California Debt Limit Allocation Committee

CDLAC

Committee Meeting

Wednesday, March 15, 2023

11:00 AM

915 Capitol Mall, Suite 311
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/cdlac

MEETING NOTICE
AGENDA

MEETING DATE:
March 15, 2023

TIME:
11:00 AM

LOCATION:
State Treasurer's Office
915 Capitol Mall, Room 587
Sacramento, CA 95814

Members of the public are invited to participate in person, remotely via TEAMS, or by telephone.*

Click here to join the meeting (full link below)

Public Participation Call-In Number
(888) 557-8511
Participant Code:
5651115

The California Debt Limit Allocation Committee (CDLAC) may take action on any item.
Items may be taken out of order.
There will be an opportunity for public comment at the end of each item, prior to any action.

	1.	**Call to Order and Roll Call**
Action Item:	**2.**	**Approval of the Minutes of the February 1, 2023, Meeting**
Informational:	**3.**	**Executive Director's Report** *Presented by: Nancee Robles*
Action Item:	**4.**	**Resolution No. 23-011, Request to Waive Forfeiture of Performance Deposit for the Return of Supplemental Allocation for a Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §5052)** Application Number — Project Name CA-22-545 — Southside Senior Housing (Supplemental) *Presented by: Christina Vue*

Action Item: **5.** **Resolution No. 23-012, Request to Waive the Maximum Bond Allocation Amount ($75,000,000) for Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §5232)**

Application Number	Project Name
CA-23-479	Azuriik

Presented by: D.C. Navarrette

Action Item: **6.** **Resolution No. 23-013, 23-014, Request to Extend the Bond Allocation Issuance Deadline for Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §§5100, 5133)**

Application Number	Project Name
CA-22-456	Cortez Hill Apartments
CA-21-724	Manchester Urban Homes

Presented by: D.C. Navarrette

Action Item: **7.** **Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 1)**

EXF Preliminary Recommendation List

Presented by: Emily Burgos

Action Item: **8.** **Recommendation for Award of Allocation to Qualified Private Activity Bonds for Industrial Development Bond (IDB) Projects (Round 1)**

IDB Preliminary Recommendation List

Presented by: Emily Burgos

Action Item: **9.** **Resolution No. 23-015, Reduction in the Tiebreaker Calculation for Qualified Residential Rental Projects Awarded Supplemental Allocation Where the Original Allocation was Awarded in Round 2 of 2022 or Later (Cal. Code Regs., tit. 4, §5240)**

Presented by: Emily Burgos

10. **Public Comment**

11. **Adjournment**

FOR ADDITIONAL INFORMATION

Nancee Robles, Interim Executive Director, CDLAC
915 Capitol Mall, Room 485, Sacramento, CA 95814
(916) 654-6340

This notice may also be found on the following Internet site:
https://www.treasurer.ca.gov/cdlac

*Interested members of the public may use the call-in number or TEAMS to listen to and/or comment on items before CDLAC. Additional instructions will be provided to participants once they call the indicated number or join via TEAMS. The call-in number and TEAMS information are provided as an option for public participation, but CDLAC is not responsible for unforeseen technical difficulties that may occur. CDLAC is under no obligation to postpone or delay its meeting in the event such technical difficulties occur during or before the meeting.

CDLAC complies with the Americans with Disabilities Act (ADA) by ensuring that the facilities are accessible to persons with disabilities, and providing this notice and information given to the members of CDLAC in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, please contact CDLAC staff no later than five calendar days before the meeting at (916) 654-6340. From a California Relay (telephone) Service for the Deaf or Hearing Impaired TDD Device, please call (800) 735-2929 or from a voice phone, (800) 735-2922.

Full TEAMS Link

https://teams.microsoft.com/l/meetup-join/19%3ameeting_MTY1MmNkNDQtNmRhOC00MWU0LWJkZGUtYTkyNTA2Nzk4ZTg4%40thread.v2/0?context=%7b%22Tid%22%3a%223bee5c8a-6cb4-4c10-a77b-cd2eaeb7534e%22%2c%22Oid%22%3a%22838e980b-c8bc-472b-bce3-9ef042b5569b%22%7d

AGENDA ITEM 2
Approval of the Minutes of the February 1, 2023, Meeting

California Debt Limit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

February 1, 2023

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 9:02 a.m. with the following Committee members present:

Voting Members:	Fiona Ma, CPA, State Treasurer State Controller Malia M. Cohen Gayle Miller for Governor Gavin Newsom
Advisory Members:	Anthony Sertich for Department of Housing and Community Development (HCD) Director Gustavo Velasquez Kate Ferguson for Tiena Johnson Hall, Executive Director for the California Housing Finance Agency (CalHFA)

2. *Agenda Item:* **Approval of the January 18, 2023 Minutes** – *(Action Item)*

MOTION: Ms. Miller motioned to approve the minutes of the January 18, 2023 meeting, and Ms. Cohen seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

3. *Agenda Item:* **Executive Director's Report**
   Presented by: Nancee Robles

Ms. Robles had nothing to report today.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Adoption of Carryforward Priorities (Cal. Code Regs., tit. 4, § 5133) –** *(Action Item)*
   Presented by: Emily Burgos

Ms. Burgos said this item is being presented to the Committee with some changes from the last meeting. There was roughly $825 million in QRRP carryforward last year, and the Committee must decide how it should be allocated. Staff recommends adding the carryforward to the total amount of allocation available for all QRRP projects this year and distributing it based on the priority percentages in Agenda Item 5.

Ms. Cohen asked what the net effect of this adjustment would be.

