



California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

June 18, 2025

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 1:02 p.m. with the following Committee members present:

Voting Members:

Fiona Ma, CPA, State Treasurer, Chairperson
Malia M. Cohen, State Controller
Michele Perrault for Gavin Newsom, Governor

Advisory Members:

Gustavo Velasquez, Department of Housing and Community Development (HCD) Director
Stephanie McFadden for VACANT, California Housing Finance Agency (CalHFA) Executive Director

2. *Agenda Item: Approval of the Minutes of the April 8, 2025, Meeting*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Perrault motioned to approve the minutes of the April 8, 2025, meeting, and Ms. Cohen 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, informed the Committee that CDLAC entered into a contract for rent in the amount of \$126,585.

Ms. Wiant said there has been federal activity related to lowering the 50% test. The House of Representatives passed its 'Big Beautiful Bill,' which includes a six-year period where the 50% test would be lowered to 25%. The Senate has proposed to make that change permanent. The alignment and timing will be seen when the bill passes, but the 25% test provision seems to be in the bill, which is good news for CDLAC. Staff is looking at how to implement this change. The way the legislation reads is that the 25% test would apply to bonds issued after December 31, 2025. That means that if the bill were to pass early enough, staff could come to the Committee in August and make changes for Round 3 of the 4% program to implement that change. Staff is thinking about how to do that and considering what that



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might look like. If the bill does not pass before the July 4 holiday, it will be challenging for staff to implement it in time for Round 3. If the bill passes, staff will work quickly with stakeholders to determine the best way to move forward. This change would allow nearly twice as many Qualified Residential Rental Housing Projects (QRRP) to be funded with the 4% tax credit program.

Chairperson Ma asked if funding those projects would require CDLAC bond allocation.

Ms. Wiant said volume cap would be used for those projects, but they would only need to finance 25% of the project using bonds, as opposed to 50%.

Chairperson Ma said that would mean potentially doubling the number of funded projects.

Ms. Wiant said the staff is keeping a close eye on that. She also wants to flag for the Committee and stakeholders that in August, CDLAC changed its process for requesting extensions. There is an administrative extension that can be granted by the Executive Director for 90 days, and any other extensions beyond that need to go to the Committee. Ms. Wiant urged stakeholders that these extensions should not be taken lightly. The extensions should be requested only in the event that a project truly has a financing challenge outside the control of the developer. Staff have been looking back at last year's awards and are disappointed to see that nearly 25% of the projects awarded in August have yet to close. This will be discussed more later as it relates to supplemental allocations, but Ms. Wiant wants to urge the community to come in with applications that are truly ready to go and fulfill their obligation to issue bonds and close construction financing within their designated date.

Chairperson Ma called for public comments:

Tommy Beadel asked if the Committee would think about different ways to adjust the QAP as they think about using the volume cap at 25% going into next year. He asked if the focus would still be on new construction or if it would shift more to acquisition and rehabilitation, and if any of those conversations have started, given the potential change to the 50% test.

Ms. Wiant said those conversations have not started yet, but if the bill were to pass, she imagines these issues would be contemplated more for next year. It might not be a competitive year, or it might still be competitive but less so. It would certainly open the door to more acquisition and rehabilitation projects for next year.

Chairperson Ma asked when CDLAC would ask for the inventory demand.

Ms. Wiant said that would happen in the fall.

Chairperson Ma closed public comments.

4. **Agenda Item: Resolution No. 25-004, Adoption of Regular Rulemaking for Amendments to the California Debt Limit Allocation Committee Regulations (Cal. Code Regs., tit. 4, § 5000 et seq.) (Gov. Code, §8869.94.)**



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Presented by: D.C. Navarrette

Mr. Navarrette explained that pursuant to Gov. Code, §8869.94, the Committee may adopt, amend, or repeal regulations to administer state ceiling as defined in Gov. Code, §8869.82. CDLAC staff proposes amendments to the regulations to continue refining the QRRP Program's competitive application process, as discussed during CDLAC public meetings. Consistent with the requirements of Gov. Code, §8869.94, CDLAC provided a notice of proposed action to the public at least 21 days before the close of the public comment period, held a public hearing before the close of the public comment period, and prepared a final statement of reasons with the final proposed regulations text. The regulation change impacts Section 5231, which is the ranking. Staff recommends that the Committee approve the adoption of the regular rulemaking for amendments to select regulations.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Cohen motioned to adopt the regular rulemaking for amendments to the CDLAC Regulations, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

5. *Agenda Item: Resolution No. 25-005, Discussion of Supplemental Allocation Tiebreaker Reductions*
Presented by: Marina Wiant and D.C. Navarrette

Mr. Navarrette explained that at the March 27, 2023, Committee meeting, the Committee adopted a tiebreaker reduction schedule for supplemental allocations that were awarded after Round 2 of 2022. Since then, staff has noticed that these reductions are not very impactful to the process. With the increase in supplemental requests, staff has moved up the schedule about half a percent in each category. This was posted in the documents with the agenda. Additionally, if a project requests a supplemental allocation prior to the closing of its original allocation and fails to close all allocations by the original allocation deadline, or the deadline after any extensions granted by the Executive Director, the general partners will be subject to a 5% tiebreaker reduction. This was not part of the tiebreaker reduction schedule originally.

