



California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

May 15, 2024

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 1:00 p.m. with the following Committee members present:

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

Advisory Members: Anthony Sertich for 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 April 3, 2024, Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Perrault motioned to approve the minutes of the April 3, 2024, meeting, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

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

Presented by: Marina Wiant

Marina Wiant, Interim Executive Director, announced Norma Velarde's promotion to CDLAC Program Manager. Norma joined CDLAC in 2020 as an Associate Governmental Program Analyst. In that position, she reviewed tax exempt private activity bond applications for multifamily housing and worked on several special projects. Prior to CDLAC, she worked at California Housing Opportunities Corporation and was also an intern with California Coalition for Rural Housing. She brings a well-rounded knowledge of affordable housing to the role.

Earlier this month, Ms. Wiant spoke on a panel at the Novogradac Affordable Housing Conference with CalHFA Executive Director Tiena Johnson Hall. She also attended the Non-Profit Housing Association of Northern California (NPH) Annual Affordable Housing Leadership Awards. Tomorrow, she will be speaking at California Housing Consortium's Annual Policy Forum in Los Angeles.

Chairperson Ma called for public comments:
None.

CDLAC Committee Meeting
May 15, 2024



California Debt Limit Allocation Committee

4. *Agenda Item: Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 1) – (Action Item)*

Presented by: Christina Vue

Ms. Vue reported that CDLAC received one EXF application in Round 1. The request is for \$44.5 million of tax-exempt bond allocation for MarBorg Industries to acquire compressed natural gas-powered collection vehicles, upgrade and improve an existing solid waste recycling and processing facility in Santa Maria, and construct a new operations depot to service customers throughout Santa Barbara County. Staff recommends approval of the allocation.

Chairperson Ma invited a representative to speak on behalf of the project.

Mark Holmstedt from Piper Sandler spoke on behalf of MarBorg Industries. He expressed appreciation for the Committee's consideration of this allocation. The project will contribute to the waste diversion goals of the state.

Chairperson Ma called for public comments:
None.

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

The motion passed unanimously via roll call vote.

5. *Agenda Item: Recommendation for Award of Allocation to the California Department of Veterans Affairs for Single Family Housing (SFH) – (Action Item)*

Presented by: Christina Vue

Ms. Vue reported that at the January 17, 2024, meeting, the Committee reserved \$80 million of the state ceiling for the California Department of Veterans Affairs (CalVet). CalVet has submitted its formal application for bond allocation totaling \$80 million, which it estimates will serve 237 first-time homebuyers who are active-duty military personnel or veterans. Staff recommends approval of the allocation.

Chairperson Ma called for public comments:
None.

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

The motion passed unanimously via roll call vote.

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

Presented by: D.C. Navarrette

Mr. Navarrette reported that there are six requests for allocation above the \$75 million limit.



California Debt Limit Allocation Committee

Chairperson Ma said the Committee seems to be receiving more requests to waive the maximum bond allocation amount and extend issuance deadlines.

Ms. Wiant said those items could be addressed individually under their respective agenda items. Staff has had discussions about the purpose of setting the \$75 million maximum bond allocation amount. The competitive system encourages applicants to keep their allocation requests as low as possible, but there are certain circumstances in which projects require a higher amount. The reasons for these requests in particular are due to higher regional construction costs or more complicated construction sites. Staff has discussed whether it still makes sense to have a maximum bond allocation amount and has concluded that it probably still makes sense so that the Committee has an opportunity to see what is happening. In non-competitive years, staff would still want to see projects limiting their allocation requests as much as possible, even though they would not be required to compete in the tiebreaker.

Mr. Johnson thanked Ms. Wiant for sharing that perspective. He has thought a lot about this over the past couple of days and has come to some of the same conclusions. There is already downward pressure because of the scoring rubric, so these waivers serve as an opportunity for the Committee to have insight into trends and processes. It is good for the Committee to have the opportunity to approve these waivers. He understands the reason for the requests and appreciates the awareness of the increasing number of waiver requests. He expects that the Committee will have a similar conversation regarding the extension requests.

Chairperson Ma expressed that there have been difficulties both during the pandemic and moving forward.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Perrault motioned to approve the waiver of the maximum bond allocation amount for all projects, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

7. 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 two projects requested supplemental allocations, but one of the requests was withdrawn. The remaining request is from Southside Senior Housing (CA-24-569), which was originally allocated \$15,120,422 in Round 3 of 2021. The project is now requesting a supplemental allocation of \$2,291,000, which is within the 52% aggregate basis limit but is 15.15% of the Committee-approved allocation. This is a 50-unit special needs project located in Los Angeles. The applicant is the City of Los Angeles and the developer is John Stanley.

Chairperson Ma asked if this allocation would impact any other applications.

Mr. Navarrette said it would not impact any other applications since there is a lot of allocation left in the supplemental pool.

Chairperson Ma asked if staff supports the supplemental allocation request.