Ms. Burgos stated the carryforward would be spread across all pools and set asides. Staff's previous recommendation would have heavily weighted the carryforward toward supplemental allocations, Homeless, Extremely Low-Income/Very Low-Income (ELI/VLI), and then the Mixed-Income Program (MIP). Exhibit A shows the order in which projects are sorted and awarded. Per the original proposal, carryforward would have first been applied to supplemental awards, then to the Homeless pool, and finally to the ELI/VLI pool. The carryforward would most likely have been exhausted between the Homeless and ELI/VLI pools, resulting in the carryforward being applied mostly to those two pools.

Staff's current recommendation is to add the carryforward to the total amount of allocation available for the year and distribute it by percentage to all the pools, set asides, and geographic apportionments. If the Committee wishes to adjust its carryforward priorities, the percentages can be adjusted on Exhibit A. The Committee has recently attempted to be more intentional and specific regarding carryforward allocation. Previously, carryforward was allocated to the highest ranked project for that issuer, which was problematic because sometimes an issuer's highest ranked project was in a particular region, so that region received a disproportionate amount of carryforward. In July 2022, the Committee changed the carryforward priorities to be more focused and designated specific pools for the application of carryforward. Staff's current recommendation moves further in that direction so the Committee can be precise regarding the net effect of the carryforward. This recommendation also reduces ambiguity as it allows staff to determine exactly where carryforward will be applied.

Ms. Miller said this is the most carryforward the Committee has ever had, due to the recent problems in the market such as higher interest rates, higher costs, and state tax credits not providing enough capital to make projects feasible. In the past, the application of carryforward was not so transparent. This recommendation will enable the Committee to clearly outline its priorities and gives the Committee more flexibility. There are federal limits on the amount of tax credits available, and every project must have at least 50% tax-exempt financing to be considered an affordable housing project with a rent cap. The carryforward has become more important because of these limits and was hard to predict in the past. Per the previous demand survey results, the highest demand has been for ELI/VLI projects.

Ms. Cohen asked if staff's recommendation is controversial or if it is universally supported by stakeholders.

Ms. Burgos said she cannot speak for stakeholders, but she has received positive feedback regarding this recommendation. Opinions differ on the percentage distributions, but most feedback has been supportive of the transparency of Exhibit A. This is an improvement over the last recommendation, which was less transparent.

Chairperson Ma explained that at the last meeting, staff recommended applying a disproportionate amount of the carryforward to just a couple of pools. Public comments at the last meeting indicated geographic regions would not have had an opportunity to receive any carryforward based on that recommendation, including rural communities and tribes. The new recommendation will more fairly distribute the carryforward.

Ms. Burgos said staff received approximately five comments from members of the development community after the last meeting. Although their suggestions varied, they were mostly in support of staff's current recommendation.

Chairperson Ma called for public comments:

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development expressed support for this recommendation because it is a good use of carryforward and will spread resources among the Committee's existing priorities.

William Leach from Kingdom Development said staff's recommendation will give developers more assurance of where the carryforward will be allocated and direct their priorities accordingly. This will add predictability as well as transparency.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to approve staff's recommendation, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

5. *Agenda Item:* **Resolution No. 23-004, Adoption of the State Ceiling Pools, Application Process, and the Dates and Deadlines to Submit Applications for each Allocation Round (Cal. Code Regs., tit. 4, §§ 5010 (a) - (b), 5020, 5021, 5030)** – *(Action Item)*
   Presented by: Emily Burgos

Ms. Burgos indicated this resolution accomplishes three things: first, it establishes a competitive year for the bond allocations; second, it establishes deadlines for the application rounds; and third, it approves Exhibit A. Staff made one small change to Exhibit A after the last meeting. Because Agenda Item 4 was approved, the carryforward has been added to the total amount of allocation available for QRRP projects. Staff's recommendation is similar to the recommendation approved last year; 40% of the available QRRP allocation will be applied to the geographic regions, 56% will be applied to non-geographic regions, and 4% will be reserved for supplemental allocations. The recommended amount reserved for supplemental allocations has increased by 1% since the last meeting, where staff recommended reserving 3% for that pool. This has been increased since staff is no longer relying on carryforward first being applied to the supplemental pool. Staff still recommends allocating $600 million to Other Exempt Facilities among three rounds and $30 million to Industrial Development between two rounds.

Mr. Sertich said that given the additional bonds and carryforward this year, it is important for the Committee to ensure they are maximizing federal contributions as the housing market stabilizes. He supports staff's recommendation.

Chairperson Ma called for public comments:

Darren Bobrowsky from USA Properties Fund thanked Ms. Burgos for addressing his comments after the last meeting. As he stated at the last meeting, most of the carryforward was from the geographic regions. 75% of the carryforward from the third round was from the geographic regions. He asked the Committee to consider allocating 75% of the carryforward to the geographic regions instead of evenly distributing it between the geographic and non-geographic pools. This would enable the geographic regions to obtain state tax credits. He expects state tax credits will be the determining factor for projects receiving funding. All projects except for Other Rehab and Rural can compete in the geographic regions. Even if an ELI/VLI project is not funded in the non-geographic pool, it can still compete in the geographic regions.
Mr. Bobrowsky suggested the Committee consider making accommodations to the development community to increase the Other Rehab pool for the third round if there are state credits remaining after

the first round. He expects the state credits will run out, and there will be a significant amount of unused bond cap. The development community will need sufficient time to prepare projects for the third round, but he expects there will be an opportunity to fund Other Rehab projects. His company does not plan to submit any of those projects, but he is thinking of ways to use any remaining bond cap to fund more projects. An indication from the Committee after the first round regarding the remainder of the year would be helpful.