Ms. Wiant said staff is finding that some individuals are using nominal supplemental requests that are under the Executive Director's control to essentially get an underground six-month extension. Staff is hoping the 5% tiebreaker reduction will discourage that behavior and encourage any extension requests beyond 90 days to come to the Committee. Staff will evaluate and include potential changes in the fall regulations package.

Ms. Perrault said she appreciates the staff monitoring this issue and coming up with some potential solutions, but she is not sure what the right number is in terms of the tiebreaker. She asked the staff to monitor that and come back with adjustments if needed.

Ms. Wiant said staff will do that. Additionally, this may be irrelevant if the 50% test is reduced to 25%.



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Chairperson Ma called for public comments:

Tommy Beadel asked if the 5% tiebreaker reduction would apply to supplemental requests approved by the Executive Director, supplemental requests approved by the Committee, or any supplemental requests.

Ms. Wiant said it would apply to supplemental requests at the Executive Director's level. The goal is for supplemental requests to be presented to the Committee. The Committee would be aware of extensions associated with supplemental requests big enough to require Committee approval.

Mr. Beadel asked if the goal is to curb supplemental requests or to curb extensions that are automatically granted due to receiving a supplemental allocation.

Ms. Wiant said the latter is the goal. There is still an opportunity for a project that needs a nominal supplemental allocation under the Executive Director's authority and also needs an extension to receive a 90-day extension without being subject to the 5% penalty. The project could also come to the Committee for a further extension without receiving the penalty because it would be an extension from the original allocation deadline. The penalty would only be applicable if a project came in for a supplemental allocation under the Executive Director's control and did not close by the original allocation deadline plus whatever extensions the project received.

Mr. Beadel asked if that would include the 90-day extension that can be requested from the Executive Director.

Ms. Wiant responded affirmatively.

Mr. Beadel said he would hate for tiebreakers to be reduced due to cost changes happening in the market that require a nominal supplemental allocation. He understands that the staff is trying to curb projects that are not ready to proceed receiving readiness points and then not closing on time. If a project was allocated a year ago and still has not closed, that is a problem because it is taking resources away from projects that are ready to proceed. He just wants to make sure nobody is negatively impacted by requesting a small supplemental allocation if necessary.

Seth Sterneck said he is generally supportive of the increased penalty for failing to meet readiness deadlines. He asked if the intent is to implement this just for supplemental allocations going forward or also for projects that have already received a supplemental allocation and are working toward closing.

Ms. Wiant said this would only apply to new supplemental requests from the date of the adoption of this change. The 16 projects that have not closed cannot be penalized.

Chairperson Ma closed public comments.

MOTION: Ms. Perrault motioned to adopt Resolution No. 25-005, and Ms. Cohen seconded the motion.

The motion passed unanimously via roll call vote.



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6. **Agenda Item: Round 2 Award of Allocation of Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Cal. Code Regs., tit. 4, §5440)**

Presented by: Christina Vue

Ms. Vue explained that pursuant to Gov. Code, §8869.84 and 8869.85, CDLAC is allowed to determine the allocation of bonds for certain categories and determine the entities that can apply for allocation. Section 5440 of the CDLAC Regulations explains the ranking process for exempt projects. CDLAC received one application for EXF Round 2, and staff is recommending award of allocation to Athens Services Project (CA-25-106) for \$75 million. After this round, there will be \$22,495,000 remaining for Round 3. The applicant is here to answer questions about the project.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Cohen motioned to approve the Round 2 award of allocation of Qualified Private Activity Bonds for Exempt Facility (EXF) projects, and Ms. Perrault seconded the motion.

