



California Debt Limit Allocation Committee

901 P Street, Room 102
Sacramento, CA 95814

October 2, 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 9:03 a.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 August 6, 2024, Meeting – (Action Item)*

Chairperson Ma called for public comments:
None.

MOTION: Ms. Perrault motioned to approve the minutes of the August 6, 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 at the beginning of September, staff sought public comments to help inform CDLAC’s next round of regulations. Staff received many comments and has started reviewing them in anticipation of putting out draft regulations later this month, with the plan of presenting the final regulations package to the Committee in December.

Chairperson Ma called for public comments:
None.

4. *Agenda Item: Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 3) (Gov. Code, §§ 8869.84, 8869.85; Cal. Code Regs., § 5440.) – (Action Item)* *Presented by: Christina Vue*

Ms. Vue reported that three EXF applications were received for Round 3, which is the last EXF round for the year. The first application is from Yolo Organics Facility Project (CA-24-104) in the amount of \$23.5

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million, which will be used for expanding an existing organics processing facility. The second application is from Waste Management (CA-24-105) in the amount of \$97.5 million, which will be used to make improvements to existing landfill facilities. The third application is from EDCO Disposal Corporation (CA-24-106) in the amount of \$73.5 million, which will be used to advance community recycling efforts. All three allocations, totaling \$194.5 million, will exhaust the entire EXF pool for 2024.

Chairperson Ma called for public comments:

Michelle Stevens from the California Enterprise Development Authority (CEDA) thanked the Committee for considering the application for EDCO Disposal Corporation. She also thanked the staff for recommending approval of the allocation. The project is important because it will further investment in diversion facilities and will result in improved air quality, energy efficiency, and recycling.

Chairperson Ma closed public comments.

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: 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 13 projects are requesting allocations over \$75 million. He asked if the Committee wished to hear about each project individually.

Chairperson Ma declined.

Ms. Wiant explained that while this list of waiver requests seems large, based on the current preliminary sort, staff only expects one to three of these projects to move forward with a final recommendation. There will not be 13 projects exceeding the \$75 million cap.

Ms. Perrault said the Committee has seen these waiver requests come up on a regular basis, and she is not familiar with the history of the \$75 million cap, but the Committee has been approving these requests. She asked staff to look at whether \$75 million is still the correct amount or if it should be a different amount.

Ms. Wiant said staff has been thinking about this and may present recommendations to the Committee later this year about both this cap and the per-unit cap. However, the tiebreaker does seem to be working and encouraging the best utilization of bonds per unit, which is why some of these projects may not be moving forward.

Mr. Johnson echoed Ms. Perrault's comments and said he has similar questions and concerns about whether this piece of the regulations is functioning as needed. Most of the requests on this list are in high-cost areas, so the higher costs make sense. His concern is more about whether this section of the regulations is doing what the Committee wants it to do.



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Mr. Velasquez said he thinks the tiebreaker is working on cost efficiency, and he appreciates the Committee's work on that a couple of years ago. The increase in these requests may be attributed to market conditions. This is playing out across the state, not just in high-cost areas. He agrees that staff should come back to the Committee with a recommendation for an adjustment, which may be temporary, based on market conditions.

Chairperson Ma called for public comments:

Raymond Junior from Black Developers Forum (BDF) said these projects should be approved only after other projects that are feasible and within allowable limits are approved and funded.

Chairperson Ma closed public comments.

MOTION: Ms. Perrault motioned to approve the waivers for all projects on the list, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

6. ***Agenda Item: Supplemental Bond Allocation Request for Qualified Residential Rental Projects, 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 have requested supplemental bond allocations above the Executive Director's authority. The first project is Sugar Pine Village Phase I (CA-24-592). The project was originally allocated \$20,757,762 in Round 3 of 2021 and then received a \$3,416,391 allocation in Round 1 of 2022, before the supplemental pool was established. The project then received a supplemental allocation from the supplemental pool in the amount of \$2,417,415. Now the project is requesting an additional supplemental allocation in the amount of \$1.3 million, for a total supplemental request of \$3,717,415 and a total allocation of \$27,891,568. This is within the 52% basis limit but exceeds the 10% test at 15.38%. Sugar Pine Village Phase I is a 68-unit, non-targeted, new construction project in South Lake Tahoe. The applicant is California Municipal Finance Authority (CMFA) and the developer is Related.

Chairperson Ma called for public comments on Sugar Pine Village Phase I:
None.