Caleb Smith from the City of Oakland Department of Housing and Community Development urged the Committee to allocate bonds to multifamily affordable housing rather than Exempt Facilities or Industrial Development. When bonds are used to fund affordable housing, they unlock Low-Income Housing Tax Credits. Every dollar allocated toward affordable housing generates between 81 and 95 cents in federal tax credits. Based on the amount of bonds proposed to be allocated to non-housing projects, the Committee will leave $300-400 million in federal investment in affordable housing on the table. This is unfortunate, considering the other challenges of securing more investment for affordable housing in the state budget. The City of Oakland understands there are several competing priorities; they have solid waste facilities in the process of relocating within the city and they are familiar with the need to invest in non-housing projects. However, as a city government, they believe tax-exempt bonds present a unique opportunity to fund affordable housing and leverage the federal investment.

Mr. Smith asked the Committee to strongly consider allocating bonds to multifamily affordable housing first. Although there were several projects in the last round that were unable to move forward when they did not receive the state tax credits they were relying on, the environment is changing. Some of the City of Oakland's projects are structured assuming they will receive state tax credits, but there are ways for local governments to adapt their local investments in affordable housing if the tax credits are unavailable. He said additional time is needed to get a sense of the new environment and anticipates more projects without state tax credits, or with fewer state tax credits, will be submitted to CDLAC. This should address some of the issues the Committee encountered with affordable housing last year.

Gurbax Sahota, President and CEO of the California Association for Local Economic Development (CALED) said her organization represents over 800 economic developers across the state, including 300 jurisdictions, cities and counties of all sizes, state and federal staff, non-profits, and private sector companies who are working hard to sustain and grow the economy. CALED supports staff's recommendation to allocate $30 million for Industrial Development Bonds (IDBs). Manufacturing is a critical driver of the economy, as evidenced by the emphasis placed on reshoring and the CHIPS and Science Act at the federal level, as well as the support in the Governor's recent budget proposal. IDBs help small manufacturers purchase equipment and land so they can grow in California and create good paying jobs. Good paying jobs enable Californians to afford housing. Ms. Sahota thanked the Committee for their balanced approach and understanding that financing is needed not just to build homes, but also to support pathways to housing affordability by giving residents the opportunity and individual dignity of having a job that allows them to support themselves and their families and pay for their homes. She urged the Committee to support staff's recommendation of the $30 million allocation to IDBs.

Emily Ware from Operative Office agreed with Mr. Bobrowsky's previous comment that most of the carryforward came from geographic regions. She asked why there is such a disproportionate division between the 56% allocated to non-geographic pools and 40% for geographic regions. She asked if there could be a more even distribution, such as 50%/50%, to ensure set asides are funded while also distributing resources fairly across the state. As Mr. Bobrowsky said previously, projects can still apply in geographic regions if they are not awarded in other pools. This would give geographic regions a better chance of receiving state tax credits, unlike the last round.

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development agreed with Caleb Smith's assessment that not allocating bonds to QRRP projects leaves a lot of federal investment on the table. While tax-exempt bonds provide a valuable subsidy to Industrial Development and Exempt Facilities projects, the value of that subsidy is significantly less compared to investing those bonds in affordable housing. Industrial Development and Exempt Facilities projects only receive tax-exempt financing with no tax credits, making the bonds between 1/10th and 1/20th as valuable. This is a bad use of federal resources. Mr. Wilcox understands the Committee's many priorities, yet feels they could be better stewards of federal funds. Otherwise, the City of Oakland supports staff's allocation recommendations.

Mark Stivers from the California Housing Partnership said his organization would love to see more bonds in the QRRP pool, and they have submitted ideas to the Committee in the past about how to continue economic development while simultaneously shifting more bonds into housing. However, he believes staff's recommendations are reasonable and the Committee should support them. Additionally, he disagrees with the previous comments from Mr. Bobrowsky and Ms. Ware regarding shifting more bonds away from set asides and into the geographic regions. The set asides are designed to fund the highest-priority projects identified by the Committee, including projects that address homelessness, for which there are not enough solutions, and ELI/VLI projects, which serve families who earn less than 50% AMI. According to the California Housing Partnership's studies, ELI/VLI projects address the greatest need by far because those individuals are paying much more than the anticipated 30% of their income for rent.

Mr. Stivers supports keeping the bonds in the higher priority set asides. Since the Committee just adopted a change to the carryforward policy, Homeless and ELI/VLI projects will not benefit as much as they have in the past. Also, per the proposed allocations, the entire amount of the Supplemental Pool will come from the set asides; none of it will be taken from the geographic regions. This is a shift of resources from Homeless and ELI/VLI projects to the geographic regions. If state tax credits present a problem, as Mr. Bobrowsky asserted previously, that issue can be discussed at future CTCAC meetings. Staff's recommendations are reasonable and consistent with what the Committee has done in previous years.

Michelle Stevens from the California Enterprise Development Authority (CEDA) expressed support for staff's recommendation of $30 million being allocated to Industrial Development Bonds. As she stated at the last Committee meeting, the IDB program supports manufacturers throughout the state. CEDA has submitted an application for a $5.6 million allocation for a rural manufacturer in Lincoln. That manufacturer employs 234 people, making it the largest employer in Lincoln. It is important to recognize the impact of these type of manufacturers throughout the state, both in large cities and rural communities, where they might be one of the main support systems for residents. As Ms. Sahota mentioned previously, manufacturing jobs pay well and provide an opportunity for individuals to move into the middle class and afford homes. Ms. Stevens expressed appreciation for the Committee's balanced approach to the bond allocations and urged them to support staff's recommendation.

Ms. Cohen asked what products are manufactured by the Lincoln facility.