7. **Agenda Item: Request to Waive Negative Points and Forfeiture of the Performance Deposit for a Qualified Residential Rental Project (QRRP) (Cal. Code Regs., tit. 4, §§ 5052, 5132, 5230)**

Presented by: Christina Vue

Ms. Vue explained that pursuant to Section 5052 of the CDLAC Regulations, applicants bear the risk of forfeiting all or part of the performance deposit if the allocation is not used in accordance with the conditions and/or timeframe set forth in their CDLAC resolution. Section 5052(e) states that an applicant may request a waiver of the forfeiture of the performance deposit. The applicant, The Housing Authority of the County of Sacramento, is here today to request that the Committee waive the forfeiture of the performance deposit after one of its projects, Auburn Falls (CA-24-524), returned its allocation after it was unable to meet its issuance deadline of May 27, 2025. The project intends to reapply in the future, and the request to waive the forfeiture of the performance deposit is so that the performance deposit can be rolled over when the project reapplies for bond allocation in the future. The applicant is here today to answer questions.

Chairperson Ma invited the applicant to speak.

La Shelle Dozier, Executive Director of the Sacramento Housing and Redevelopment Agency (SHRA), explained that in August, the Housing Authority was awarded \$28.4 million in tax exempt bonds for Auburn Falls. CDLAC granted a bond issuance deadline extension until May 27, due to HUD approval delays. One building had huge structural issues and will have to be demolished, and therefore, it was removed from the application. HUD made the decision to start over, rather than continuing with the process. Therefore, the project will not be able to meet its deadline. As a result of those delays, the project is requesting a return of the \$100,000 performance deposit to be utilized for a future application. The project is also requesting that no negative points be assessed.



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Chairperson Ma called for public comments:

Cherene Sandidge from the Black Developers Forum (BDF) said she is not familiar with this project, but she would like to speak about the assessment of negative points and forfeiture of the performance deposit with respect to projects meeting unusual challenges. BIPOC developers are finding it very difficult to meet deadlines because investors have gotten crazy in terms of where and how much they want to lend. On her way to the meeting today, Ms. Sandidge heard the news that HUD is trying to cancel Section 8, and BDF has a Section 8 project. There is a lot going on, and Ms. Sandidge is in favor of the Committee allowing Auburn Falls to retain its performance deposit. There are huge challenges in the market that developers are facing right now.

Ms. Cohen asked Ms. Sandidge to explain some of the challenges in the market right now. Ms. Cohen understands the challenges at the federal level, but she would like to know about any others that she may be overlooking.

Ms. Sandidge said her organization has run the gamut of the usual industry investors who buy tax credits, and a lot of them have decided to buy energy credits instead because they are less complicated to use, and they do not have a clawback. This has resulted in developers losing some of the market to another aspect of tax credits. Additionally, there are a lot of investors who now only want specific projects.

Ms. Cohen asked which projects would be considered more favorable.

Ms. Sandidge said a project with a developer who has more than five projects, \$8 million in liquid assets, and \$40 million in hard assets, would be considered favorable. The underwriting has gotten so strategically difficult that many BIPOC developers cannot meet the threshold. Developers are being forced into a box, and maybe there are other things that should be considered. Until there is a budget approved, even the typical investors do not want to begin the CRA process.

Ms. Cohen asked if Ms. Sandidge is referring to the federal budget.

Ms. Sandidge said that is correct, because investors do not even know if they will have a tax burden.

Ms. Cohen said she is hearing that the investors are skittish, and they are reacting to the market fluctuations and uncertainty.

Ms. Sandidge said that is correct.

Ms. Cohen said that is consistent with what is happening in the stock market and the housing market. She is not sure if it is happening in the bond market.



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Ms. Sandidge said it is definitely happening in the bond market because they are not selling. The investors are saying the projects are beautiful and they do not have a problem with them, but if they have the choice between doing a project with a small, emerging developer or BRIDGE Housing, they will take the certainty every time.

Ms. Cohen said that of course, the investors would want a return on their investment.

Ms. Sandidge said the issue is not that the investors would not get a return on their investment with an emerging developer, but they want guaranteed returns.

Ms. Cohen said she understands.

Chairperson Ma closed public comments.

Chairperson Ma said the investors are also looking for cash flow and access to capital in case of contingencies. Some of the smaller developers do not have the ability to ask their investors or lenders to give them \$2-5 million.

Ms. Cohen asked Ms. Dozier if that is the case with her project.

Ms. Dozier said yes, on a very high level, that is the issue her organization is facing with HUD. All the contacts they have worked with for 20 years are gone, and there is a lot of consternation at the federal level. Starting over is a laborious process.

Ms. Cohen asked Ms. Wiant what the staff's recommendation is for this request.

