes 7 AGPA and one Staff Services Analyst (SSA)Associate Governmental Program Analyst (AGPA)positions.

Project Initiation

Once an application is received, it is handed to the Initiation Team. Management conducts an intake assessment to verify that the information contained in each application is accurate and correctly submitted. Currently, applicants submit a self-score using a point system based on individual components of their proposed project. This allows initial reviewers to triage the process by reviewing the highest scoring applications first. After the initial review by a manager, each individual application is then assigned to an analyst who reviews for any potential deficiencies as part of the evaluation and scoring process. If an analyst comes across deficiencies, a letter or email is sent to the applicant with the option to fix any potential gaps or errors.

The final stage in the project initiation process is the development of a final recommendation list and final staff reports. Ten days prior to the Committee meeting, a final list of all Applicants for which Allocations will be recommended is posted publicly on CDLAC's website. Potential applicants who are not on this list have the right to appeal their projects at the Committee meeting. Staff also prepare a final "Staff Report" overviewing their official allocation recommendations to the Committee. At the final meeting, the Committee delivers the final vote on which projects should receive allocations for the current round.

Project Servicing

At this point, Project Servicing is initiated. CDLAC servicing staff verify and record bond issuance, and prepare IRS letters to submit to the bond council. This letter certifies the tax-exempt bond allocation for the project. After an allocation has been awarded, the project developer submits their Performance Deposit to CDLAC, which serves to guarantee that the developer will close the project using at least 80 percent of their allocation. Following the committee decision, CDLAC servicing staff also generate a resolution laying out the terms, guidelines, and timeframe for bond issuance.

The performance deposit is released when bonds are issued by the expiration date and after CDLAC receives a properly completed Report of Action Taken, all filing fees, and a copy of the conformed recorded Bond Regulatory Agreement. If the criteria are met, the servicing team processes the certification of the deposit release and the project moves into the regular compliance cycle. If the criteria are not met, the performance deposit is retained by CDLAC. The Servicing team also processes payments of a bond fee from the project developer (equal to $0.0035 multiplied by the amount of the bond owed).

Servicing also manages resolution revision requests from project applicants on an as-needed basis throughout the 55-year lifetime of a project. While resolution revisions do not require Committee approval, the servicing team is responsible for verifying that any project updates are still in compliance with CDLAC regulations. The servicing team will also process project extension requests from developers as needed, in addition to monitoring projects for completion status. For more detail on Process Flows in the application cycle, see **Appendix A.**

California Tax Credit Allocation Committee

The State Legislature also created CTCAC in 1987 to meet the purposes of the Federal Tax Reform Act of 1986. Specifically, CTCAC was created to administer the federal Low-Income Housing Tax Credit (LIHTC) Program, which allows California to allocate federal tax credits in order to incentivize private capital investment in affordable rental housing options for low-income Californians. Through this authority, CTCAC allocates federal tax credits to multi-family housing developers, which must commit to provide specified affordable housing units, allowing investing corporations to take advantage of the tax credits. Households who meet certain income thresholds can then take advantage of lowered rental rates.

Subsequent to the Tax Reform Act of 1986, the California Legislature created the California State Tax Credit program to supplement the federal tax credit program. The State program is only available to projects that have either received federal tax credits in the past, or are currently recipients of federal tax credit allocations. State tax credits are awarded competitively: 15 percent of California state tax credits are allotted to the 4 percent program, with the other 85 percent directed toward the 9 percent tax credit program. California Health and Safety Code and California Revenue and Taxation Code designate CTCAC as the California Housing Credit Agency to administer both State and Federal Housing Tax Credit Programs within the State.

Therefore, as the administrator of state and federal tax credit programs, the goal of CTCAC continues to be the increase of affordable housing options for low-income Californians. As such, CTCAC acts to further the State Treasurer's goals of increasing housing production and development efficiency, fostering new technology, increasing opportunity for women and people of color, as well as empowering distressed communities. Further, through reduction in rental rates, the Tax Credit Program works to continue to increase the wealth of all Californians.

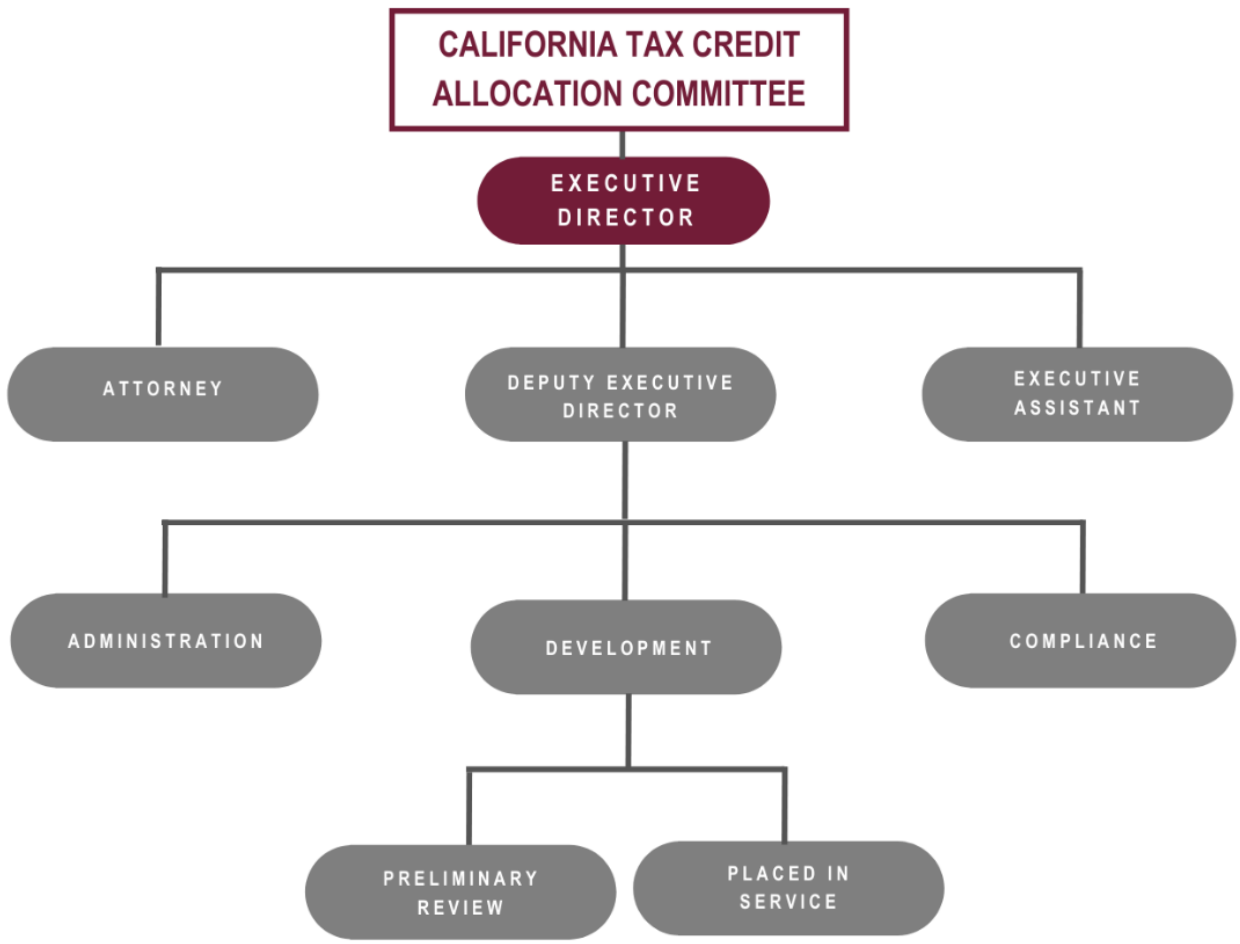
To achieve this mission, CTCAC allocates federal and state tax credits in amounts that equal 9 percent or 4 percent of a project's requested "qualified basis". This determines the amount of tax credits which CTCAC will ultimately award to a project. CTCAC awards 9 percent credits through a competitive process at designated intervals throughout the year. Four (4) percent tax allocations are awarded non-competitively based on a project's utilization of tax-exempt bond authority under CDLAC and other eligibility criteria. Any project awarded tax exempt bond authority by CDLAC is automatically eligible to receive the 4 percent tax credit.