Ms. Stevens said the facility is a family-owned coffee manufacturer which has been operating in Lincoln for at least 20 years. Because the company is a homegrown California business, they have been unable to take advantage of the California Competes Tax Credit (CCTC).

Chairperson Ma said the CCTC is generally available to businesses relocating to California or expanding their business in the state. IDBs are utilized by family-owned businesses already in California. She asked Ms. Stevens what kinds of manufacturing companies can apply for IDBs.

Ms. Stevens said any manufacturer can be eligible. In the past, CEDA issued bonds for food processors and a woodworking company. Any business that creates an item can benefit from IDBs.

Ms. Burgos said IDBs have become a product for extremely small manufacturers due to the limits on bond amounts and expenditures. These projects tend to be very small manufacturers in small communities with high numbers of employees.

Chairperson Ma asked if there is a requirement for these manufacturers to employ a certain number of people, be in a certain zip code, or qualify based on revenue.

Ms. Burgos replied no; the bond allocation can be no more than $10 million and the project can have no more than $20 million of expenditures within a certain period. Those limits were created in the mid-1980s and were never adjusted for inflation. As a result, larger projects cannot qualify. The rules are restrictive, and most medium-sized manufacturers will exceed $20 million in expenditures in 5 years.

Ms. Stevens said there is interest at the federal level in changing the IDB limits. There is federal legislation being followed by the Governor's Office of Business and Economic Development which would potentially increase the limits.

Ms. Burgos read a comment in the Teams chat from Fariba Khoie at the California Infrastructure and Economic Development Bank (IBank) clarifying that the total expenditure period for IDBs is 6 years – 3 years prior to the bond issuance, and 3 years after bond issuance.

Chairperson Ma said this is exciting because CDLAC has not had an allocation for IDBs and in the past 4 years the Committee has not discussed them. Mom and Pop manufacturing companies in various districts would likely be interested in this funding.

Chairperson Ma closed public comments. She asked Ms. Burgos to address some of the public comments.

In response to Mr. Bobrowsky's and Ms. Ware's comments, Ms. Burgos said staff recommended roughly a 60%/40% distribution between the non-geographic and geographic pools based on how the Committee has been leaning for the past 2 years. Mr. Bobrowsky's assertion that the majority of the $825 million in carryforward came from the geographic regions is correct; approximately $625 million came from the geographic regions. Staff's current recommendation would return approximately $300 million to the geographic regions. Staff attempted to be transparent and find a balance between what the Committee did previously and the Committee's current priorities.

Chairperson Ma asked Ms. Burgos to clarify if the supplemental allocations will be approved in the first round.

Ms. Burgos indicated supplemental allocations will be approved on an ongoing basis. The Interim Executive Director has the delegated authority to approve supplemental allocations below 10% of the original bond allocation and below 52% of the project's eligible basis plus land. Staff has already received at least 11 applications for supplemental allocations that are under Ms. Robles's delegated authority and will be approved later today if the supplemental allocation pool is funded by the Committee. Two projects requesting supplemental allocations over Ms. Robles's delegated authority will be presented to the Committee today for approval if the supplemental pool is funded.

Chairperson Ma asked how staff will handle any additional supplemental allocation requests.

Ms. Burgos said the process is off-the-shelf on a first come, first served basis. Staff will continue to apprise the Committee on the balance of the supplemental pool. Hopefully, no additional allocation will be needed, but if there is a need, staff may present another recommendation to the Committee.

Chairperson Ma stated allocation could be moved to the supplemental allocation pool if needed.

Last year, the Committee moved $175 million in unused bonds from the Other Exempt Facilities Pool into housing. She recommends keeping the allocation in Other Exempt Facilities, and if market conditions improve, the Committee has the option to move it to housing.

Chairperson Ma asked staff to respond to the public comment regarding Other Rehab projects applying for tax credits remaining at the end of the year. At least one Other Rehab project applied at the end of last year to use remaining credits. She asked if staff has considered what will happen if a similar situation occurs this year.

Ms. Robles said a Committee decision will be required to reallocate. Staff will know more after the second round.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-004, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

Ms. Miller thanked the CDLAC/CTCAC team for their work.

Chairperson Ma thanked the stakeholders for being amendable and working together on this issue.

6. *Agenda Item:* **Resolution Nos. 23-005, 23-006, Supplemental Bond Allocation Request Above the Executive Director's Authority (Cal. Code Regs., tit. 4, § 5240)** – *(Action Item)*
   Presented by: DC Navarrette

Mr. Navarrette introduced the first of two supplemental requests above the Interim Executive Director's delegated authority, 803 E. 5th Street (CA-23-401). This project previously received an allocation of $28 million on April 28, 2021. The project is now requesting an additional $6.9 million supplemental allocation, which is 24.64% of the approved allocation. However, it is within the 52% limit. The project is in Los Angeles and consists of 94 special needs units. The applicant is the City of Los Angeles, and the developer is the Coalition for Responsible Community Development (CRCD).

Chairperson Ma invited the applicant and developer to speak on behalf of the project.

Elizabeth Selby, Director of Finance and Development for the City of Los Angeles, said 803 E. 5th Street is an adaptive reuse project consisting of two 3-story structures and one 7-story structure for a total of 94 special needs units at 30% AMI and one manager's unit. Three significant issues have impacted the project: additional environmental remediation because of the presence of asbestos and lead-based paint, increased labor and material costs, and required changes to the structural foundation. Total development costs have increased by $13 million. The original total development cost was $61.8 million, and the new proposed cost is almost $75 million, resulting in a per-unit cost of $788,000. The original bond allocation was $28 million, and the project is now requesting a supplemental allocation of $6.9 million. Due to the increased costs, the project will not pass the 50% test without a supplemental allocation.