California Debt Limit Allocation Committee

Mr. Navarrette responded affirmatively.

Chairperson Ma called for public comments:

None.

MOTION: Mr. Johnson motioned to approve the supplemental allocation request for Southside Senior Housing, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

8. *Agenda Item: Request to Transfer Allocation to Another Applicant (Cal. Code Regs., tit. 4 §5120) – (Action Item)*

Presented by: Christina Vue

Ms. Vue reported that two projects are requesting a transfer of allocation to another applicant. The first project is U.S. VETS-WLAVA Building 210, which is a 38-unit, special needs, new construction project located in the City of Los Angeles. The applicant and original bond issuer, California Municipal Finance Authority (CMFA), received the award of allocation on December 6, 2023. CMFA and CalHFA are jointly requesting a transfer of allocation to CalHFA, thereby resulting in a transfer of the original bond allocation of \$14,219,583 and a supplemental bond allocation of \$4,936,246. CalHFA is here to explain the need to transfer the allocation.

Ms. Vue said the second project requesting a transfer of allocation is Avenue 34 Apartments, which is a 66-unit, large family, new construction project located in the City of Los Angeles. The applicant and original bond issuer, The California Statewide Communities Development Authority (CSCDA), received a supplemental bond allocation for the project on February 6, 2024. CSCDA and CalHFA are jointly requesting a transfer of the supplemental bond allocation of \$1.4 million. CalHFA and the developer are available to explain further and answer questions.

Chairperson Ma said that she previously voted against these transfers, so she would like to understand what has happened with these projects.

Ms. Ferguson said that in the case of U.S. VETS-WLAVA Building 210, CMFA has gone through the project with the assumption that the land was owned by the City of Los Angeles, but the land is actually owned by the federal government. Because it is federal land, CMFA, as a joint powers authority (JPA), cannot be the issuer and asked CalHFA to step in.

Chairperson Ma said that sounds like a jurisdiction issue and not a workload issue.

Mr. Ferguson confirmed that is correct; it is unrelated to Chairperson Ma's concerns at the previous meeting.

Ms. Perrault asked for clarification that this project also withdrew its second supplemental request under the last agenda item.

Ms. Vue confirmed that is correct.

Ms. Perrault asked if the transfer request, therefore, only applies to the original supplemental allocation.

Ms. Vue responded affirmatively.



California Debt Limit Allocation Committee

Ms. Ferguson explained that the second project requesting a transfer of allocation, Avenue 34 Apartments, originally received bond cap via carryforward in 2020. The project is getting close to completion and received additional bond cap recently. After CSCDA did the initial bond issuance, CalHFA issued recycled bonds and taxable bonds. CalHFA is currently taking those bonds out, and right now there are two different regulatory agreements from both CSCDA and CalHFA. The CalHFA regulatory agreement is not recorded with CDLAC because only recycled bonds were used, not new bonds. CalHFA is trying to achieve consistency by requesting a transfer of the CSCDA allocation to CalHFA. When the project is placed in service, which should be soon, CalHFA will ask CDLAC to combine the regulatory agreements so that only CalHFA is responsible for the regulatory and reporting requirements going forward, rather than having two separate issuers doing the same reporting. The circumstances for the two projects requesting a transfer of allocation are not similar.

Mr. Johnson asked if staff has any concerns about potential challenges or workload issues regarding these transfers.

Ms. Vue said the transfers would require a minimal amount of work for staff.

Chairperson Ma called for public comments:

None.

MOTION: Ms. Perrault motioned to approve the transfer of allocation for both projects, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

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

Mr. Navarrette reported that there are 28 extension requests.

Chairperson Ma asked Ms. Wiant to comment on the number of extension requests.

Ms. Wiant said staff has had several conversations with the issuers on these projects in an attempt to discern whether any particular issue was impacting all the projects. While all the projects have slightly different circumstances, the schedule itself seems to have been a challenge. There have been a lot of closings happening at the same time, and there will probably be a similar outcome from this year's schedule. Also, a lot of the extension requests were submitted by projects that might have been able to make the deadline but were worried about a potential need for an extension. There is not an easy process to obtain an extension other than coming to the Committee, and since the Committee will not be meeting again until August, there were a lot of requests submitted. Staff has been talking internally and seeking input from stakeholders as well as the Committee about whether there should be more discretion given to the Executive Director to grant some of these extensions in the next regulations package so that the Committee does not have to consider extensions for projects that may only be requesting a week or two.

Ms. Perrault asked for confirmation that the Executive Director currently only has delegated authority to grant extensions up to five days.



California Debt Limit Allocation Committee

Ms. Wiant responded affirmatively.

Ms. Perrault asked how many of these extensions are being requested because projects are having to seek additional funding sources due to cost increases.

Ms. Wiant said that is a trend. Additionally, a lot of projects applied during the final round last year when they saw that the round was not going to be very competitive, but they actually needed more time.