In 2021, CTCAC awarded $191.4 million in tax credits under the competitive 9 percent LIHTC program to 106 proposed housing projects. CTCAC also awarded $356.9 million in annual tax credits to 164 housing projects under the non-competitive 4 percent program, including 4 percent tax credit allocations to all projects receiving CDLAC debt limit allocations. Per CDLAC's end of year report, a total of 114 projects received bond funding for the 2021 allocation year. As such, approximately 69.5 percent of CTCAC's 4 percent tax credit projects are also receiving bond funding under CDLAC.

CTCAC also awards competitive tax credits under the BIPOC pool. This pool is an allocation of the state ceiling provided for Black, Indigenous, and People of Color for Qualified Residential Rental Project Program. Specifically, this pool is an allocation of the state ceiling for BIPOC developers who might not have the level of experience required for the competitive application process. In 2021 (the first year of the program), three projects were awarded in the BIPOC Pool totaling over $9.6 million in federal tax credits, and approximately $37 million in state tax credits.

Organizational Structure

CTCAC is governed by a committee with the same make-up as CDLAC, and is similarly managed by an Executive Director responsible for all work of the organization. While the overall organizational structure is similar to CDLAC, CTCAC is substantially larger.



Project Initiation

CTCAC's application and initiation process parallels that of CDLAC. As part of the initial Intake process, CTCAC Management performs a preliminary threshold review before assigning project review to staff analysts. During the Evaluation and Scoring Process, projects are compared and awarded allocations based on a point scoring system. CTCAC staff utilize a "tiebreaker" formula to decide the results of ties between projects that receive the maximum score. High-scoring projects are presented to the Committee to decide final awards. Notably, 4 percent projects are currently not subjected to a point review system, as to date they have not been considered competitive.

The primary distinction in program management occurs in CTCAC's compliance monitoring process. Once 4 percent and 9 percent tax credits have been allocated, California stipulates a 55-year extended use period where rental rates of credit programs must remain affordable. CTCAC monitors all projects to determine compliance with federal and state program guidelines, IRS regulations, and the terms of the regulatory agreement between CTCAC and the project owner. Each project that has been awarded tax credits receives an in-person site visit from CTCAC every three years. During such site visits, tenant files and property amenities are audited to verify continued compliance with CTCAC regulations.

Placed in Service

Once construction on a project is completed and residents move in, it is officially "placed in service." A 9 percent property must be placed in service within two years of being awarded tax credits, and CTCAC maintains a list specifying which properties are expected to be completing construction based on the date of their award. A project moving to "placed in service" triggers the CTCAC team to prepare regulatory agreements and process the "Placed In Service Package". This package contains approximately 20-30 items the developer must complete, including the 8609 tax forms to be submitted to the IRS. At this point, the project will also receive its certification of occupancy from the city.

Once a "Placed In Service Package" is received from the project developer, the CTCAC team conducts a three-part review. First, staff conduct a preliminary review of all materials for completeness and accuracy, and any discrepancies are documented. Secondly, staff draft a regulatory agreement containing project information such as the number of low-income housing units, amenities and any other details that were noted in the original Agreement. At this point, 4 percent project details are cross referenced to CDLAC to verify compliance with the regulations of both departments. Thirdly, staff conduct a threshold review of the financial information for each project to ensure the owner is meeting their original commitments. This includes an examination to determine whether there have been any changes (selling tax credits, rent limits, changing units to market rate, etc.) that might impact the regulatory thresholds requirements.

Finally, the management team will perform a final review of any potential identified issues; if any discrepancies are noted, staff will reach out to the developer or owner for more information. This process can take anywhere from 60 days to several years depending on type of changes that must be reviewed, or the degree of missing information. As part of the "Placed In-Service" process, CTCAC staff will also draft Form 8609 and make amendments to project documents as needed.

Compliance

After a project's has been officially placed in service, it also moves under the supervision of CTCAC's compliance monitoring team. Their goal it to verify that each project has been completed as specified in the regulatory agreement, but also to ensure that project owners continue to adhere to the project guidelines and regulations. Generally, every January the management team puts together a primary list of projects up for audit over the next 12 months. This list is assigned out to individual analysts.

CTCAC compliance staff spend approximately two weeks of the year out on the physical components of project audits, and may view up to 20-30 units in an audit day. After an in-person audit, staff complete a findings letter within 30 days and submit it to management for review. Any noted discrepancies are included in a “Letter of Non-Compliance” which is submitted to the property manager within 45 days. The property owners have 90 days to respond to any noted deficiencies or concerns and verify that they are resolved.

Staff also complete and submit Form 8823 to the IRS, which notes the absence of any required amenities based on a level scale of one (1) through three (3). Specifically, these deficiencies pertain to being over income, over rent, or in violation of a physical inspection component. In addition to other components of compliance monitoring, staff also conduct resyndication reviews, assess compliance fines and asset management, and handle tenant data reporting. Compliance staff also process project change requests as needed including ownership transfers, management changes, exempt unit changes and alterations to the regulatory agreement. For more detail on Process Flows in the application cycle, see **Appendix B.**

Recent Events

In November of 2020, the California State Auditor (State Auditor) issued an audit report which found that a lack of both coordination and a comprehensive plan caused CDLAC to fail to allocate $2.7 billion in bond allocation opportunities. Further, both CDALC and CTCAC allocate tax incentives separately (in the form of tax-exempt bond authority or tax credits) for affordable housing work through similar application processes under the authority of the California State Treasurer. The 2020 audit found that nuanced similarities as well as differences in both programs and application processes created inconsistent and misaligned requirements that hindered the ability of each committee to fulfil their respective funding directives.

As separate organizations, each entity administers programs and services individually. However, as CDLAC and CTCAC both allocate tax exempt bond authority or tax credits specifically for the purpose of increasing the supply of affordable housing in the State of California, parallels and similarities exist between both services and staff workflow, as illustrated below.

CDLAC	CTCAC
Qualified Residential Rental Program Bonds aid developers of multifamily rental housing units to acquire land, construct new units or rehabilitate and purchase existing units.	**4% Tax Credit Program** • All bond issued projects are awarded tax credits non competitively under CTCAC.
Exempt Facilities Bonds finance operations at waste recycling and solid waste disposal facilities.	**9% Tax Credit Program** • CTCAC issues tax credits competitively under the 9% program two times per year. • Percentages of both the 4% and 9% programs are approximate multipliers used to calculate the amount of tax credits a project will receive.
Small-issue Industrial Development Bonds mitigate finance capital expenditures of manufacturing facilities.	
Single Family Housing Bonds issued in the form of mortgage revenue bonds or mortgage credit certificates to aid first time home buyers.	
Qualified Public Educational Facility Bonds Provides financing for public secondary and elementary schools with the goals of financing facility construction or improvements.	

Because of this, the State Auditor recommended that both organizations' duties and responsibility be consolidated under one entity by eliminating CDLAC and delegating its bond allocation authority to CTCAC. Specifically, the State Auditor stated:

> The process wherein two agencies review applications for the same housing projects and separately determine eligibility when the financing is integrally linked is, in several respects, redundant and thus may contribute to inefficiencies. The two committees make awards to most of the same projects because the majority of affordable housing tax credits are paired with bond allocations. Additionally, the Tax Committee and the Debt Limit Committee have similar membership, such as the State Treasurer and representatives from HCD, CalHFA, and the State Controller's Office. These committee members often discuss the same projects in consecutive meetings in what amounts to a duplication of effort. Further, the two committees' redundant application approval processes do not add value, and their review of applications varied in thoroughness. The Tax Committee and the Debt Limit Committee review the same general project information and require similar, if not identical, documentation—such as market studies—from applicants for the majority of project application components. While the Tax Committee's current review processes are generally more thorough, those of the Debt Limit Committee are not. For example, the Tax Committee generally conducts two levels of review of competitive applications and consistently tracks appeals from applicants.
>
> In contrast, the Debt Limit Committee's review of applications was not well documented. In fact, according to a program manager at the Debt Limit Committee, the committee performed two levels of review in the past but has lacked staff to continue this practice. In the end, we

> found no need for two separate committees to review the same project applications and approve or reject that financing. Therefore, the Legislature should consolidate these committees into one by eliminating the Debt Limit Committee and delegating its authority for allocating bonds to the Tax Committee. The two committees have the same executive director, and she agreed that there should be only one committee.