Ms. Wiant said SHRA was in an uncommon situation in which HUD did not let them know that they would not meet the deadline until after the last Committee meeting. If they had known in March, they could have been on the April 8 meeting agenda requesting an extension. Ms. Wiant imagines that because of the issues the project is facing, the Committee would have granted that extension. There was nothing the staff could do at their level, given the May deadline. The project also could not take advantage of the supplemental allocation loophole because the project was actually sized down because of the building that had to be removed. This is an odd situation where the project could not take advantage of any of the opportunities for extensions.

Chairperson Ma said the Committee is always worried about setting precedent for future projects. She asked if this would set precedent if the request were granted and if more requests like this can be expected in the future.

Ms. Perrault said the project's situation is a perfect storm. Historically, the Committee has denied the waiver of the forfeiture of the performance deposit. In order to not create precedent, her suggestion is



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to deny the waiver of forfeiture of the performance deposit but waive the performance deposit when the project reapplies.

Ms. Cohen asked if Ms. Perrault is suggesting that the applicant could carry forward the performance deposit.

Ms. Perrault said yes, that is essentially what she is suggesting, but she wants to be careful about setting precedent.

Ms. Wiant said the Committee did something similar last year. The California State Soil project returned its allocation and was required to forfeit the performance deposit, but if the same project reapplies, a new performance deposit will not be required.

Ms. Perrault said the Committee wants to make sure projects are coming to CDLAC when they are ready, and not prematurely. However, she does not think that is the circumstance for Auburn Falls. This is not a case of readiness.

Ms. Cohen said that although this is not the answer Ms. Dozier wanted, she hopes she can understand since she works for a government agency.

Ms. Dozier said she understands, and the recommendation is fair.

MOTION: Ms. Perrault motioned to deny the waiver of forfeiture of the performance deposit but waive the requirement for an additional performance deposit if the same project reapplies in the future. Ms. Cohen seconded the motion.

The motion passed unanimously via roll call vote.

8. Request to Waive the Maximum Bond Allocation Amount (\$80,000,000) for Round 2 Qualified Residential Rental Project (Cal. Code Regs., tit. 4, § 5232)

Presented by: D.C. Navarrette

Mr. Navarrette explained that for projects subject to the competitive application process, CDLAC Regulation 5232(a) limits the bond allocation to no more than \$80 million for any proposed project. An applicant requesting an allocation in excess of \$80 million may seek a waiver from the Committee. There are eight projects requesting waivers today for supplemental allocations above \$80 million. One of those projects is a two-phase project, so there are seven requests total. CDLAC staff determined that each project meets the standard for receiving a waiver under CDLAC Regulation 5232(b).

Ms. Wiant said several of these projects have come to the Committee previously and received a waiver.

Chairperson Ma asked if staff recommends granting these waivers.



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Ms. Wiant responded affirmatively.

Chairperson Ma called for public comments:

None.

MOTION: Ms. Cohen motioned grant the request to waive the maximum bond allocation amount for the Round 2 Qualified Residential Rental Projects, and Ms. Perrault seconded the motion.

The motion passed unanimously via roll call vote.

9. Request to Extend the Bond Allocation Issuance Deadline for Qualified Residential Rental Projects and Request to Waive Forfeiture of the Performance Deposit (Cal. Code Regs., tit. 4, §§ 5052, 5101, 5132, 5230)

Presented by: D.C. Navarrette

Mr. Navarrette said there were originally three projects requesting extensions, but one of them, The Walk Residences (CA-24-500 and CA-24-806), withdrew. That project will try to close on time and come back in August if necessary.

Chairperson Ma asked if staff recommends granting these waivers.

Mr. Navarrette responded affirmatively.

Chairperson Ma called for public comments:

Russell Morse from Meyers Nave said he is the outside land use counsel for SRP Affordable Housing, the developer of Sandstone Valley Apartments (CA-24-481). He explained that the project came to the Committee in April, and notable progress has been made since that time. The developer has been in direct communication with HCD's Enforcement Division regarding the preparation of a technical assistance letter for the project. They have been working with Brian Heaton and David Ying at HCD, who indicated in a recent meeting that they will write a technical assistance letter to the City of Murrieta in the immediate future to support the development of the project as proposed. This letter should significantly thaw the stalemate between the city and the developer and jumpstart the building permit approval process and the construction of the project. Because of HCD's significant workload, they have not finalized the letter yet, although they expect to get it out in the very near future. Therefore, the project is requesting an extension until August 2025. The developer believes that these recent developments will allow for expedited construction of the project.

Chairperson Ma closed public comments.

MOTION: Ms. Cohen motioned to approve the requests to extend the bond allocation issuance deadline for Qualified Residential Rental Projects and waive forfeiture of the performance deposit. Ms. Perrault seconded the motion.



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The motion passed unanimously via roll call vote.