Chairperson Ma called for public comments:

None.

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

The motion passed unanimously via roll call vote.

10. **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 The OTC by Vintage Project was originally allocated \$45,599,495 in Round 3 of 2023 and is now requesting to return the allocation and waive forfeiture of the performance deposit and negative points. The project is a 228-unit large family development in Chula Vista. The applicant is CMFA and the developer is Hearthstone Housing.

Chairperson Ma invited a representative to speak on behalf of the project.

Stephen Strain from Sabelhaus & Strain LLP said he represents the developers on this project. He explained that this project is being developed on a piece of land adjacent to the Olympic training center in Chula Vista. It is owned by the City of Chula Vista. One catalyst for this project was that many of the athletes that train at the training center have had to move away from Chula Vista in recent years due to the lack of affordable housing in the area. The idea behind this project was to give preference to the athletes and coaches so they could live close to where they train while also satisfying the fair housing and general public use rules by being open to the general public, subject to that preference. The site control documents discussed the preference, and the project applied and was awarded. Six weeks later, the city reached out to the project and stated that they had looked at the documents they had with the training center and its governing body, and they were found to be more restrictive than the city had originally thought. The city stated that the preference was not enough, and the development actually needed a restriction to only be occupied by athletes and coaches. That would present challenges with complying with the fair housing and general public use rules. Since then, the project has been working with bond counsel, investor counsel, and the city to find a path forward by either implementing a restriction that would comply with all the requirements or to locate an alternative site that would not be subject to the same restrictions.

Mr. Strain believes the project has found a couple of paths forward, but both of them would take a great deal of time. Even with the possibility of a 90-day extension, it would not be enough time. One path



California Debt Limit Allocation Committee

would involve the city adopting an ordinance specific to this project, which would take time. The other path would involve entitling a new site, which would also take time. Therefore, the project has elected to return its allocation and is requesting a waiver of the negative points and forfeiture of the performance deposit since these issues arose a month and a half after the allocation was awarded.

Mr. Johnson said that Committee's practice in the past has been to waive negative points but keep the performance deposit.

Ms. Perrault said this situation does not appear to have been within the control of the applicant, and it might be appropriate to waive both the negative points and forfeiture of the performance deposit since the situation is in the hands of the city, and the project is trying to move forward.

Chairperson Ma said there have also been circumstances out of the developers' control in the past.

Ms. Perrault said that is fair.

Chairperson Ma said this would set a new precedent.

Ms. Perrault said she does not want to do that.

Mr. Johnson said he is inclined to stick with precedent. There are often good causes, but it is important to keep pressure on projects to get to a certain distance in the process before applying for an allocation. He is not implying that this was not done in this situation, but it is still important to keep the precedent unless there is a significant extenuating circumstance.

Chairperson Ma expressed agreement because there are other projects waiting for an allocation.

Chairperson Ma called for public comments:

None.

MOTION: Mr. Johnson motioned to waive negative points but not to waive forfeiture of the performance deposit, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

11. Public Comment

Robert Lutz [? last name unclear] from Nor Cal Carpenters Union (NCCU) said his organization has submitted comment letters to CDLAC about the tiebreaker, specifically regarding how the scoring guidelines reward projects required to pay prevailing wages. It is important to incorporate the positive social and economic benefits of prevailing wages, apprenticeship training opportunities, and healthcare coverage into the tiebreaker formula. NCCU believes the tiebreaker should be amended. Currently, the only impact prevailing wage has on the CDLAC scoring guidelines is a 15% basis adjustment in the tiebreaker formula. At the very least, NCCU is asking the Committee to raise the basis adjustment to 20% for projects paying state prevailing wages, which would be in line with the cost adjustment in the CTCAC application. NCCU also recommends that the 15% basis adjustment be kept or even lowered for projects paying federal Davis-Bacon prevailing wages, which can be equal to or less than unregulated construction wages. The 20% basis adjustment may not move the needle for every type of project, but it would create continuity between the CDLAC and CTCAC regulations, as well as adding some additional benefit to prevailing wage projects. While any improvement is good, this framing ultimately ignores the fact that higher wages allow construction workers to live and spend more readily in their own communities, which



California Debt Limit Allocation Committee

has a ripple effect far beyond any one individual household. This is why NCCU's second recommended change is to incorporate the positive social and economic outcomes created by prevailing wages into the numerator of the tiebreaker formula, which calculates public benefit. The three categories of measurable public benefit created by prevailing wage projects are: monetary contributions to apprenticeship training programs, increased earnings associated with apprenticeship completion, and public cost savings from increased health insurance coverage. These three measures are clear public benefits that are easily quantifiable and should be included in the tiebreaker calculation in the same way rent savings and location benefits are included. NCCU urges CDLAC to incorporate these suggestions in the next round of regulation updates and is ready to work with staff on this issue.

12. Adjournment

The meeting was adjourned at 1:29 p.m.