Upon review, the California State Treasurer stated in their official response that they, along with the interim Executive Director of CDLAC and Executive Director of CTCAC: "…agree with the State Auditor in transferring CDLAC's authority to CTCAC to manage tax-exempt bonds and its responsibilities for reviewing applications and allocating bond resources."

Legislation (AB 49) proposed in December of 2020 would act on this recommendation by abolishing the California Debt Limit Allocation Committee and Transferring its functions, duties and powers to the California Tax Credit Allocation Committee.

Scope and Methodology

The California Tax Credit Allocation Committee (CTCAC) hired Sjoberg Evashenk Consulting, Inc., to facilitate the development of a strategic plan that is consistent with the statutory duties of the California Debt Limit Allocation Committee (CDLAC) and CTCAC, that is supportive of their collective organizational initiatives, and that will better align their organizations, regulations, and resources to assist in achieving the State of California's affordable housing objectives. To meet these strategic planning objectives, we held a kickoff meeting with key State Treasurer's Office (STO), CTCAC, and CDLAC representatives to define the scope of the project, clarify the core objectives, discuss the project plan and schedule, and establish logistical and reporting protocols. We also performed the following procedures:

- Reviewed and discussed with CTCAC and CDLAC management the results of the California State Auditor, dated November 17, 2020, entitled *California's Housing Agencies: The State Must Overhaul Its Approach to Affordable Housing Development to Help Relieve Millions of Californians' Burdensome Housing Costs* (https://www.auditor.ca.gov/pdfs/reports/2020- 108.pdf), including the weaknesses and concerns raised in the audit report. Identified core problems revealed in the audit and the barriers they present to CTCAC and CDLAC in optimizing their collective role in achieving the State of California's affordable housing objectives.
- Obtained and reviewed detailed CTCAC and CDLAC background documentation, including legislative history detailing the original purpose of each organization, regulations, organizational documents, policies and procedures, internal forms and tracking systems, and resources available to the public. We also interviewed over 70 individuals in staff and management personnel. This provided insight into current business processes, staff perspectives, and the evolution of the programs since the mid-1980s.
- Discussed with management the mission and vision statements of both CTCAC and CDLAC, as well as management's perspective on how the two organizations could be more aligned in their mission and vision to further the State's affordable housing goals, objectives, proposals, and initiatives. Assisted in the development of mission and vision statements that effectively communicate the statutory responsibilities and objectives of CTCAC and CDLAC while aligning the two to more effectively assist in achieving the State of California's affordable housing objectives, and verified the values statements that enumerate the principles and ideas that are important to the State Treasurer and are consistent with previously enumerated values adopted by CTCAC, as a whole.
- Reviewed the programs administered by CTCAC and CDLAC, ascertained the purposes of each, the role (if any) they played in furtherance of the State's affordable housing goals and priorities, and the extent to which each overlapped with one another and the extent to which coordination between the two were evident. In doing this, we:
  - Mapped core business processes associated with each program and core function of CTCAC and CDLAC.
  - Analyzed existing organizational charts of CTCAC and CDLAC, and developed refined summary organizational charts.

  - Evaluated the financial resources of CTCAC and CDLAC, including revenue sources, operating resources, and fund balances.
  - Evaluated the staffing resources of CTCAC and CDLAC, including the manner in which each allocates staffing resources to perform assigned functions.
  - Evaluated the technological resources available to CTCAC and CDLAC, including technology used perform core functions; automate previously manual processes; track workflows and maintain related records; and maintain official records of CTCAC and CDLAC analyses, conclusions, and actions.
  - Evaluated methods employed by CTCAC and CDLAC to maintain critical information related to bond and tax credit allocations, and to measure their performance in achieving their respective missions (including input, output, outcome, and efficiency metrics).

- Through the use of resource allocation assessment tools, identified how CDLAC and CTCAC allocated staffing resources to carry out a wide range of tasks, processes, and responsibilities, and determined the extent to which efficiencies can be gained by re-aligning staffing resources.

- Identified, in addition to the conclusions and recommendations provided in the State Auditor's report, opportunities to promote increased alignment among the organizations system, resources, and priorities.

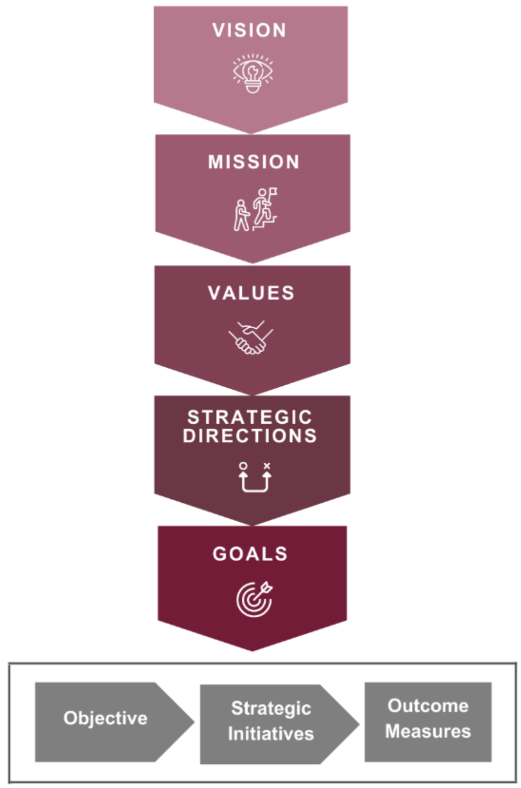
- Conducted an analysis of the strengths and organizational weaknesses of CTCAC and CDLAC, the opportunities of each to make meaningful progress on streamlining the organization's operations in order to fulfill the envisioned future as quickly as possible, and potential threats making this progress.

- Developed recommendations for management's consideration, along with specific objectives and initiatives, and measurable goals and timelines associated with the implementation of each. In order to meet the mission of the organization, the establishment of these goals is essential to providing the organization and the individual members with a clear direction.

The results of this analysis are presented in the remainder of this report.

Strategic Goals & Initiatives

This study confirmed much of what the State Auditor had identified: that there is significant overlap in the program offerings and stakeholders of the California Tax Credit Allocation Committee (CTCAC) and California Debt Limit Allocation Committee (CDLAC). Because projects receiving bond allocation under CDLAC are automatically eligible to receive tax credits under CTCAC's 4 percent Tax Credit Program, the two committees award tax incentives to many of the same projects; project owners must file separate similar applications with much of the same information to both committees; and staff of both committees must perform parallel reviews of the projects. Additionally, applicants and existing funded projects must comply with program regulations under both organizations. This has created a confusing regulatory landscape for applicants and staff of both CTCAC and CDLAC, who must verify project compliance with regulations under each program. These regulations are often nuanced and complex, and verifying compliance under both presents multiple redundancies for applicants and staff alike. All of this creates redundancies that are both inefficient for staff and project owners.



Recognizing this, CTCAC commenced this strategic planning effort to establish concrete goals, objectives, and initiatives necessary to implement the State Auditor's recommendation to merge the programs of both CDLAC and CTCAC in one organization. For the purpose of this strategic plan, we have adopted the following framework, common in strategic planning. In this framework it is critical to establish an organization's vision, mission, values, and strategic direction. This serves as the foundation upon which, through strategic planning, we establish concrete goals, objectives, strategic initiatives, and outcome measures.

Below, we present seven goals designed to achieve this strategic direction—to merge the two organizations in a manner that is consistent with the statutory duties of the CDLAC and CTCAC, that is supportive of their collective organizational initiatives, and that will better align their organizations, regulations, and resources to assist in achieving the State of California's affordable housing objectives.

Goal #1: Adopt Revised Mission, Vision, and Organizational Structure

CDLAC and CTCAC were created separately, with individual missions, purpose, and directive. However, efforts have been made over the past several years to enhance coordination between the two. As the need for affordable housing development has become a pressing concern for the State of California, the missions of both organizations have become increasingly intertwined and aligned to reflect statewide priorities. A merger of the two organizations will require management to formalize this relationship by adopting revised mission and vision statements, create a new committee name, and revise its organizational structure.

Committee Name

The names of both CDLAC and CTCAC specifically identify the program for which each committee is responsible. The State Auditor's recommendation was effectively to eliminate CDLAC and assign CDLAC's debt limit allocation authority to CTCAC. However, a merger of the committees should include consideration of modifying the name of the newly merged committees. One suggestion could be:

California Tax Incentive Allocation Committee.