Chairperson Ma asked what will happen if the Committee does not approve the supplemental allocation today.

Ms. Selby said the project will lose tax credits if it does not pass the 50% test, which will result in project failure.

Alejandro Martinez, President of CRCD Partners, said this is a wonderful project with a long history. It was originally proposed as a condo project in the Skid Row area of Los Angeles. The community, along with the City of Los Angeles Mayor's Office, had concerns about whether a condo project in Skid Row was appropriate. The community successfully rallied against it, and the building sat vacant. Years later, CRCD was approached by the broker to purchase the building. It represented a unique opportunity to improve an entire block. When CRCD's conversation with the broker began initially, the Skid Row homeless community had not fully moved into this area, but since the COVID-19 pandemic, the homeless population in the area has exploded. This project will house transitional aged youth exiting the foster care system, veterans, and homeless adults. CRCD is a supportive services provider and is partnering with the Avenue Foundation on this project. The project is an historic adaptive reuse project comprised of 3 buildings built in different areas. As soon as the rehabilitation started, additional repairs and structural issues were found. This project has faced a lot of challenges due to the nature of the project as well as the pandemic, interest rate hikes, and construction and labor cost increases. Although the project was heavily impacted by outside factors, Mr. Martinez would still choose to do this project again because it is desperately needed and will transform the neighborhood.

Chairperson Ma called for public comments:
None.
Ms. Miller said the Committee has tried to be consistent and will support the supplemental allocation up to 52% of the project's eligible basis plus land, but the Committee will not support a supplemental allocation over that amount and Mr. Sertich clarified that this project is only requesting 52% of its eligible basis plus land.

Ms. Miller said she will support this supplemental allocation.

MOTION: Ms. Miller motioned to adopt Resolution No. 23-005, and Ms. Cohen seconded the motion.

Motion passed unanimously via roll call vote.

Chairperson Ma invited Ms. Selby to speak on behalf of the second project requesting a supplemental allocation above the Interim Executive Director's delegated authority, La Guadalupe (CA-23-408).

Ms. Selby said this project is requesting a second supplemental allocation in the amount of $3.58 million. La Guadalupe is a mixed-use project which will yield a total of 44 units, including 43 permanent supportive housing units and one manager's unit. It is a 5-story building with a level of subterranean parking. The project will house individuals and families experiencing homelessness and chronic homelessness. The unit mix will be comprised of studios, 1-bedroom units, and five 2-bedroom units for families. The total development cost of the project has increased from $28 million in 2021 to $36 million currently. The project already received a $13.4 million allocation from CDLAC in December 2020 and a $1.9 million supplemental allocation in June 2022.

Ms. Selby explained that this project is located on a brownfield site which had contaminated soil. The City of Los Angeles completed remediation and was issued a closure letter, but once grading and excavation began, they encountered additional contaminated soil which required more remediation. Therefore, the project has encountered some unforeseeable delays. In addition to the supplemental allocation, the project is requesting that the allocation expiration date be no later than 120 days because of the city's approval process for the first supplemental allocation. Those funds are being held until the project receives a second supplemental allocation. Additionally, the project is requesting an extension of the first supplemental allocation's expiration date to match the expiration date of the second supplemental allocation so the bonds can close concurrently. The extension is also needed to allow sufficient time to reissue the original $13.4 million allocation.

Vanessa Delgado from Azure Development explained the history of La Guadalupe. Ms. Delgado grew up in Boyle Heights, where the project is located. The project is named after her grandmother. Azure Development is one of the only Latina-owned development firms in the nation. La Guadalupe was the company's first project in 2016. Ms. Delgado knew upfront that the project would be difficult because the site had been vacant for over a decade. However, she felt this was the type of project she should be building as a Latina developer. Azure Development was awarded the project in 2017, and problems began immediately. A Councilmember had personally given the project to another developer, so the project was delayed until 2018, after the Councilmember was indicted. At that point, Ms. Delgado was unsure how to proceed with financing the project, so she opened 5 personal credit cards to charge the planning entitlements. The entitlements were secured, and Azure Development partnered with Many Mansions to help secure all the financing for the project. Six years later, in February 2022, the project closed and broke ground. Three weeks after the groundbreaking, they encountered the first piece of contamination. This was surprising because the city had spent over $1 million on remediation and received a "no further action" notice. More contamination was found, and remediation was finally finished in December 2022.

Ms. Delgado recognizes her request is out of the ordinary and she does not take that lightly. Without the Committee's support and special considerations, these types of projects would be impossible. This project will provide permanent supportive housing in a community of color, across from the Gold Line, in an underserved area. It is led by a BIPOC developer, but until this project is completed, they will not qualify as an Emerging Developer under HCD standards. Therefore, they cannot apply for BIPOC-intended funds. CDLAC has set up a process that allows the Committee to consider situations out of the ordinary. Ms. Delgado understands the Committee does not want to set a precedent for making exceptions like this on a continuous basis, but she is asking the Committee to consider the unique circumstances of the project. Nobody could have predicted an additional $1 million worth of contamination after the city received a "no further action" notice, but this is what happens in communities of color. These types of sites get leftover. She is asking for the Committee's support to finish the project for families who need homes.

Rodney Thompson from Many Mansions said the recent rain in Southern California flooded the subterranean excavation at the site. Because the site was contaminated, the water had to be specially treated. As of last week, the site is finally ready for normal construction to resume. Because the remediation took almost a full year, there were other impacts on the project's budget. This is the reason for the large supplemental request; it represents a year of general conditions from the general contractor. Additionally, due to the uncertainty of how the schedule would realign, they were never able to complete the buyout phase. Therefore, they could not bring in subcontractors for structural concrete, mechanical, electrical, or plumbing. Pricing for all the subcontractors expired, so the project was unable to lock in pricing early in the year when construction was supposed to begin originally. As a result, there have been huge change orders.

