



California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

August 6, 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 1:06 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: Department of Housing and Community Development (HCD) Director
Gustavo Velasquez
Tiena Johnson Hall, Executive Director for the California Housing
Finance Agency (CalHFA)

2. *Agenda Item: Approval of the Minutes of the May 15, 2024, Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Perrault motioned to approve the minutes of the May 15, 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, reported that CDLAC has hired one new staff member since the last meeting, Daisy Andrade. Additionally, Andrew Papagiannis was promoted to Analyst last month.

Ms. Wiant commended the staff on their work prior to today’s meeting. There was a late withdrawal from the applicant list and staff diligently reviewed an additional application to update the list. Additionally, there is a new joint Project Staff Report, which is a step forward in better aligning CDLAC and CTCAC. CDLAC and CTCAC are also now offering a convenient new online payment portal which allows applicants to make payments online instead of mailing a check. The “make a payment” link is available under the quick links section on the CDLAC home page.

Chairperson Ma called for public comments:
None.

4. *Agenda Item: Appeals for Round 1 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5038)*

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Ms. Wiant reported that no appeals were received by CDLAC within the five-day notice period, so this item requires no action.

5. **Agenda Item: Round 1 Award of Allocation of Qualified Private Activity Bonds for Qualified Residential Rental Projects (Cal. Code Regs., tit. 4, §5037) – (Action Item)**

Presented by: Christina Vue

Ms. Vue reported that 161 applications were received on April 23, 2024, and 61 award recommendations are being presented today. Marina Towers Annex (CA-24-411) withdrew last week, and Vacaville Gables Apartments (CA-24-549) was added to the final recommendation list. The total unit count is 6,987, and 6,882 of those are low-income units, including 840 homeless units. The total allocation is \$2,159,079,809, \$1,604,688,886 of which is 2024 bond cap, \$474,090,020 is 2023 carryforward, and \$80,300,902 is 2022 carryforward. Staff has reviewed all applications for completeness and compliance with federal and state laws. Additionally, the CDLAC management team would like to acknowledge all the hard work done by the analysts during this round.

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

Presented by: Christina Vue

Ms. Vue reported that CDLAC received one EXF application for Round 2 from Recology Inc. Project (CA-24-103). The bond issuer is California Municipal Finance Authority (CMFA). The application was reviewed and deemed in compliance with CDLAC regulations, and the project is being recommended to the Committee for a total allocation of \$61,000,000.

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.

7. **Agenda Item: Resolution No. 24-006, Adoption of Regular Rulemaking for Amendments to the California Debt Limit Allocation Committee Regulations (Cal. Code Regs., tit. 4 §5000 – 5259) – (Action Item)**

Presented by: D.C. Navarrette



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Mr. Navarrette explained that CDLAC released proposed regulation changes on June 28, 2024, and held a public hearing on July 18, 2024. After reviewing comments and making adjustments, staff prepared the final set of regulation changes for approval. There are 18 various regulation changes, the highlights of which are changes to the BIPOC pool requirements, readoption of a previously approved emergency regulation, and some technical changes for consistency and the correction of typographical errors. There was one typographical error missed by staff in the process: BIPOC was spelled “BPOC” in one section and should be corrected to “BIPOC.”

Chairperson Ma called for public comments:

Cherene Sandidge spoke on behalf of the Black Developers Forum (BDF) regarding the BIPOC pool. She said she had the opportunity to make comments during the public hearing and is suggesting an amendment to the regulations today to help clarify the intent for no organization to dominate and receive all the allocation in the BIPOC pool. This pool has been evolving and is a work in progress in terms of how members of the industry use and abuse it. Ms. Sandidge recommends adding a limitation of one BIPOC award per round per developer. This would ensure emerging BIPOC developers could receive an allocation rather than developers who may or may not even qualify for the BIPOC pool. Ms. Sandidge appeared in front of the Committee four and a half years ago and requested the establishment of this pool. BDF has been isolated from this process and is now vigilant about monitoring the applicants to this pool. BDF’s members do not want to see the pool abused, nor will they allow black developers to be used as shell corporations. BDF is requesting that if the BIPOC pool is not exhausted in any given round, the limits of one award per round and two awards per year may be disregarded for BIPOC entities. This will help ensure that if there is an eligible BIPOC developer, the pool may be sufficiently used. Ms. Sandidge expressed appreciation for the staff’s time and attention to the public comments on this issue.

Mr. Johnson said the regulation change currently proposed is to allow one project per developer per round, or two projects per year. He asked Ms. Sandidge to clarify if she is suggesting that those limits should not apply if the pool is undersubscribed.