Other alternatives exist. Whatever name is chosen, the goal should be to more inclusively represent the different programs under the Committee's new purview.

Mission

Like their names, the missions of CDLAC and CTCAC are specific to the programs administered by each committee, appropriately. However, as a merged committee that is responsible for a greater diversity of programs, a broader and more encompassing mission is appropriate. For example:

> To incentivize, through the allocation of tax credits and/or tax-exempt bond authority, private investment in projects that support the Committee's goals and contribute to the economic vitality of California.

Vision

Neither CDLAC nor CTCAC had established vision statements prior to this study. Based on input provided by management and staff, the following vision statement represents what the merged committees would like to achieve over the next five-year period.

> To maximize public benefit by fully and efficiently issuing all bond and tax credit allocations, provide a customer-centered and streamlined process for all allocation applications, and continue to increase the wealth of all Californians.

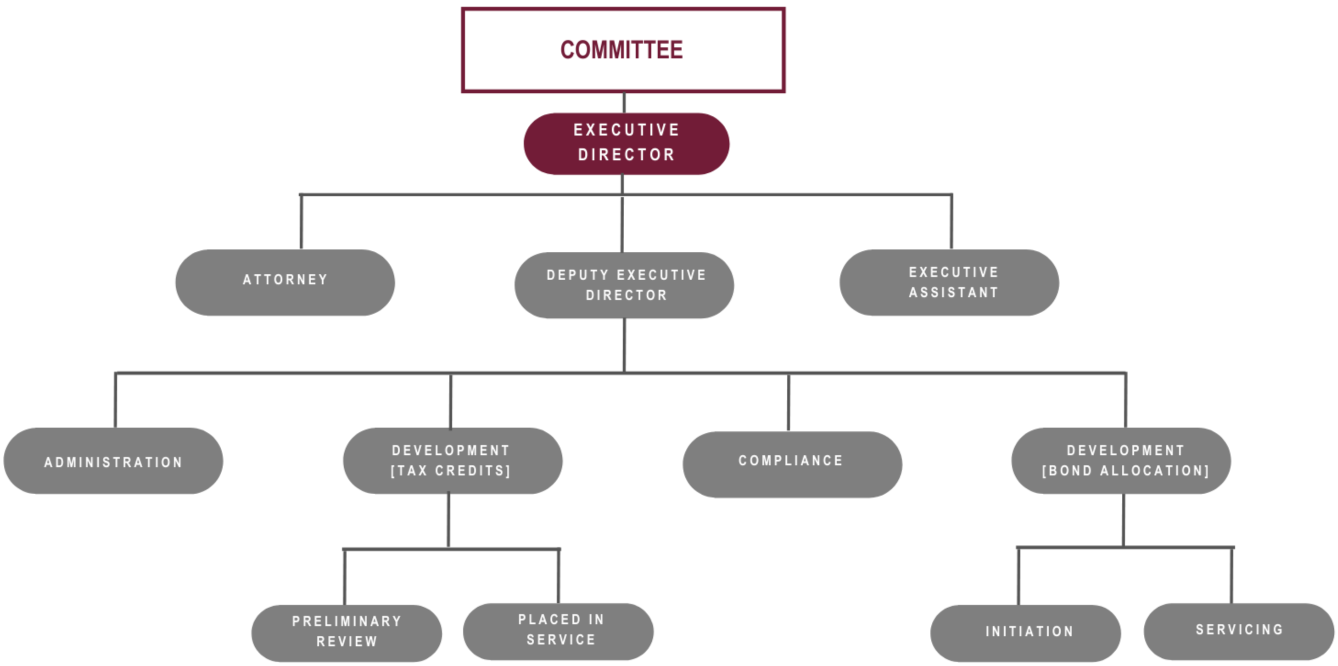
Values

The State Treasurer has established six goals that collectively serve as a value statement for CDLAC and CTCAC, and will continue to serve as such to a newly-merged committee. They include:

- Increase housing production
- Increase development efficiency
- Increase opportunity for women and people of color
- Spur new technology
- Build wealth for all Californians
- Empower individuals in distressed communities

Organizational Structure

In examining the organizational structures of both CDLAC and CTCAC, as well as the allocation of staffing resources to address ongoing workloads, we conclude that a merger of the two is not likely to substantially alter the work to be performed or the allocation of staffing resources to perform that work. That is, with relatively little overlap in work performed, a merger is unlikely to result in substantial efficiencies resulting through the consolidation of staffing resources. Rather, organizationally, the merger will simply add the CDLAC team into the CTCAC organizational structure as an additional division, as illustrated below.



While this will not substantially alter the work to be performed or the allocation of staffing resources to perform that work, limited efficiencies will be gained by consolidating the management and administrative infrastructure of the two organizations. That is, instead of two administrative units, only one is needed; instead of two executive directors, only one is needed; instead of two executive assistants, only one is needed.

Key Initiative(s):

1.1 Formally adopt and implement an updated mission, vision, values, and organizational structure for the newly-merged committee.

Outcome Measure(s):

- Buy-in among CDLAC and CTCAC management and Committee members.

Goal #2: Implement Information Technology Resources that Facilitate Workflows, Document Management, and Performance Reporting

A critical barrier to the operational efficiency of CDLAC and CTCAC is technology. CDLAC and CTCAC employ information technology resources that are outdated and inefficient, require substantial manual efforts to enter and access data, and are incapable of generating program-level performance indicators or management reports. Current information technology resources rely on paper files and manual workflows. This requires that staff perform their work on paper or in Excel workbooks, only to convert their work to electronic format after-the-fact. Such manual workflows fail to streamline business processes, are prone to error, and require duplication of effort from staff. This results in an ineffective and inefficient record management process, increasing the risk that records may be lost, and incentivizing staff to save personal copies of records in an *ad hoc* manner.

Thus, we recommend that the CTCAC and CDLAC, or the combined committee, implement a comprehensive information technology overhaul that results in a solution that manages the workflow associated with application receipt and processing, bond authority and tax credit allocations, compliance efforts, and record management.

Objective 1: Implement a Database that Better Aligns Technology Resources for Both Tax-Exempt Bond Authority and Tax Credit Allocations

Existing, technology resources are not aligned between CDLAC and CTCAC. Despite serving similar stakeholders, reviewing similar projects, and administering overlapping programs, CDLAC and CTCAC utilize different databases to record information related to their respective programs. While CDLAC and CTCAC are unable to determine the extent to which each have awarded allocations to the same projects in the past, current data suggests that more than 90 percent of all projects within the CDLAC database are also in the CTCAC database—which is inherently inefficient. At the same time, neither database is presently capable of maintaining project information for both CDLAC and CTCAC programs. Maintaining dual databases makes both organizations less agile in responding to updated regulations, implementing process improvements such as streamlining application processes, or in interfacing with other state agency systems. It also impedes efforts to streamline application processes or interface with other state agency systems, and presents barriers to tracking projects or providing project status metrics.

We recommend procuring a commercial off-the-shelf system rather than (a) attempting to improve the databases currently in use or (b) developing a custom system through in-house resources. Prior attempts made by CDLAC and CTCAC to work with the STO's Information Technology division to develop the resources needed in house have failed, and minor patches take substantial time to develop and implement. Commercial solutions already exist and can be procured in a timeframe that meets the needs of CDLAC and CTCAC. In our view, the only viable solution that can be implemented within the three-year scope of this strategic plan is the procurement of a commercial system that can be customized to meet the needs of CDLAC and CTCAC.

Objective 2: Establish Data and Document Management Protocols that Ensure the Consistent Treatment of, and the Ability to Analyze, Official Records

Despite utilizing two databases to record project related data, both CDLAC and CTCAC find that neither is capable of storing all relevant project data and records. Instead, project information is stored in a variety of places and formats, without clearly defined record management protocols. Information is stored in multiple locations, including in the database, network drives, local drives, USB drives, FileNet, and paper files, resulting in an ineffective and inefficient record management process. Such practices also pose unnecessary risk: the regular use of USB drives and paper files making it difficult to secure sensitive information. USB drives can be lost, or can transmit viruses onto state computers. Paper files are cumbersome and require the space and equipment to properly store and secure; files are currently stored in unlocked rooms, hallways, or other public areas. The extent to which these files contain sensitive data is unclear, but the methods employed in no way sufficiently secure official records, increasing the risk that records may be lost or disclosed. This also causes redundancies in staff workflow that inhibit overall productivity, and incentivizes staff to save personal copies of records in an *ad hoc* manner, often requiring staff to spend a significant amount of time searching for specific documents or troubleshooting issues.