Mr. Navarrette said the second request is from Brine Residential (CA-24-594). The project was originally allocated \$26,072,770 in Round 1 of 2021 and then received an additional \$2 million supplemental allocation from the supplemental pool in September 2022. The project is now requesting an additional supplemental allocation in the amount of \$2.5 million, for a total of \$4.5 million in supplemental allocation and a total allocation of \$30,572,770. This is within the 52% basis limit but exceeds the 10% test at 17.26%. Brine Residential is a 97-unit, special needs, new construction project in Los Angeles. The applicant is the City of Los Angeles and the developer is Decro Corporation.

Chairperson Ma called for public comments on Brine Residential:
None.



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Chairperson Ma closed public comments.

MOTION: Ms. Perrault motioned to approve both supplemental bond allocation requests, and Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

7. **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, 5101, 5132) – (Action Item)**

Presented by: Christina Vue

Ms. Vue reported that there is one project requesting an extension beyond the Executive Director's authority, Citrus Grove Apartments (CA-23-646). The project is requesting a 90-day extension from the current issuance deadline of December 16, 2024. The project has received two 90-day extensions from the Committee already, and this is the third request. The project's developer, Bobbie Barnett from National CORE, is available to answer questions.

Chairperson Ma asked how many units are in the project.

Ms. Wiant said the project is an Acquisition & Rehabilitation project with 152 units in Rialto.

Chairperson Ma called for public comments:

None.

Mr. Johnson expressed concern because this is the third extension request from this project, which he believes would set a precedent if the Committee were to approve the extension and waive forfeiture of the performance deposit. The project received readiness points, which is not consistent with a third extension request. It is important that when projects receive readiness points, they are actually ready. Mr. Johnson has concerns about granting this extension without any penalty. The penalty option is forfeiture of the performance deposit because there is no consideration of negative points.

Ms. Wiant confirmed that is correct given the way the current regulations read.

Chairperson Ma invited the project sponsor to speak.

Bobbie Barnett from National CORE said she understands the Committee's concerns about the third extension request. This property has posed challenges. The decision to request another extension from the Committee was not made lightly, but the project ran into an issue where an investor asked for a large portion of the debt to be forgiven, and the City of Rialto was willing to forgive the debt. Unfortunately, because of the Presidential election, they are going dark in October, so the project cannot make the readiness deadline of December 16. Without those obstacles, the project could have probably made the deadline. There are two additional consents to acquire from the County of San Bernardino and the Department of Finance.



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William Leach from Kingdom Development, the financial advisor for the project, pointed out that the timing of this third request is unique because recent IRS determinations stated that projects cannot assume more debt than the value of the property. The tax credit investor has been patient to see this project move forward. The previous extension requests were related to structural problems with the building that were found during testing. In addition to the physical issue that the project has been dealing with, tax consequences have resulted in a need to have \$15 million of government financing forgiven because the project cannot assume \$40 million of debt for a property that appraises at \$25 million. This is a recent determination that the project's investors are concerned about and is applicable to this project. It would have been addressed 180 days ago if the developer had been aware of it. The City of Rialto's willingness to forgive \$15 million of debt has allowed this project to remain feasible, so Mr. Leach is appreciative of that and apologizes for the City Council's timing being uncooperative with the most recent CDLAC deadline. This is a circumstantial issue rather than a systemic issue.

Ms. Perrault echoed Mr. Johnson's comments and expressed appreciation for the representatives of the project being available today to explain the unique circumstances. However, all projects may run into unique circumstances. Ms. Perrault is not opposed to approving the extension, but she agrees with Mr. Johnson that the project received readiness points and is now asking for a third extension. She is inclined to approve the extension but deny the waiver of forfeiture of the performance deposit.

MOTION: Ms. Perrault motioned to approve the request to extend the bond allocation issuance deadline but not to waive forfeiture of the performance deposit. Mr. Johnson seconded the motion.

The motion passed unanimously via roll call vote.

8. Public Comment

Igor Pasternak, CEO of Aeros Corporation, said his company is a global leader in designing airships. They are working on an application for a \$10 million Industrial Development Bond (IDB) for the construction of a facility in Pomona at Brackett Field Airport. The facility will be used for the assembly and operation of airships, and the lease should be signed in November or the beginning of December.

Jose Franco from American Veterans Group said his organization is a veteran-owned investment bank and will be serving as underwriter for the Aeros Corporation transaction. They are looking at pricing bonds in December, and Aeros will be asking for a \$10 million IDB allocation. There were some hiccups that prevented them from getting on the agenda today, given the timing of the lease, but Aeros is working with Brackett Field Airport to have the lease executed in December so bonds can be issued by the end of the year. They will be requesting an allocation at the December meeting so they can sell the bonds and market them appropriately. They were trying to get on the agenda for today's meeting, but there was some confusion around the lease.

9. Adjournment

The meeting was adjourned at 9:27 a.m.