Ms. Sandidge confirmed she is suggesting that the limits not apply to qualified BIPOC entities.

Mr. Johnson asked if Ms. Sandidge is referring to both the per-round limit and the per-year limit.

Ms. Sandidge said that is correct, and she is going to strongly push for staff to develop a qualification process to discern which developers applying in the BIPOC pool are legitimate.

Ms. Wiant said staff received several comments about putting together a prequalification in advance of this round, so that developers would know ahead of time if they could compete in the BIPOC pool. Staff is happy to work on that, but there was not enough time to put something like that together before the application deadline later this month. Staff will be working on that in the fall. There is currently a qualification in the regulations stating that if a round is undersubscribed, the cap will not apply.

Reese Jarrett from E. Smith & Company and BDF thanked the staff for bringing together the regulation changes. There was a myriad of comments and issues raised by several entities, and the staff had to shuffle through them all and come up with something that looked like a consensus. Under the current



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regulations, no nonprofit or for-profit entity with full experience points can participate in the ownership structure of the BIPOC pool. Mr. Jarrett agrees with the intent of that regulation, but there is a provision that needs to be modified to allow for a nonprofit, fully experienced entity to participate in the ownership of a BIPOC application, solely for the purpose of bringing about the welfare exemption for real estate taxes. That interest would be de minimis – 1% or less – and establish the ownership to allow the nonprofit to apply for tax-exempt status. This has been discussed throughout the regulation process; staff has been aware of it, and Mr. Jarrett’s organization has synthesized how this could be addressed. Part of the concern is that this could allow nonprofits to usurp the BIPOC regulations and become partners in the transactions. Mr. Jarrett believes the structure must provide for a de minimis ownership of less than 1% and with no ability to participate in the cash flow, developer fee, or any equity in the project. Additionally, the entity may receive a fee on a contract basis for services rendered. This is important because in the long-term compliance period of the project, the tax exemption has to be applied for and approved, and then refiled annually throughout the compliance period. It is important to have an entity with a track record that will ensure it is around for the duration of the compliance period to give comfort to the investors and lenders that come together to finance these transactions. Mr. Jarrett is seeking both a change in the regulations and an administrative process, either through staff or the Committee, to address projects that are burdened by nonprofits that they would like to substitute out.

Mr. Jarrett further expressed, in deference to his colleague at BDF, Cherene Sandidge, his objection to the restriction limiting the number of awards in any given round. This goes against the intent of the pool, whereby qualified development entities in the BIPOC pool have expended their resources to be able to bring their projects to the application process when they are shovel ready, often having spent several hundred thousand, or a nearly million dollars in some cases, to get to that point. Their applications should not be denied because of an arbitrary cap placed on projects that otherwise would have been awarded. This is a competitive process and there are limited resources available in the affordable housing space. This is an overstepping regulatory mandate that will do nothing but deter the ability to bring qualified projects to the BIPOC pool. There are other methodologies that can be utilized to ensure that abuse does not occur in the pool, and additional safeguards and vetting can be worked on. This particular solution is not fair and does not resemble the intent of the BIPOC pool. The barrier for entry for BIPOC developers to gain access to these public funds was initially the primary reason for the development of the pool, and until there is a way to limit applications across all pools, the BIPOC pool should not be limited. There is no limit within the general pool; the only limit is the maximum allocation amount of \$75 million. Mr. Jarrett asked the Committee to adhere to the existing limitations and not hinder the pool with this overstepped regulation.

William Leach from Kingdom Development thanked the staff for continually trying to improve the regulations. Whether they are small or technical improvements, they are helpful for the program usage. He expressed agreement with Mr. Jarrett and asked the Committee to consider making it possible for nonprofits with maximum experience to serve BIPOC entities and projects so that they could have an experienced, qualified person to help them get the real estate tax exemption. This would also help them take advantage of the CTCAC joint venture developer fee provision that could help BIPOC projects cover gaps in their financing sources. Mr. Leach echoed Mr. Jarrett’s comments about allowing BIPOC developers to partner with nonprofits with maximum experience that have a de minimis economic interest in the project.



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Mike Miller from Bold Communities expressed that he would push back on the idea of nonprofits in the BIPOC pool. One thing that is special about the pool is that partners with maximum experience are not in the pool. That is what makes the pool unique. There are a lot of smart people in this industry, and Mr. Miller is concerned that even with safeguards regarding a de minimis ownership, if developers with maximum experience points were let into the pool, it could disrupt what Mr. Miller believes is making the pool work so well. There are other nonprofits that can be relied upon to obtain the welfare tax exemption. Bold Communities is a nonprofit. However, if there are partners with maximum experience in the pool, there will be structuring around that, and there could be unintended consequences. As an emerging developer who was able to take advantage of the BIPOC pool, Mr. Miller expressed gratitude for what CDLAC has done to create the pool. He is constantly thinking about strategy and making sure his organization can sustain itself, and nonprofits with maximum experience points entering the pool would cause things to change. He asked the Committee to keep that in mind.