Databases do not have the current functionality to generate timely reports necessary to enable management to track performance metrics, volume statistics, or other indicators of operational effectiveness or output. CDLAC staff especially struggle to accurately access and pull project tracking data, such as the percent of projects allocation under the Qualified Residential Rental Project Program versus Exempt Facilities Program. While some project records are searchable, such as project data within the databases, extracting useful data for reporting purposes is a multi-step process that involves manually pulling the data, cleaning and verifying the data, and formatting it in a manner that is useful to the user. Further, while project records within the databases are searchable, many of the documents—often in hard copy or PDF form—are not searchable, requiring staff to spend substantial time manually researching project documents rather than being able to use key word searches. Tracking projects on an individual basis is cumbersome and evaluating project trends and overall performance on a program-wide basis is impractical. Ultimately, this means that management does not have access to key information about program intersection and overlap, or data that would help improve and streamline the application process for developers and staff.

Objective 3: Ensure Data Integrity

The databases are incomplete, unreliable, and prone to errors. Several factors contribute to this, such as (a) initial uploads of project information can result in errors; (b) inconsistencies in how analysts enter project data throughout a project's lifespan; and (c) the structure of the database includes multiple redundant fields, and allows for inconsistent data to be entered into similar or redundant fields.

Inaccuracies in the databases are often identified by CTCAC's Compliance team, which uses information in the database to pull inspection lists in order to determine when a project has been "placed in service" (which requires monitoring every three years) as well as when projects move into "extended service" (which are monitored every 5 years). Because the database is unreliable, these lists are compiled and verified manually. CTCAC staff repeatedly stressed that to the best of their knowledge, they have never missed or incorrectly sorted a project. However, staff also acknowledged that due to these data reliability issues, this was a real possibility. Because compliance monitoring is a federally mandated requirement of the Tax Credit program, this presents numerous points of concern.

Additionally, staff expressed concern that key compliance monitoring information such as number of units and data regarding income and rent limits might also be incorrect in the database. These are all fields that staff must verify manually. Incorrect information about such compliance requirements have potentially significant implications for projects. Identified non-compliance with program requirements results in an IRS filing and potential federal and state fines. Depending on the level of infraction identified, this might also result in a loss of tax credits for a project or development. CTCAC staff worry that because they need to verify so much of this information manually, there is potential for projects to be evaluated incorrectly.

As a result, staff at both CDLAC and CTCAC do not trust the information in the database to be accurate and spend considerable time fact checking and correcting information stored in the database. CDLAC staff have even developed an 18-page document for staff to reference to determine which fields in the database are generally prone to errors. This document includes fields such as project term and number of units, and contains warnings about what type of data is likely to have been entered incorrectly when information was migrated into the database during application acceptance.

Objective 4: Implement Tablets or Similar Technology to Allow for Field Inspection Evidence and Results to be Documented and Recorded into the Database in Real Time

The CTCAC Compliance team documents all on-site inspections on paper, writing notes and documenting evidence. This includes printing a physical copy of an inspection sheet, documenting observations and performing manual calculations on site, and then scanning completed documents into CTCAC's internal digital file storage system—in a format that is often not searchable. Once staff return to the office, they manually incorporate this hard-copy evidence into CTCAC's database, standard reports, and other electronic media before finalizing the inspection results. The use of tablets by field inspectors to eliminate the need to manually document observations has been common practice for more than a decade. Not only is it a recognized method of achieving operational efficiencies, but the elimination of unnecessary manual work, obvious redundancies, and bulky paper files reduces the risk of human error and better enables staff to focus on their primary role—to inspect project compliance. It also increases the likelihood that the database will be populated in real time with data that can be sorted, searched, compiled, and analyzed—unlike the artifacts currently resulting from onsite inspections.

Key Initiative(s):

2.1 Issue a Request for Proposals to elicit responses from firms capable of providing information technology solutions that will manage the workflow associated with application receipt and processing, bond authority and tax credit allocations, compliance efforts, and record and data management; ensure data integrity; and allow for the use of tablets or similar tools to be employed by field inspection staff.

2.2 Develop and implement data management protocols that ensure the consistent treatment of, and the ability to analyze, official records. This should include policies and procedures governing how official documents should be saved, organized, and secured; how data is to be uploaded to the database; and how document management, retention, and destruction requirements should be administered.

Outcome Measures:

- A single system to manage the workflow of tax credit and bond authority allocations, and serve as a central database for all projects receiving allocations.
- Data within the system is reliable, accurate, useful and sufficient for (a) project initiation and servicing, (b) compliance monitoring, (c) management reporting, and (d) performance measurement.
- Official records of the Committee(s) are stored in a centralized and organized manner, eliminating the practices of storing official project files on local drives, USB drives, or other ad hoc data storage methods.
- Official records and project data are searchable and accessible for Committee staff.
- Records are secure and retention policies followed.

Goal #3: Ensure Appropriate Staffing Infrastructure to Achieve the Committee's Vision, Mission, and Goals

Both CDLAC and CTCAC have become increasingly competitive over the past several years. More applications are submitted than can be awarded, and the State has recently increased available resources to be allocated—e.g., Assembly Bill 101 designated an additional $500 million toward additional 4 percent tax credits for shovel-ready multifamily housing projects. With every new allocation also comes the obligation to monitor compliance over a 55-year period. The long-term workload that must be managed has been increasing, and will continue to increase in the coming years.

Yet, both CDLAC and CTCAC have struggled to maintain adequate staffing resources to meet workload demands. In early 2022, CTCAC was authorized for 70 positions with only 51 of them filled—a 28 percent vacancy rate. During the same period, CDLAC was authorized for 14 positions with no vacancies. Sustained vacancies and, as reported by management, high turnover have contributed to prolonged periods of understaffing within both CDLAC and CTCAC. At the same time, restrictive remote work policies, a shortage of office space, significant travel requirements (for compliance staff), and severe operational inefficiencies have impacted the ability of both CDLAC and CTCAC to retain qualified staff in recent years. This has contributed to backlogs, a reported increase in overtime, the loss of institutional knowledge, and increasingly low morale. This is most felt in CTCAC's compliance unit, where sustained vacancy rates are impacting the division's ability to meet mandatory inspection timelines.

Objective 1: Align Staffing Resources to Reduce Redundancies

As mentioned in relation to Goal #1, the merger of CDLAC into CTCAC is not likely to have a significant impact on most staff throughout the organizations. CDLAC personnel will continue the work they have been doing; and CTCAC personnel will do the same. As mentioned, there will be modest efficiencies in the combination of management and administrative personnel over time, but the merger will otherwise not have a substantial impact on staffing for either program, with one exception.

Most, if not all, CDLAC projects also receive 4 percent tax credits issued by CTCAC. Stakeholders submit applications to both organizations for the same projects under CDLAC's bond program and CTCAC's 4 percent Tax Credit Program. The workflows developed by CDLAC and CTCAC (including application receipt, review, ranking and project servicing) parallel one another. Both organizations share a similar stakeholder base and may provide allocations to the same developers and projects. However, each organization reviews and ranks the applications independently. In many cases, staff at both organizations may end up reviewing the same project with similar applications and conflicting regulations. Despite this significant overlap, staffing resources are not aligned between the two organizations. While staff at each respective organization may review each other's projects as the need arises, they overwhelmingly operate in siloes, creating redundancies and duplication of effort for staff of both organizations.

Assigning the processing of 4 percent tax credit allocations for projects being awarded tax-exempt bond authority to the same staff processing the bond allocation application will eliminate this redundancy and inefficiency. It will require training and the development of policies and procedures that ensure greater consistency in the processing of both allocations, but it will achieve two key purposes. It will result in greater efficiencies in how staff resources are allocated to manage workload, and it will reduce the likelihood that stakeholders will experience conflicting direction from different staff reviewing project applications and records.