Mr. Thompson explained that the developer voluntarily engaged in a project labor agreement to enrich the job community. They also trusted the training and quality of labor provided by the unions. Unfortunately, due to the small size of the project, there is a small pool of interested bidders, so the developer has limited options to choose from. For example, they received a $1 million change order just for structural concrete. That represents one of many subcontractors the project has only recently been able to buyout. Now that the remediation has been completed, the project can move into a more productive construction phase. The project is requesting this high level of commitment from CLDAC because they are still in the buyout process; they need to exceed the 50% test by a comfortable amount so they have room for that percentage to drop, which Mr. Thompson expects will happen. Additional costs will be incurred as the project completes the buyout process, and those costs will need to be funded by other sources. Although the project is currently requesting approximately 54.52%, that percentage will drop. He is afraid if the project does not request enough allocation now, it will fail the 50% test by the time buyout is complete.

Francisco Lopez, Supervisor of the HHH Unit at the Los Angeles Housing Department, said the second supplemental allocation is critical to this project, but the timing is also critical. An extension for the first supplemental allocation is needed to close concurrently and allow enough time for the bonds to be reissued.

Chairperson Ma called for public comments:
None.

Chairperson Ma said the Committee has been consistent in the past about denying supplemental allocations and basis adjustments based on interest rates, construction costs, logistics backlogs, and labor costs because those issues are predictable. In this case, the contamination and remediation were unpredictable. The developer acquired a site they thought was clean, but then they broke ground and found further contamination. This was an unforeseen circumstance beyond the developer's control, and it could not have been predicted. Therefore, she supports this resolution to allow completion of the project.

She believes Ms. Delgado and Mr. Thompson are earnest in their commitment to meet the CDLAC and CTCAC requirements and they understand this is a unique request.

Ms. Cohen also expressed support for this resolution. She has experience working with developers dealing with toxic land. She served 8 years in the City and County of San Francisco in the southeastern neighborhood of Hunter's Point and continues to deal with the remediation of the Hunter's Point shipyard. She asked Ms. Delgado which contaminates were found at the site.

Ms. Delgado said there was an unpermitted gas station on the site in the 1960s. The developer knew the site was contaminated since it had been vacant for so long, which often happens in communities of color. The developer received a grant from the Water Board, which delayed the project by about a year. The City of Los Angeles owns the site, and they were very careful with the cleanup. However, brownfield sites are unpredictable because more contamination can be revealed even after it appears to have been resolved. Everyone on the team was surprised to find more contamination after the "no further action" notice was received.

Ms. Delgado feels comfortable asking for the second supplemental allocation. If the developer had not done their due diligence or if they had missed something, they would not have taken a developer fee. However, the additional contamination was a shock.

Ms. Cohen asked Ms. Delgado to explain the remediation strategy.

Ms. Delgado said the remediation was finished before the holidays and the project was able to start the buyout phase. This is how the developer discovered they needed an additional supplemental allocation. Now that they know the costs, construction can probably begin very soon if their supplemental allocation request is approved. Otherwise, the lenders are on hold and are willing to restructure the deal. However, they want assurance that this action is complete before they finish the refinancing of the project.

Ms. Robles clarified that Resolution No. 23-006 incorporates the requested extension and resolves the timing issue, so it is only necessary for the Committee to vote on the single resolution.

Mr. Sertich said Department of Housing and Community Development (HCD) Director Gustavo Velasquez supports this project. However, Mr. Sertich expressed concern about the use of the bonds since the request is over 52% of the eligible basis plus land. It sounds like some costs are still not locked down, which is why the request exceeds 52%. He understands the reason for the request, but he is concerned the entire allocation may not be needed, or the project may need to request another allocation once costs are finalized. He asked for an explanation of the timing of the financing to ensure the project passes the 50% test.

Mr. Thompson said the contractor is due to complete buyout by the end of this week. When the project applied for the supplemental allocation at the end of December, there was still approximately 13% left in the buyout phase. At this point, a lot of that is done. Based on preliminary calculations, if the supplemental allocation request were reduced to 52%, the project would lose about $871,000. Since the beginning of January, toward the end of the buyout phase, the project has received roughly $1 million in change orders. He is confident they will not need to request an additional supplemental allocation and the final percentage will be approximately 50-51%.

Ms. Miller expressed enthusiasm for this project and wished the developers luck, but she will not support this resolution.

MOTION: Ms. Cohen motioned to adopt Resolution No. 23-006, and Chairperson Ma seconded the motion.

AYES: Fiona Ma

Malia M. Cohen

NAY: Gayle Miller

Motion passed via roll call vote.

7. *Agenda Item:* **Calendar Year 2023 CDLAC Meeting Schedule** – *(Informational Item)*
   Presented by: Ricki Hammett

This is an informational item. The CDLAC meeting schedule includes the dates and deadlines to submit applications for each allocation round, as adopted under Resolution No. 23-004, and the proposed award schedule. Additionally, per a previous resolution adopted by the Committee, the Interim Executive Director has delegated authority to alter the meeting schedule as necessary. This new schedule adds a public meeting on March 15, 2023 to award the first round of Other Exempt Facilities and Industrial Development Bond projects, with an application deadline of February 14, 2023. It also adds a second round for Other Exempt Facilities and Industrial Development Bond projects to the meeting already scheduled for May 10, 2023, with an application deadline of March 22, 2023. Additionally, it adds a round of Other Exempt Facilities projects to the meeting already scheduled for July 26, 2023, with an application deadline of May 23, 2023.