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development (MOHCD) thanked the staff for the great regulation updates and echoed Mr. Leach's comments. The technical changes are helpful and important. Additionally, in Sections 5232 and 5233, there are fixed numbers for per-unit and per-project bond limits. The \$75 million per-project limit allows a waiver that is fairly easy to obtain, which is helpful. However, Mr. Wilcox is not sure if the waiver is serving a purpose at this stage. Similarly, the per-unit bond limits were set in 2021 and have not changed since then. It would be helpful to index those limits to either inflation or the California Construction Index, similar to what Chairperson Ma shared that she did for the jockeys' salaries at a previous meeting. The limits could also be removed because the tiebreaker serves as a valuable incentive to have lower bond amounts. This regulation is setting an arbitrary limit that developers will eventually hit as construction costs increase.

Ms. Perrault expressed that the regulation changes to the BIPOC pool are good, but in light of the continual conversation and feedback from the public, perhaps the Committee can come back in a year or so and reevaluate whether these regulations are doing what the Committee wants them to do and if positive changes are taking place. This is a recommendation to staff and does not need to take place within the regulations themselves, but it would be prudent for the Committee to make sure they are monitoring the impact of these regulations. Ms. Perrault's other consideration is regarding the extension of the five-day hardship regulation, allowing the Executive Director to grant extensions up to 90 days. The Committee tends to get extension requests ahead of projects needing an extension due to the timing of some of the meetings. Perhaps, before changing the regulations, staff could do a deeper dive and analyze the percentage of extensions that are granted, some of the general reasons for the extensions, and how often projects are requesting extensions before they are actually needed due to the timing of the Committee meetings. There is sensitivity from the administration because it seems like there are more requests for supplemental allocations and projects are taking longer. The Committee needs to understand the impact of the extensions being granted further out, both from a cost perspective and in terms of a timeline for completion. Ms. Perrault would like to put a hold on that piece of the regulation changes in order to obtain a deeper understanding of why CDLAC is experiencing an uptick in extension requests.

Ms. Wiant said the staff is happy to take a deeper look at the reasons for the extensions and how many extensions are needed. One of the reasons staff put this forward in the regulations package is because of the Committee's conversation at the last meeting, when there was a desire expressed for this change. Additionally, staff thought that if the Executive Director had a clear authority to approve 90-day



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extensions, there would be a lot more focus from the Committee if a project were to request a second extension. CDLAC has gotten into the de facto practice of moving projects along, so this change might allow for a bit of a reset.

Mr. Johnson said he had the same concerns upon his initial review of this regulation change, but he believes this change would give the Committee the force to say to projects requesting a second extension: “You have already had an extension, and now we are going to enforce the rules as they were designed, which includes forfeiture of the performance deposit.” Mr. Johnson expressed that he is open to discussion, but he thinks this would provide a reset.

Chairperson Ma said the Committee has been consistent on this issue, but it would be helpful if they did not have to keep hearing requests for extensions and supplemental allocations.

Mr. Johnson asked Ms. Perrault if she recommends implementing the proposed regulation change regarding the BIPOC pool and then reevaluating it later.

Ms. Perrault said yes; she is not suggesting any changes to the proposed regulations, but it would be prudent of the Committee to monitor it over the next year, once the regulations are in place.

Mr. Johnson asked staff to explain the ultimate goal of this change to the regulations.

Ms. Wiant asked if he is referring to the change to allow one award per developer per round in the BIPOC pool.

Mr. Johnson responded affirmatively.

Ms. Wiant said stakeholders had reached out and expressed concerns about how the BIPOC pool has been implemented. Staff’s suggestion was tied to the intent of the pool, which is to provide more opportunities for emerging BIPOC developers to build their experience. Although there is no cap for the general pools, and there has been consistent opposition from stakeholders regarding the implementation of a cap, staff felt that a cap in the BIPOC pool was in the spirit of the intent of the pool to allow a broader range of developers to build their experience, versus one developer being able to sweep all of the allocation in the event of an oversubscription.

Mr. Johnson asked what would happen to a project if it were eligible in the BIPOC pool, but the developer had capped out.

Ms. Wiant said that if a project is competing in the BIPOC pool, it is eligible to compete in many of the other pools and set asides, depending on the type of project. For instance, if a hypothetical homeless project were also eligible for the BIPOC pool but did not score high enough to receive an award, it would drop into the homeless set aside first, then the ELI/VLI set aside, and finally the geographic competition. This is a good example since homeless projects are prioritized.