Objective 2: Reduce Employee Turnover

While CTCAC Staff cited operational inefficiencies, the lack of adequate information technology resources, and duplication of efforts as reasons for low morale and high turnover, they noted three additional factors contributing to the difficulties recruiting and retaining staff. This included restrictive remote work policies, significant travel requirements, promotional opportunities, and the shortage of adequate office space and requirements to share workstations. Some staff noted that, when fully staffed, they will be required to share work stations because there are not enough desks to seat all employees, and small offices will house multiple staff in tight quarters. These challenges are most felt in CTCAC's compliance unit, where sustained vacancy rates could impact the division's ability to meet mandatory inspection timelines.

Because of this, we find it reasonable to consider three options that will better position CDLAC and CTCAC to recruit and retain talent. Specifically:

- Remote Work—Historically, both CDLAC and CTCAC have been reluctant to offer staff the option to work remotely. During the COVID-19 pandemic, a hybrid remote work environment was adopted out of necessity and safety concerns. While staff have continued to operate on a hybrid work schedule temporarily, the expectation is that staff will move back to working in person over the summer of 2022. CDLAC and CTCAC should consider a remote work policy that allows employees to continue a remote work environment.
- Remote Office—Currently, only the CTCAC Compliance team travels on a regular basis to perform onsite inspections. All staff are based in Sacramento; yet, many affordable housing projects they

monitor are located in Southern California. This requires substantial travel at a time when business travel has become less desirable among the workforce. This travel represents a sizable use of staff time and organizational resources. Further, such travel requirements may present future hiring barriers for CTCAC in a current job market where remote work is becoming increasingly common, and travel itself may remain tenuous.

- Employee Classifications—Currently, analyst and compliance staff at both CDLAC and CTCAC staff are classified in either the Associate Governmental Program Analysts (AGPA) or Staff Services Analyst (SSA) series. These classifications are standard within the STO, but differ from job classifications for similar positions employed by peer state agencies addressing affordable housing priorities, such as the California Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA). CTCAC, primarily, but also CDLAC, have experienced staff leaving their organizations to work for HCD or CalHFA in part because the classifications used by those agencies provide better compensation and greater career opportunities. For instance, HCD maintains a classification structure that includes Housing and Community Development Specialists in addition to AGPA and SSA staff. Ultimately, CTCAC and CDLAC staff are aware that other California housing agencies have staff with similar responsibilities, but are classified on a different scale. This has created an environment at CTCAC where staff feel that there is a hard ceiling to their career options, which staff indicate is a contributing factor to high staff turnover rates.

Recruiting candidates and retaining employees, without addressing these issues, may prove to be a long-standing barrier to CDLAC and CTCAC.

Objective 3: Right-Size Program Staffing

Through this strategic planning process, the merged Committee will experience substantial change resulting from the implementation of effective information technology solutions and related process reengineering. If successfully implemented, this will result in process efficiencies and will change how staff spend their time. At the same time, efforts to align staffing resources to consolidate the processing of bond and 4 percent tax credit allocations, and efforts to reduce employee turnover, will have an impact on the organization's ability to manage its workload. However, after all of these changes, questions will remain regarding what will be the "right" level of staffing for the organization moving forward. To answer this question, a staffing study must be performed after the implementation of the new system, after process improvements have been implemented, and after the implementation of a performance measurement system that is capable of informing management decisions—which will be discussed in Goal #7.

Key Initiative(s):

3.1 Assign the processing of 4 percent tax credit allocations for projects being awarded tax-exempt bond authority to the same staff processing the bond allocation application in order to eliminate unnecessary redundancies.

3.2 Develop a long-term remote work policy that allows for flexibility in where staff work.

3.3 Conduct a cost-benefit analysis of establishing a Southern California office to house Compliance staff and expand the talent pool from which the Committee(s) may recruit.

3.4 Evaluate the appropriateness of the classification structure—particularly in Compliance—and consider alternatives to achieve parity with peer agencies.

3.5 Conduct a staffing study to determine the right level of staffing resources needed to manage a growing workload.

Outcome Measures:

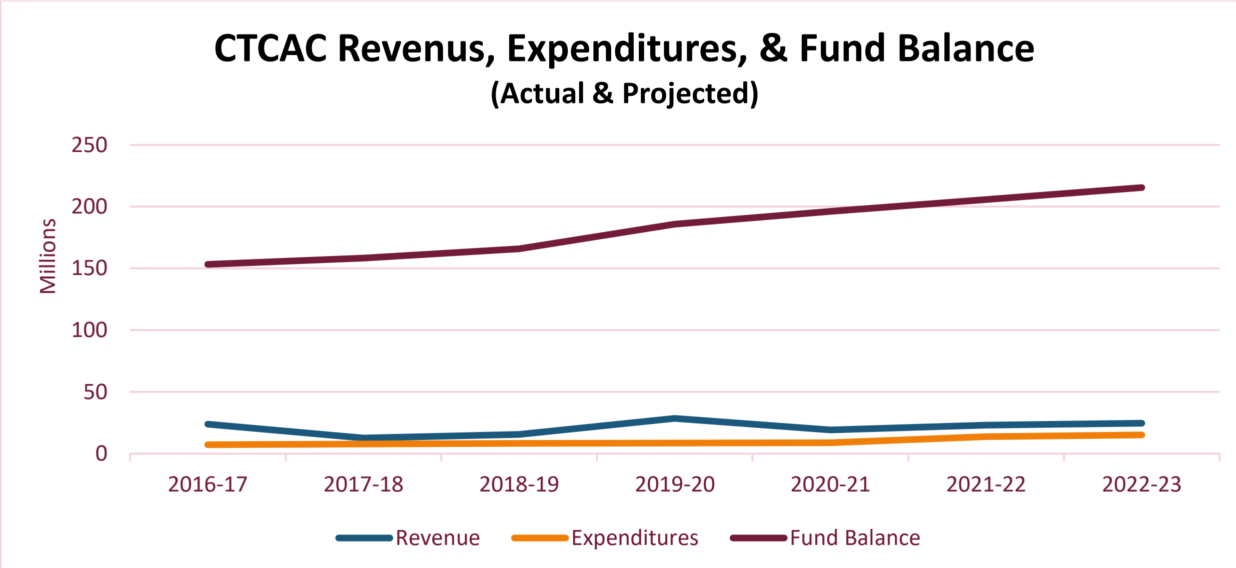
- All projects for which bond authority or tax credit applications are submitted, are assigned to a single analyst, eliminating redundant reviews and conflicting interactions with stakeholders.
- Reduced employee turnover.
- Right-sized staffing model that efficiently allocates staffing resources to meet workload demands.
- Required work is assigned and completed.

Goal #4: Ensure Sufficient Operating Revenues and Fund Balances

Objective 1: Operating Revenues and Fund Balances Are Sufficient to Fund On-going and Future Obligations

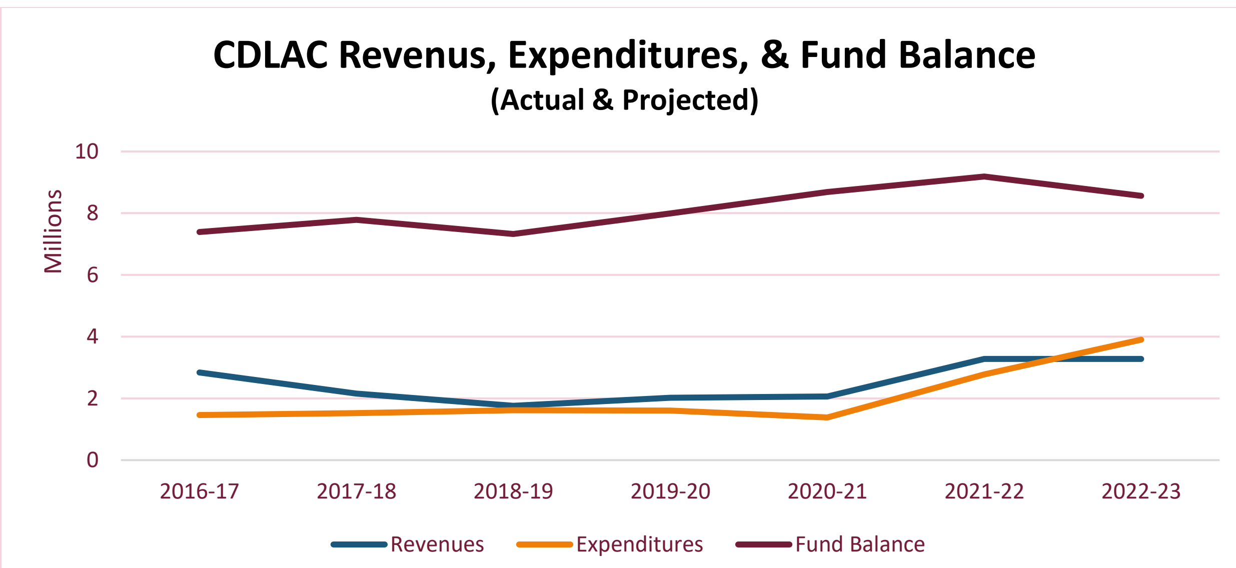
Overall, both CDLAC and CTCAC appear to be in strong financial health, operating with a positive cash flow in each of the past five years. Between FY 2016 and FY 2021, regulatory fees for both CDLAC and CTCAC have experienced an overall increase due to the increasing demand for project funding, while operating expenses for both CDLAC and CTCAC have remained fairly steady with minor increases for additional hiring and to account for increased cost of living. An examination into the fund condition statements of CDLAC and CTCAC suggest that resources currently exist to implement the initiatives outlined in this strategic plan.