10. Public Comment

Cherene Sandidge said she has continued to come before the Committee to share BDF's efforts to restore Pasadena. They have three projects that will be coming to CDLAC, one of which is a school reuse housing project. The other projects are helping to restore some of the activity and rebuild in downtown Pasadena on Colorado Street. BDF is hosting a program planned for June 30 that is a collective of different groups in the area. They are extremely interested in bonds and working with Mr. Velasquez on HCD's programs. There is a lot of activity going on and they are working to build the residents' confidence to entrust them with moving forward with their ideas. They are pleased with the progress they are making, and the kickoff event will take place on June 30. She knows the Committee members will not come, but they are welcome.

Chairperson Ma asked for the time and location of the event.

Ms. Sandidge said the event will take place at UCLA at 10 a.m.

Chairperson Ma said she will be there.

Tommy Beadel echoed the statements made by a previous commenter about the challenges in the market and wants to put a finer point on it from a developer's perspective. The energy tax credits that are in the market are immediate. A LIHTC deal takes three or four years to develop before an institution can actually claim the tax credits against its income, whereas energy tax credits can be claimed immediately. Then, after a project has been developed for four years, the investor can write off income for 10 years. That is why energy tax credits are so much more desirable than LIHTCs. Additionally, as a result of the banking crisis that happened in California a year ago, two of the largest banks, which were the largest tax credit buyers in the state, are gone and are now owned by national banks that have CRA needs across the country, not just in California. With First Republic and Silicon Valley Bank coming out of the market, two of the largest tax credit buyers in California are no longer buying tax credits. The institutions that bought those banks, JPM and First Citizens, are buying in 50 states, not just in California. The market is very tough.

Mr. Beadel said that although the discussion today was focused on extensions and supplemental bond allocations to make sure deals are getting closed, finding tax credit equity in the market is very challenging, not just for the BIPOC investors, but for all investors in the market. The pricing has come down about 8-10%, so compared to deals that were previously being done at 83-84 cents a year ago, syndicators today are paying 77 cents for those same tax credits. With that drop in tax credit pricing, there is now a gap. Developers do not have any additional levers that they can pull. The bond market has increased by 50 basis points in the past six months, which has driven down the number of permanent loans that developers can borrow because the rates are now higher, and the lenders will only lend a certain amount of money. Developers are losing proceeds everywhere in the market; they are getting fewer permanent proceeds and less tax credit equity, and there is less demand for tax credit equity. It is simple supply and demand economics. There is plenty of supply, and Mr. Beadel has



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concerns about the 25% test because it will create more supply. There is not enough demand from investors to buy these tax credits, so he is concerned that the value of the credits will be eroded even further from mid-to-high 70 cents down to the 65-70 cent range because there will be an excess supply of tax credits, not just in California but across the country.

Mr. Beadel said he wanted to put a finer point, from a developer's perspective, on some of the challenges developers are seeing in the market. They are biting, kicking, and clawing to make sure they can find a tax credit partner and meet the liquidity and financial covenants put on them by the banks. All of that takes time. Finally, there are some challenges in the market, about which Mr. Beadel has already spoken with Ms. Wiant directly. One of the ways developers qualify for scoring is to have soft leveraged funds in the deal. If developers are not taking gap funding from a city or HCD, or other gap funds that have a bunch of requirements, the option is to apply for recycled bonds issued by Housing Finance Agencies (HFAs). The HFAs are not performing on their recycled bonds in the timeframe that they are committing to in the applications they are making.

Mr. Beadel said that sometimes, the delay in closing deals is not the developer's fault. It is actually the fault of the HSAs that are not issuing the recycled bonds that they have agreed to on time. Mr. Beadel has a couple of projects on which he has had to ask for extensions because CalHFA is not prepared to issue the recycled bonds in the timeframe they agreed to. The only reason Mr. Beadel's organization accepted the bonds was so they could have enough points to qualify with soft leveraged funding because they did not need gap funding. There are a lot of factors affecting developers' ability to close on time. Mr. Beadel agrees that there is also abuse in the system when developers are soaking up resources, waiting a year, and then not delivering, while there are other developers who have projects that are actually ready but are not winning allocations. Developers who are ready to develop projects are doing everything they can.

Chairperson Ma asked Ms. McFadden to respond to Mr. Beadel's comment.

Ms. McFadden said she is not aware of the details of the deals Mr. Beadel referred to, but she will look into them.

Chairperson Ma directed Mr. Beadel to contact CalHFA.

Mr. Beadel said he would love to be able to connect with Ms. McFadden, and he is working closely with people on her staff.

11. Adjournment

The meeting was adjourned at 1:43 p.m.