Chairperson Ma called for public comments:
None.

8. *Agenda Item:* **Public Comment**

There was no public comment.

9. *Agenda Item:* **Adjournment**

The meeting was adjourned at 10:14 a.m.

AGENDA ITEM 3

Executive Director's Report

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AGENDA ITEM 4

Resolution No. 23-011, Request to Waive Forfeiture of Performance Deposit for the Return of Supplemental Allocation for a Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §5052)

Agenda Item No. 4
March 15, 2023

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023

Request to Waive the Forfeiture of the Performance Deposit for a Supplemental Allocation for a Qualified Residential Rental Project – Application No. CA-22-545, Southside Senior Housing (Cal. Code Regs., tit. 4, §5052)
(Agenda Item No. 4)

Action:

Approve the request to waive the forfeiture of the performance deposit for application no. CA-22-545, Southside Senior Housing project following the return of the supplemental allocation.

BACKGROUND:

Pursuant to California Code of Regulations, title 4, section 5052, 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 timeframes set forth in the CDLAC Resolution.

DISCUSSION:

The Southside Senior Housing project received an initial allocation of $15,120,422 on December 8, 2021, and a supplemental allocation of $279,578 on August 29, 2022. The housing sponsor returned the supplemental allocation, allocated to the City of Los Angeles, on February 15, 2023, prior to the original assigned supplemental bond issuance deadline of February 27, 2023, under Resolution No. 22-185 for the Southside Senior Housing (CA-22-545) project. The housing sponsor is requesting a waiver of the forfeiture of the performance deposit of $1,398, following the return of the supplemental allocation.

The bond issuer, City of Los Angeles, or the project sponsor, Southside LA Housing Partners, LP will speak on behalf of the project.

JOHN STANLEY

February 15, 2023

Jeremy Johnson
Finance Development Officer
Los Angeles Housing Department
1200 West 7th Street
Los Angeles, CA 90017

Re: **Southside Seniors**
Supplemental Bond Application – Performance Deposit

Dear Jeremy:

On behalf of Southside Housing Partners, LP this letter shall serve as formal notification that we applied for $279,578 of the 2022 State Ceiling on Qualified Private Activity Bonds and an allocation was awarded to the Project from the California Debt Limit Allocation Committee.

We submitted the application to cover construction and soft cost increases the project has experienced. We need to return the award due to not getting final approval from our construction lender. In summary, the construction lender decided that the cost of attorney and bond issuance fees would significantly reduce the net proceeds to cover the cost increases and they were also not comfortable due to the fact we are less than 30% complete with construction. Our construction lender wants us to continue to monitor the cost increases and to reapply later this year, subject to their final approval of the award.

We returned the award and this letter shall serve as a formal request for the waiver of the performance deposit forfeiture. The waiver is for the $1,398.00 Performance Deposit. In summary we would like to use the funds to pay for project expenses.

Let me know if there is anything else we need to provide as the sponsor/developer related to this matter. Thanks again for your continued support and we greatly appreciate our public private partnership with LAHD.

Should you have any questions or need additional information please don’t hesitate to contact me at 213.687.2327.

Sincerely,

Saki S. Middleton
President

Agenda Item No. 4
March 15, 2023

RESOLUTION NO. 23-011

RESOLUTION OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE APPROVING A REQUEST TO WAIVE THE FORFEITURE OF THE PERFORMANCE DEPOSIT FOR THE RETURN OF SUPPLEMENTAL ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT – APPLICATION NO. CA-22-545, SOUTHSIDE SENIOR HOUSING

WHEREAS, the California Debt Limit Allocation Committee ("CDLAC") is authorized to implement the volume limit for the state on private activity bonds established pursuant to federal law, annually determine a state ceiling on the aggregate amount of private activity bonds that may be issued, and allocate that aggregate amount among state and local agencies (Gov. Code, § 8869.81 et seq.); and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5052(c), 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 timeframes set forth in the project's CDLAC resolution; and

WHEREAS, California Code of Regulations, title 4, section 5052(e) requires an applicant requesting a waiver of a performance deposit forfeiture to submit a written request to the Executive Director within a specified time period; and

WHEREAS, the project sponsor, Southside LA Housing Partners, LP, is returning supplemental bond allocation for the Southside Senior Housing project, application No. CA-22-545; and

WHEREAS, Southside LA Housing Partners, LP is requesting a waiver of the forfeiture of the performance deposit;

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee as follows:

SECTION 1. The waiver of the forfeiture of performance deposit is approved for Southside LA Housing Partners, LP in relation to Southside Senior Housing project, application No. CA-22-545.

SECTION 2. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on March 15, 2023, at 11:00 am. with the following votes recorded:

AYES:

NOES:
ABSTENTIONS:
ABSENCES:

Nancee Robles, Interim Executive Director
Date: March 15, 2023

AGENDA ITEM 5

Resolution No. 23-012, Request to Waive the Maximum Bond Allocation Amount ($75,000,000) for Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §5232)

Agenda Item No. 5
March 15, 2023

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023

Request to Waive the Maximum Bond Allocation ($75,000,000) Amount for a Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §5232)
(Agenda Item No.5)

ACTION:

Approve waiving the maximum bond allocation ($75,000,000) amount for a Qualified Residential Rental Project (QRRP) that applied in Round 1 of 2023. This does not guarantee the project will be recommended for or awarded bond allocation.

BACKGROUND:

CDLAC regulation, California Code of Regulations, title 4, section 5232(a), limits the bond allocation to no more than $75,000,000 for any proposed QRRP during a Competitive Application Process. Where a QRRP is located within one-fourth mile of another QRRP involving the same Project Sponsor or Related Party to the Project Sponsor, the Allocation amount, in the aggregate, cannot exceed $75,000,000 within a calendar year. This limit is intended to, when allocation is in short supply, ensure that allocation can be awarded to more projects and that no one project, regardless of score, utilizes a disproportionate amount of the allocation.