Mr. Johnson said there is a fair amount of conversation swirling around this particular change, regarding both the impact it would have and the purpose for it. He suggested stepping back on this particular change



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to pause and do further due diligence, and then come back shortly to make sure the Committee is getting this right. Mr. Johnson would prefer to get it right the first time if possible. He asked if the Committee could approve most of the regulations but hold off on this piece.

Ms. Wiant said Mr. Johnson could make a motion to approve the regulations as written, minus the change being discussed.

Ms. Johnson Hall asked Mr. Johnson to clarify what he is proposing to remove from the regulation changes.

Mr. Johnson said he is suggesting removing the proposed cap in the BIPOC pool. There is a proposed cap of one project per developer per round or two projects per year. The aim of that proposed regulation is to prevent any developer from having a run on the pool and to enable developers with less experience to get into the pipeline. That is a great goal, but Mr. Johnson wants to make sure this change would accomplish exactly that, versus having unintended consequences. He would like to pause on that piece of the regulations and give staff time to further evaluate.

Ms. Perrault asked Mr. Johnson if he is suggesting that the Committee hold off on just that one piece, but not the rest of the changes in the proposed regulations.

Mr. Johnson responded affirmatively.

Ms. Wiant clarified that Mr. Johnson's suggestion is not to adopt the proposed change to Section 5231(d), which is on page 19.

Mr. Johnson said his intent is to also provide direction to the staff to bring this back to the Committee to revisit as soon as possible. There is a lot of discussion on this particular issue and different perspectives. This seems like a significant change in the pool, and he wants to make sure the Committee gets it right, rather than reevaluating it a year from now.

Ms. Johnson Hall said she understands Mr. Johnson's concerns and is empathetic to them, but as a former developer, she knows that time is money. Developers need a level of certainty about what they can and cannot apply for, and the changes that have been proposed would allow for more certainty for the developers as they are planning and doing the work that is needed to get their deals into a position to apply. While she cannot speak for developers, Ms. Johnson Hall is empathetic to the fact that a 30-day delay will continue to put the developers through the jeopardy of not having certainty that they can move forward. She does not want to stop that motion because housing is too important for the State of California, and there are a lot of dollars at risk. She encouraged the Committee to think about this. She believes this is the reason there are stakeholders who are so emotional and invested in this and why they are showing up. Ms. Johnson Hall attended the last CDLAC meeting, where there was a long-winded discussion circling around this issue. She feels that the staff came up with this proposal to help move things forward. She thinks the staff has put in the work on this, and she would hate to have it belabored.

Ms. Perrault said she is worried because the Committee will not meet again until October, and applications are due around the end of August.



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Ms. Wiant clarified that applications are due in three weeks.

Ms. Perrault said she is worried about the timing. Also, if something is pulled out of a regulations package, a new package has to be put forward. That does not happen quickly, so she wants the Committee members to all be aware that if they move down this path and set this piece aside, it will probably take longer than a couple of months if another regulations package has to be submitted.

Mr. Johnson said he hears Ms. Perrault's concerns.

Ms. Wiant said staff is planning to get back to a normal schedule of adopting regulations in the fall. The regulations put forth today were an attempt to do the bare minimum of what was needed before Round 2. This is why the changes are largely to make permanent the emergency regulations that had been in place since last year and were subject to the Office of Administrative Law (OAL) process that no longer applies, make technical changes and clean up to ensure CDLAC is always following the regulations appropriately and legally, and a couple of other changes to address the concerns of some of the stakeholders that staff did not feel were material policy changes that would impact scoring or the application itself. Additional changes can be entertained, or the Committee can table a proposed change. Regardless, staff plans to entertain a regulations package in the fall.

Mr. Johnson asked what the timeline would look like for the fall regulations package.

Ms. Wiant said CDLAC is required to post draft regulations with a 21-day comment period, and they can be adopted at that point. Staff's plan is to have some stakeholder engagement ahead of putting out draft regulations sometime in the fall. She hopes the Committee will adopt the regulations in December so that stakeholders will have much better notice for next year than CDLAC has been able to provide over the past couple of years. Hopefully, there will not be mid-cycle changes before or between rounds.