Below, we present trend graphs showing the revenues, expenditures, and fund balances of CDLAC and CTCAC.



Source: CTCAC Fund Condition Statements

Note: Actual fund balance for FY 2016-17 and 2017-18 includes a $92 million loan made to the General Fund that was paid back in FY 2019-20; the fund balance for FY 2020-21 to FY 2022-23 includes a $120 million loan made to the General Fund which has not yet been paid back.



Source: CDLAC Fund Condition Statements

Note: Actual fund balance for FY 2020-21 to FY 2022-23 includes the addition of a $4 million loan made to the General Fund.

Ultimately, while CTCAC and CDLAC are both operating with a positive cash flow, and have collectively built operating reserves exceeding $200 million, long-term funding is uncertain. To ensure stability in the long term, management must ensure the fund balance will be sufficient to fund operations and project inspections for 55 years to comply with IRS regulatory requirements. Should the programs and fee revenues cease, this requirement will remain in place and CTCAC will depend on this existing fund balance to fund such ongoing operations.

While CTCAC staff noted that a fee study was conducted some years ago, to the best of their ability to recall, it has been at least 15 years since this study was updated. Being able to accurately predict what fees need to be assessed in order to ensure this continued coverage will be key for the continued success of the tax credit program.

Key Initiative(s):

4.1 Conduct a fee study to determine the sufficiency of reserves to fund compliance efforts over a 55-year period, and the sufficiency of fees to fund ongoing and future operations. To be effective, and to inform future fee-setting efforts, this initiative should occur *after* the implementation of new information technology resources, business processes have been reengineered, and staffing has been right-sized to meet workload demands.

Outcome Measure(s):

- An independent consultant's report on the sufficiency of existing fees and fund balances; if the fund balance is determined to be insufficient, the identification of a target fund balance that would be sufficient.
- Annual fund condition statements that show positive cash flow.

Goal #5: Standardize and Formalize Key Business Processes

Objective 1: Achieve consistency in practice and performance.

Objective 2: Mitigate the loss of institutional knowledge through staff turnover

Historically, CDLAC has lacked sufficient formalized business policies and procedures to guide how staff perform their work and apply regulations. Internal practices and procedures relied on the institutional knowledge of long-term staff. As turnover increased, this knowledge was lost and the potential for inconsistencies increased. While business practices at both CDLAC and CTCAC are generally sufficient to complete required tasks by established deadlines, many policies and procedures remain isolated to individual teams rather than standardized across the organization. Such inefficiencies in the processes result in extra work for staff, creating undue pressure and contributing to a less productive work environment. Additionally, these undocumented and inefficient processes risk breakdowns in internal controls and present barriers to the success of a combined CDLAC and CTCAC.

With the help of newly-hired staff, CDLAC's Servicing team has succeeded in developing standardized internal procedures for staff. However, such practices have yet to become formalized across the organization or applied to different teams. Further, CTCAC also maintains their own set of policies and procedures that remain highly specific to the functioning of their own organization and disparate from CDLAC workflows.

As a merged organization that will be implementing a new information system and realigning some staffing resources, it will be critical to map "to-be" processes that will be implemented along with these system and staffing changes, and to memorialize core business processes in formal policies and procedures. Doing so will better ensure consistency in practice. This should also include official protocols to complete tasks and manage project information, as well as a consensus on standard workflow procedures. It is key that such processes become formalized organization-wide; without such standardization, it is likely that implemented policies will not transcend staff turnover and the hiring of new staff.

Key Initiative(s):

5.1 Map "to-be" business processes that will result from the implementation of a new information system.

5.2 Continue to standardize internal processes by memorializing them in formal procedures.

5.3 Develop a training program, for staff in all program areas, to inform and reinforce established policies and procedures.

Outcome Measure(s):

- Documented policies and procedures, process maps, and training materials that reflect program and organizational requirements, desired practices, and effective business practices.
- Knowledge-sharing, increased cross-training, and a reduced risk that substantial institutional knowledge could be lost with the separation of a single employee.
- Increased consistency in the practices of employees in carrying out their duties.

Goal #6: Achieve Consistency through Updated Permanent Regulations

Objective 1: Develop Formal Processes for Tracking Regulatory Changes, Including the Use of Emergency Regulations

CDLAC faces ongoing challenges stemming from a failure to monitor regulations and regulatory changes. In part, this is because, CDLAC, in anticipation of merging with CTCAC, has been in the process of updating regulations to better ensure consistency with CTCAC's longstanding regulations. We recommend that this process continue. However, we also noted that the increasingly competitive nature of CDLAC allocations has resulted in the need to expedite updates to CDLAC regulations, which in turn resulted in increased reliance on emergency regulations. However, it did not establish standardized protocols for developing, tracking, and updating emergency regulations, leading to uncertainty regarding the status of emergency and permanent regulations, including situations in which regulations reverted without staff knowledge. This has created uncertainty among CDLAC staff and stakeholders. CDLAC management has been actively working to address this issue. Correcting this problem is time-consuming, and will likely present a reoccurring issue for the organization in the absence of a permanent tracking system. As CDLAC and CTCAC move forward with an updated information system and new processes and procedures, continuing to monitor and correct regulatory discrepancies will be critical for the success of a merged organization.

Key Initiative(s):

6.1 Update CDLAC regulations to be consistent with CTCAC regulations, thereby ensuring that regulations within the newly-merged organization are internally consistent.

6.2 Develop a regulation tracking system designed to track changes in regulations, including the use of emergency regulations.

Outcome Measure(s):

- The elimination of conflicting regulations between CDLAC and CTCAC programs.
- Regulatory consistency for all programs administered by the newly-merged organization.
- An up-to-date and accurate regulation tracking system.

Goal #7: Develop a Meaningful Performance Measurement and Management Reporting System

Objective 1: Produce and use performance measurement data to inform management decisions.

Both CDLAC and CTCAC lack key performance measures that are needed for management to make informed decisions. Failure to capture this information creates numerous inefficiencies in the operation of each organization.

In the past, CTCAC has maintained a more robust system for tracking performance metrics, particularly outputs and workload indicators, while CDLAC has often been limited in their ability to track similar data. Neither organization has tracked historical records of project overlap, including the number of 4% tax credit projects that were also receiving bond allocations under CDLAC, or the number or bond allocated projects directed toward nonresidential projects. This strategic planning effort was also unable to access data related to staff turnover rates for either CDLAC or CTCAC. Additionally, neither organization has maintained historic data about current staff time allocations, including staff Full Time Equivalent (FTE) positions which would allow management to determine how to allocate future staffing resources.

Moving forward as a combined organization with a new information technology system, it is critical to adequately track input, output, and outcome measures, as well as efficiency measurements.

- Input measures should include a closer examination of organization FTEs and how staffing resources are allocated to particular tasks in order to enable management to determine how to budget staff time on future projects.
- Output measures should include data such as the number and type of applications received, number and type of applications reviewed, number and type of awards, number of inspections performed, and inspections required versus actually performed. Output measures help management quantify workload in a meaningful way and link inputs necessary to achieve targeted outputs.