Ms. Sandidge said the staff has done an outstanding job of balancing this, and but there is no time. These projects are getting extremely expensive, and people are playing games as they get more desperate. She does not want to give up the BIPOC pool and have another round of what happened in this round. She is impatient to get this right, and she will be here again to make recommendations. Asking for something to be pulled back today is another setback and a waste of time. No one would win and no one would benefit, especially not black developers. Time is of the essence right now. Ms. Sandidge asked Chairperson Ma to approve the staff's recommendations as they are and see how the next round goes. If something else needs to be changed, she will come back and make that request. There were many changes that did not make it into this regulations package, and the changes proposed are just a few that were able to get through. There are a lot of changes needed, but at this point, Ms. Sandidge is satisfied with what has been presented here today, and she thinks it would be foolish to try to pull it apart and have a standalone discussion about something later. There is no "later" in development; she knows this because she is a developer.

Mr. Jarrett asked if he could respond.



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Chairperson Ma asked Mr. Jarrett to hold his comment. She said the sentiment is there from the Committee and asked Ms. Wiant if the cap could be deleted without it being a major issue in the submission of the regulations.

Ms. Wiant said there is no motion on the table yet, but there would need to be a motion to either adopt the regulations as recommended by the staff or something different.

Chairperson Ma asked if the regulations could be adopted now as recommended by the staff, with an amendment to remove the cap under the BIPOC pool.

Ms. Wiant responded affirmatively.

Chairperson Ma closed public comments. She asked the Committee members for a motion. Now is the time if the Committee wants to make changes before October, and although they do not want to make a lot of wholesale changes now, they have heard at least one or two issues that could be adjusted.

Ms. Perrault asked Ms. Wiant to report back to the Committee at a future meeting about the new process for extension requests. This would give the Committee a better understanding of whether the number of extension requests were starting to increase. This is a request to staff, but it does not impact the regulations at all.

Ms. Wiant said she is happy to report back to the Committee. Also, although she will have the authority to grant extensions up to 90 days, it is not assured that projects will receive 90 days. She encouraged developers to only ask for what they need when they are requesting extensions.

Ms. Perrault thanked Ms. Wiant for stating that.

Mr. Johnson said there is enough uncertainty around the impact of adding the cap in the BIPOC pool, and he wants to make sure the Committee gets it right. He said the staff did a phenomenal job, and he does not want to indicate otherwise, but with the knowledge that there is a potential regulations package coming anyway by the end of the year, in advance of next year's application rounds, it seems like there is still time to consider a change like this in the next set of regulation changes. This feels like a logical time to pause and ask if this is doing the right thing or if other changes to the language are needed to address this problem in a more direct fashion than the cap. All options should be considered. He hopes this is how the Committee will move forward, but he is open to continued discussion before a motion is on the table.

Chairperson Ma said she would make a motion to take out the cap in the BIPOC pool because there does not seem to be a cap in any other pool, and the Committee is hearing from developers that they want to move forward. The longer this continues, whether there is a cap or not, will determine whether or not they will apply. This seems to be a minor issue. The other issue regarding nonprofits and percentages will require more extensive dialogue. No other pool has a cap, so Chairperson Ma does not see why the Committee would artificially put a cap in this pool. The BIPOC developers are also questioning that.

MOTION: Chairperson Ma motioned to adopt the proposed regulations package with the exception of the proposed cap in the BIPOC pool. Mr. Johnson seconded the motion.



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Mr. Johnson said he is aware of the challenges of this pool and some of the concerns about the definitions, as well as whether the pool is achieving what it is intended to achieve, which is to offer a pipeline to emerging BIPOC developers. Following this conversation, there needs to be a hard look at that language to make sure that it is doing what the Committee wants it to do. If it isn't, the Committee should consider whether this is the change that should be made or if there are other changes that would more directly address the problem at hand and uplift new developers.

Ms. Perrault asked Mr. Johnson to clarify that with his proposed amendment, the Committee is asking staff to aim to bring this back in the fall so they are not pushing it out further. The idea is to be quick about it so that stakeholders are not delayed further as they are trying to plan around the rounds.

Mr. Johnson said yes, the SCO agrees.

Ms. Perrault said the administration's will is not to delay a resolution on this for the developers and staff.

Ms. Wiant asked Chairperson Ma to amend her motion to include fixing the misspelling of "BIPOC."

Chairperson Ma asked Ms. Wiant what her proposed final motion would be.

Ms. Wiant said her proposal would be to adopt the final regulations package as proposed by staff, with the deletion of the proposed changes to Section 5231(d) and the correction of the typographical error in Section 5170, changing "BPOC" to "BIPOC."

Chairperson Ma asked if that would remove the cap.

Ms. Wiant said yes, that would strike the proposed language in Section 5231(d).

AMENDED MOTION: Chairperson Ma motioned to adopt the final regulations package as proposed by staff, with the deletion of the proposed changes to Section 5231(d) and the correction of the typographical error in Section 5170, changing "BPOC" to "BIPOC." Mr. Johnson seconded the amended motion.

The motion passed unanimously via roll call vote.

8. **Agenda Item: Supplemental Bond Allocation Request Above the Executive Director's Authority (Cal. Code Regs., tit. 4, §5240) – (Action Item)**
Presented by: D.C. Navarrette

Mr. Navarrette reported that there are five projects requesting supplemental bond allocations above the Executive Director's authority. The first project is West Harbor Park (CA-24-584), which was originally allocated \$3,925,000 in Round 3 of 2023. The project is requesting an additional \$2,725,000 in supplemental allocation, which is within the 52% basis limit but exceeds 10% of the Committee-approved allocation at 69.43%. This is a 25-unit, non-targeted, new construction development in Vallejo. The applicant is CMFA, and the developer is Klein Financial.

Ms. Wiant said that because CDLAC has been receiving so many supplemental allocation requests, staff went through all five requests and analyzed how these applications' scoring would have been impacted if their original requests had included the amount of the supplemental request. This was done to ensure that the projects would still have been awarded. All five of these projects, even with the supplemental allocation, would still have received bonds or state credits in their award cycle. One project was a state



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credit recipient. Staff is double checking to ensure that nobody is using supplemental requests as a way to game the scoring system.

Chairperson Ma thanked the staff for putting together the table in the staff report for this agenda item. She asked the Committee members if they wished to discuss any of the projects individually. If not, perhaps the Committee could approve all five requests at the same time.

Ms. Perrault said she did not wish to discuss any of the projects on the list. She thanked the staff for their analysis of these requests. She said that in the future, staff might consider changes that could be made to address the higher percentage of requests being received and try to discourage future large requests. She understands that some of this is out of the developers' hands because they cannot know all the factors ahead of time, but the Committee is seeing enough of a trend on this that perhaps the staff can continue to look into modifications that would be beneficial for the entities receiving allocations so that they would not have to come back with supplemental requests.

Ms. Wiant said the environment may be different if interest rates go down.

Mr. Velasquez commended Ms. Wiant for evaluating the supplemental allocation requests through the lens of what happened when the projects were evaluated the first time. Everyone has seen the news and is concerned about the exorbitant costs of these projects, so the Committee has to account for projects coming back with overwhelmingly legitimate reasons for cost overruns. Continuing to evaluate these requests for the second time through the same lens of the merit of the project as the first time around will make the Committee feel much better about approving the supplemental requests in spite of the high volume.

Chairperson Ma called for public comments:

None.

Mr. Johnson thanked the staff for the additional analysis.

MOTION: Mr. Johnson motioned to approve all five supplemental bond allocation requests, and Ms. Perrault 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: Marina Wiant and D.C. Navarrette

Ms. Wiant said the first project on the list, 801 E. 5th Street (CA-23-401, CA-23-679, and CA-24-579), met its closing deadline today and no longer needs an extension, so it has been struck from the list. West Harbor Park (CA-23-612) and Pacific Street Apartments Four (CA-24-553) no longer need extensions from the Committee due to the regulation changes that were just adopted. Therefore, only Citrus Grove Apartments (CA-23-646), One San Pedro Phase I (CA-23-653), Two Worlds Apartments (CA-23-656), St. Andrews Arms & Second Avenue Apartments (CA-23-657), and Panorama View Apartments (CA-



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23-659) need bond allocation issuance deadline extensions. She asked the Committee if they wished to discuss or ask questions about any of these projects.

Chairperson Ma thanked the staff for putting together the chart in the staff report for this agenda item.

Chairperson Ma called for public comments:

Maati Benbarek from Klein Financial asked Ms. Wiant to clarify her statement that West Harbor Park (CA-23-612) no longer needs an extension due to changes in the regulations. The project is in need of the extension since it was waiting for the supplemental allocation to be approved today.

Mr. Navarrette explained that one of the changes to the regulations is that if a project receives a supplemental allocation, issuance deadlines for any existing allocations that have not closed will align with the most recent allocation. Therefore, since the project has received a new supplemental allocation, it will receive a longer deadline.

Chairperson Ma closed public comments.

MOTION: Ms. Perrault motioned to approve the bond allocation issuance deadline extension requests for all projects remaining on the list, 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 Grisham Community Housing (CA-23-640) was originally allocated \$13,192,000 in Round 3 of 2023. The project is requesting to return the allocation and receive a waiver of forfeiture of the performance deposit and a waiver of negative points. This is a 96-unit, large family, new construction development in Long Beach. The applicant is CMFA, and the developer is Abode Communities.