- Efficiency measures include data such as the cost per application received, cost per application reviewed, cost per allocation, cost per inspection, and the time to process applications. Efficiency measures would also include the time it takes staff to complete an initial or final application review as well as the time required to request and receive additional information or conduct inspections. Such data is only useful when trended over time to determine an overall trajectory of organizational efficiency.

While such metrics can be established in the near-term, implementation of a complete performance management system should correspond with the implementation of new information technology resources.

Key Initiative(s):

7.1 Implement a system of performance measurement that meaningfully informs management decisions.

Outcome Measure(s):

- Quantifiable performance metrics that can be evaluated over time to reveal trends in workload, resources allocated to managing the workload, the work produced, and the efficiency with which key programs operate.

Summary of Key Initiatives

Below is a summary of key initiatives identified through this strategic planning effort.

1.1 **Adopt Mission & Vision**—Formally adopt and implement an updated mission, vision, values, and organizational structure for the newly-merged committee.

2.1 **Issue Information System RFP**—Issue a Request for Proposals to elicit responses from firms capable of providing information technology solutions that will manage the workflow associated with application receipt and processing, bond authority and tax credit allocations, compliance efforts, and record and data management; ensure data integrity; and allow for the use of tablets or similar tools to be employed by field inspection staff.

2.2 **Develop Data Management Protocols**—Develop and implement data management protocols that ensure the consistent treatment of, and the ability to analyze, official records. This should include policies and procedures governing how official documents should be saved, organized, and secured; how data is to be uploaded to the database; and how document management, retention, and destruction requirements should be administered.

3.1 **Consolidate Tax Credit & Bond Authority Allocation Assignments**—Assign the processing of 4 percent tax credit allocations for projects being awarded tax-exempt bond authority to the same staff processing the bond allocation application in order to eliminate unnecessary redundancies.

3.2 **Create Remote Work Policy**—Develop a long-term remote work policy that allows for flexibility in where staff work.

3.3 **Establish an Office in Southern California**—Conduct a cost-benefit analysis of establishing a Southern California office to house Compliance staff and expand the talent pool from which the Committee(s) may recruit.

3.4 **Assess Classification Structure**—Evaluate the appropriateness of the 'classification structure—particularly in Compliance—and consider alternatives to achieve parity with peer agencies.

3.5 **Perform Staffing Study**—Conduct a staffing study to determine the right level of staffing resources needed to manage a growing workload.

4.1 **Perform Fee Study**—Conduct a fee study to determine the sufficiency of reserves to fund compliance efforts over a 55-year period, and the sufficiency of fees to fund ongoing and future operations. To be effective, and to inform future fee-setting efforts, this initiative should occur *after* the implementation of new information technology resources, business processes have been reengineered, and staffing has been right-sized to meet workload demands.

5.1 **Develop Process Maps**—Map "to-be" business processes that will result from the implementation of a new information system.

5.2 **Develop Policies & Procedures**—Continue to standardize internal processes by memorializing them in formal procedures.

5.3 **Implement Training**—Develop a training program, for staff in all program areas, to inform and reinforce established policies and procedures.

6.1 **Update CDLAC Regulations**—Update CDLAC regulations to be consistent with CTCAC regulations, thereby ensuring that regulations within the newly-merged organization are internally consistent.

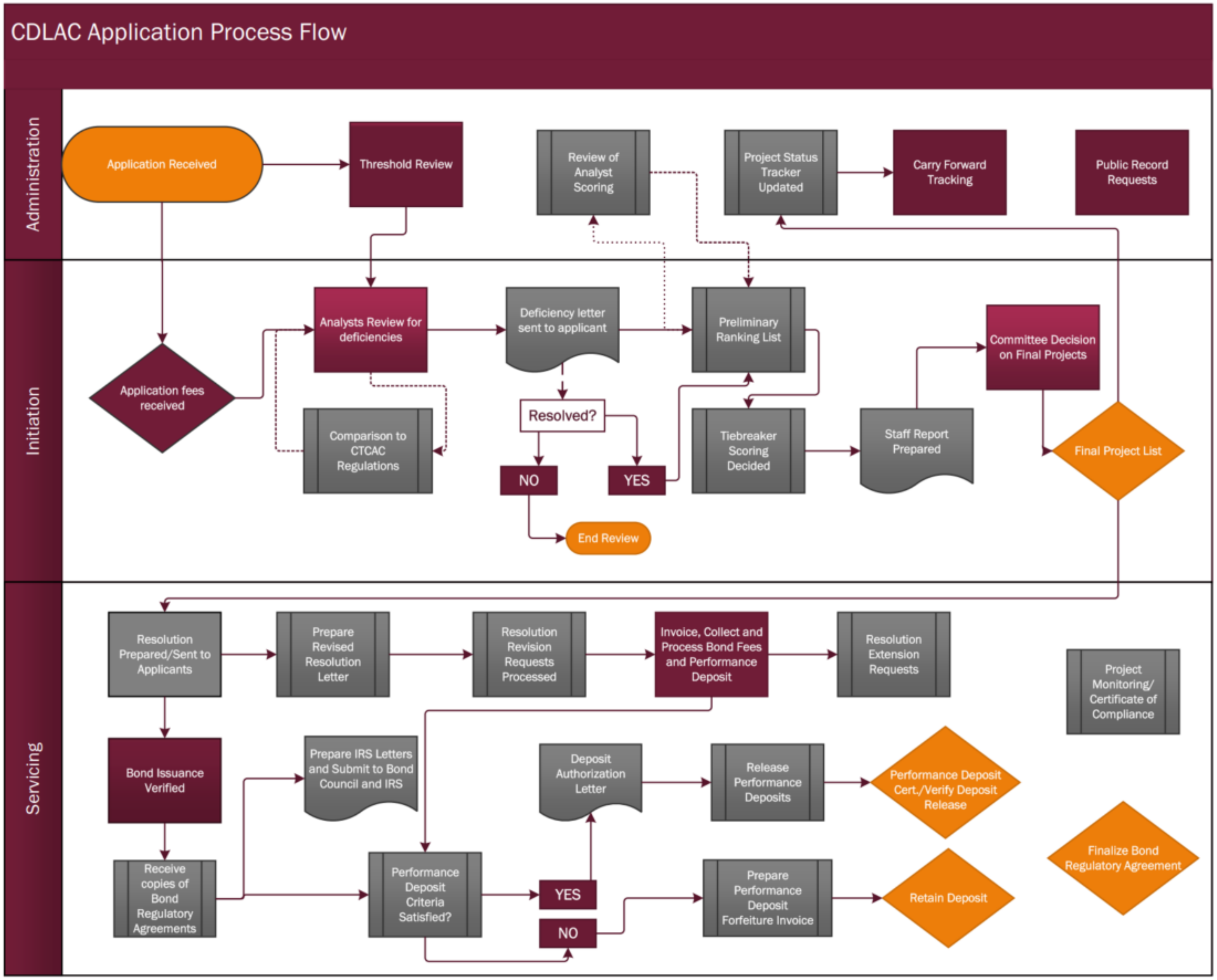
6.2 **Develop Regulation Tracking System**—Develop a regulation tracking system designed to track changes in regulations, including the use of emergency regulations.

7.1 **Implement Performance Measurement**—Implement a system of performance measurement that meaningfully informs management decisions.

Below is a general timeline illustrating implementation targets for each strategic initiative.

		FY 2022-23				FY 2023-24				FY 2024-25			
	Initiative	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
1.1	Adopt Mission & Vision	■											
2.1	Issue Information System RFP	■	■	■	■	■							
2.2	Develop Data Management Protocols				■	■							
3.1	Consolidate Allocation Assignments		■	■									
3.2	Create Remote Work Policy	■	■										
3.3	Establish SoCal Office					■	■						
3.4	Assess Classification Structure		■	■									
3.5	Perform Staffing Study									■	■		
4.1	Perform Fee Study											■	■
5.1	Develop Process Maps			■	■								
5.2	Develop Policies & Procedures						■	■	■				
5.3	Implement Training									■	■		
6.1	Update CDLAC Regulations	■	■										
6.2	Develop Regulation Tracking System	■	■										
7.1	Implement Performance Measurement	■	■	■	■	■	■						

Appendix A: CDLAC Process Flow



Appendix B: CTCAC Process Flow