Chairperson Ma called for public comments:

Lara Regus from Abode Communities explained that before the project planned to close, it had an unexpected budget bust due to some surprises that were found at a late stage in the project's rehabilitation plans. Because this is a rehabilitation project, there were no other resources immediately available, so the alternative was to significantly reduce the scope of the project and close the gap. Unfortunately, the tax credit investor partner was not comfortable with that, given the amount of scope that would not be addressed. The developer respects and understands their position on that. Because the project could not close, they had no other option but to return the allocations to CDLAC and CTCAC. The developer will be going back to the drawing board and working with the city to try to find additional funds and then reapply in the future. Ms. Regus said that in the 18 years she has been with Abode Communities, she thinks this is the first time they have ever been unable to close a project and had to return an allocation. She asked the Committee to consider their track record and waive the forfeiture of the performance



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deposit as well as the negative points. If the Committee is not comfortable returning the performance deposit, Ms. Regus asked if the deposit could be held and utilized for the same project's reapplication in the future.

Chairperson Ma asked Ms. Regus if she is suggesting the Committee hold the performance deposit instead of issuing a check back to the developer.

Ms. Regus said her preference is to get the check back, but she is suggesting that CDLAC hold the deposit as an alternative if they are not comfortable returning the check.

Chairperson Ma said the Committee has been consistent about waiving negative points but not the performance deposit because other people are applying, and the process is competitive.

Chairperson Ma closed public comments.

Mr. Johnson said the Committee has been consistent in applying the rules and not waiving the forfeiture of the performance deposit but waiving negative points, and that is his recommendation here. Additionally, with the ceding of authority to the Executive Director to grant extensions up to 90 days, the Committee will have to think about if they will also require forfeiture of the performance deposit on extensions and if they should be similarly diligent about implementing the regulations as written in terms of negative points. He is not suggesting this for right now, but he is flagging it for the Committee to consider in the future.

Chairperson Ma said that when she was elected six years ago, CDLAC was assessing negative points. Because of the environment, how quickly they wanted to build, COVID-19, and now increased interest rates and construction costs, the Committee has not assessed negative points recently. The Committee can discuss that if necessary.

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. Request to Waive the Maximum Bond Allocation Amount (\$75,000,000) for Round 2 Qualified Residential Rental Project (Cal. Code Regs., tit. 4 §5232) – (Action Item)

Presented by: D.C. Navarrette

Mr. Navarrette explained that Santa Monica Christian Towers is requesting a waiver for an allocation over \$75 million. The project will be applying in Round 2 and has submitted this request in advance of the application deadline. Because the project has not applied yet, the dollar amount is unspecified. The estimated dollar amount provided by the developer is around \$85 million. This is a rehabilitation of a 163-unit, 13-story tower built in 1963 in Santa Monica. The cost is related to rehabilitating this type of project because it is not possible to phase a high rise, as well as for seismic upgrades as required by the City of Santa Monica.

Chairperson Ma invited a representative of the project to speak.



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Anthony Yannatta from Thomas Safran & Associates explained that this is an older property that was constructed nearly 60 years ago and requires a huge amount of work in a very high-cost area. The project cannot be phased, so accordingly, the developer is requesting the flexibility to apply for slightly above the \$75 million bond cap but below the per-unit limits as prescribed in the regulations.

Chairperson Ma asked for clarification that the project is coming to the Committee ahead of time.

Mr. Yannatta said that is correct. He does not want to submit an application and then be rejected because the request is over the limit. He is trying to be proactive and have flexibility in the application based upon the final scope of work. There are a lot of moving parts given the amount of capital needs that exist.

Mr. Johnson asked the staff if it is possible to determine this early in the process whether increasing the cap for this project would impact other projects.

Mr. Navarrette said there is no way to tell this early in the process because the applicant pool is unknown.

Mr. Johnson asked if theoretically the Committee could approve this request at the next meeting and have a better sense of whether it would impact any projects. He requested an explanation of the timeline.

Mr. Navarrette said another way to go about this would be to wait for all the second round applications to be submitted, and then staff could bring all of the applications over \$75 million to the October meeting for Committee approval. This would be ahead of the December allocation meeting.

Mr. Yannatta said the risk is that the project would have to submit an application and potentially get rejected in October after having done all the work.

Chairperson Ma asked if there is a sense of what the next round will look like.

Ms. Wiant said no. This is an At-Risk project which would be competing in the Preservation pool.

Mr. Navarrette clarified that there is approximately \$130 million in that pool.

Ms. Wiant said that if this project scored high enough in that pool, there would be \$45 million left for any other projects that applied. However, there also might be a surplus.

Chairperson Ma asked what the staff is seeing in general. The Committee has been aggressive over the past five years about approving new construction for ELI/VLI tenants. Interest rates have not dropped. She asked if things have slowed down for new construction or if there are any trends.

Mr. Navarrette said this round was one of the biggest since 2021 when he started at CDLAC. Staff received 160 applications, a lot of which were new construction. He does not believe new construction is slowing down.

Ms. Wiant said a large percentage of those projects were reliant on the availability of state tax credits.

Mr. Navarrette said that has been a trend since day one. The state tax credits continue to be a hold up for projects.

Chairperson Ma said she does not want to slow down projects, especially for older buildings, and a building constructed in 1963 is old.



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Ms. Wiant said the project would also have to score high enough in the pool to be awarded, so this decision would not override any of the scoring. The Committee has generally been approving waiver applications for projects requesting over the maximum amount.

Mr. Johnson said it has been habit for the Committee to approve those projects to allow them to move ahead, but this is slightly unique because they do not have full information about the impact on the rest of the pool or the other applicants. It is a little more difficult in that regard, but this does seem like a worthwhile project that the Committee would want to see go ahead.

Ms. Wiant asked Mr. Yannatta if there is a specific amount the Committee could approve, such as \$85 million.

Mr. Yannatta said he thinks the project would be okay with \$80 million. They are currently fleshing it out and being proactive. Additionally, he asked if they were to request \$80 million and not get approved, if they would be allowed to modify the application and reduce the amount after the fact. That is ultimately the reason for this request; if they were to make a larger request and get rejected, months of hard work would be wasted.

Chairperson Ma asked if there are seismic requirements.

Mr. Yannatta said there are seismic requirements, relocation, and environmental mitigation. This is a high-rise structure in a high-cost area, and it is incredibly difficult for the labor to drive west from Los Angeles with the traffic in the morning. The project is now 20 days away from submitting an application, and this request letter was submitted at the end of June. As most developers know, things are dynamic, and they have to plan ahead for unforeseen circumstances. Mr. Yannatta is here today because he does not want to be stuck applying in excess of the maximum allocation amount, having seen that waivers have been consistently approved in the past rounds, and then be left with no options in October after spending countless hours and significant resources.

Chairperson Ma asked if there are any historic building requirements.

Mr. Yannatta said he is not aware of any requirements, but there are design issues that will probably need to be addressed at some point. After looking at the numbers recently, it appears that an \$80 million threshold would be sufficient rather than the \$85 million they asked for weeks ago. \$80 million is more in line with what he is looking at as of today, but he does not want to be left outside after doing all this work.

Ms. Wiant said the Committee could make a motion to allow the project to apply for an allocation up to a certain dollar amount, which might give them more comfort.

Ms. Perrault asked if this has been done before ahead of a round.

Mr. Navarrette said this has not been done since he has been at CDLAC.

Chairperson Ma said this would be the first time.

Ms. Perrault said she is comfortable with a cap of \$80 million, but she is also fine with approving it as recommended by staff.

MOTION: Ms. Perrault motioned to waive the maximum bond allocation amount for this project, not to exceed \$80 million, and Mr. Johnson seconded the motion.



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Mr. Johnson said that although this does not seem like a big deal, he finds himself hesitant because he does not want to set a precedent of offering waivers way in advance without knowing the impact on the pool. Capping the allocation at \$80 million gives the Committee some certainty in terms of how this would impact the pool if the project were to be awarded.

Chairperson Ma called for public comments:

William Leach said he has nothing to do with this project, but he is supportive because the proactiveness and transparency of the developer are laudable. As a program applicant, and as someone who helps many other people apply to the program, he does not get any sense of a competitive advantage. The project still has to score well and win. The Committee is within their right to help people be proactive and get the waivers they need, whether it is an ADA waiver or a limit waiver like this, and it is still a fair process.

Chairperson Ma closed public comments.

The motion passed unanimously via roll call vote.

12. Public Comment

William Leach said that Section 5231(e)(4) was struck from the regulations. That is the section that described the Committee creating a waiting list at the last allocation meeting of the year. He asked Ms. Wiant to explain why that regulation has been struck and if the staff still expects to create a waiting list, just not according to that exact sentence that used to be in the regulations.

Ms. Wiant said staff struck that because it was sort of a dangling relic from before there was a surplus process in place for the end of the round. There will be a surplus scoring list provided.

Tommy Beadel from HVN Development said he is a first-time applicant whose project was awarded today, and from his perspective coming into the closed world of LIHTC development, he applauds the staff's attentiveness to the process and the transparency throughout the process. The cooperativeness and transparency are appreciated, and he looks forward to continuing to participate.

13. Adjournment

The meeting was adjourned at 2:28 p.m.