Additionally, CDLAC regulation Section 5232(b) states:

> "The Committee may waive the maximum allocation amount if the Committee determines that the demand for allocation for QRRPs is such that the maximum allocation amount is not warranted. An Applicant requesting an Allocation in excess of seventy-five million dollars ($75,000,000) may seek a waiver from the Committee based on the following factors:
>
> (1) The Qualified Residential Rental Project qualifies as an At-Risk Project [as defined in California Code of Regulations, title 4, section 5170]; or
>
> (2) Documentation is provided in the Application indicating why a QRRP cannot be developed in phases at a $75,000,000 level. The documentation must be specific and may include, but is not limited to, a site plan detailing the layout of the subject property, unit mix per stage of the phase, any unique features of the property which inhibits phasing, a description of infrastructure costs, and a cost breakdown by phases."

After the application deadline for any round, staff identify any bond requests that may exceed the $75,000,000 limit. Those Applicants and Project Sponsors are invited to request a waiver at the next Committee meeting to ensure that, if a waiver is granted, staff have the time necessary time to include the project in the ranking for the round.

DISCUSSION:

The project below is requesting a waiver pursuant to CDLAC regulation section 5232(b):

APPLICATION NUMBER	NAME	TOTAL REQUEST	TIMEFRAME
CA-23-479	Azuriik	$99,210,668	Applied in current round

The project received an Affordable Housing and Sustainable Communities (AHSC) program award on January 26, 2022. AHSC funding does not allow phasing. The project is being built on a subterranean garage, with 400 units on it, making the project substantially larger and costs will be significantly higher than is typical. Therefore, the project is requesting a waiver of the $75,000,000 maximum allocation limit.

Staff have determined that, as the round currently stands, an approval of this waiver request will not impact the possible award of any other project.

600 B Street, Suite 300
San Diego, CA 92101
(619) 323-1447
www.MirKaInvest.com

MirkaInvestments
Affordable Housing Development ❖ Asset Management
Financial Engineering ❖ Project Finance

February 1, 2023

Nance Robles
Executive Director
California Debt Limit Allocation Committee
915 Capitol Mall, Suite 485
Sacramento, CA 95814

Re: Request for bond allocation greater than $75,000,000 - Azuriik affordable housing project 233 Roosevelt Avenue, National City, CA 21900

Dear Ms. Robles,

This letter is to request an exception to the $75 million bond allocation limit, for our Azuriik affordable housing project in National City. We have requested $99,210,668 in new bond funding.

The project applied for and was awarded HCD AHSC funds on January 26, 2022, as a single project. As you may be aware, HCD does not allow splitting or phasing the project after the award is granted to a project as a single project.

Attached is the project site plan, and AHSC allocation letter.

Thank you!

____

By: Mirka Investments LLC, Administrative General Partner

Kursat Misirlioglu, Manager

DEPARTMENT OF HOUSING and COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE
2020 W. El Camino Avenue, Suite 670, 95833
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov

February 4, 2022

Arnulfo Manriquez, President and Chief Executive Officer
Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc.
1355 Third Avenue
Chula Vista, CA 91911

RE: Award Announcement – AHSC Program, Round 6, FY 2019-20 & FY 2020-21
PIN 47841 – *Azuriik*

Dear Arnulfo Manriquez:

The California Department of Housing and Community Development (Department) and the Strategic Growth Council are pleased to announce that Azuriik has been awarded an Affordable Housing and Sustainable Communities (AHSC) program award in the amount of $16,500,000. This letter constitutes notice of the award as approved by the Strategic Growth Council on January 26, 2022 of the following AHSC program funds:

AHSC Program *Loan* Funds	
Amount Awarded	$11,350,000
Contract Number	21-AHSC-16989

AHSC Program *Grant* Funds	
Amount Awarded	$5,150,000
Contract Number	21-AHSC-16990

The Department intends to issue a Standard Agreement within 90 days of receipt of the documentation required to execute this contract. An AHSC program representative will be in communication with you within a week to discuss and confirm any documents needed.

Congratulations on a successful application. For further information, please contact Craig Shields, Branch Chief, Program Design and Implementation – Climate Change, at (916) 823-6054 or Craig.Shields@hcd.ca.gov.

Sincerely,

Jennifer Seeger

Jennifer Seeger
Deputy Director
Division of State Financial Assistance

RESOLUTION NO. 23-012

RESOLUTION OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE WAIVING MAXIMUM BOND ALLOCATION AMOUNT FOR QUALIFIED RESIDENTAL RENTAL PROJECTS

WHEREAS, Applications to the California Debt Limit Allocation Committee (CDLAC) subject to the competitive application process for tax-exempt private activity bond allocation for Qualified Residential Rental Projects are limited to an allocation of no more that seventy-five million dollars ($75,000,000) per calendar year pursuant to California Code of Regulations, title 4, section 5232(a), of CDLAC's regulations; and;

WHEREAS, Pursuant to California Code of Regulations, title 4, section 5232(b) of CDLAC's regulations, CDLAC may approve a waiver of the maximum allocation limit if it determines the allocation limit is not warranted;

NOW, THEREFORE, BE IT RESOLVED BY THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE as follows:

Section 1. A waiver of the maximum allocation limit is granted to project CA-23-479 Azuriik.

Section 2. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on March 15, 2023, at 11:00 am. with the following votes recorded:

AYES:

NOES:
ABSTENTIONS:
ABSENCES:

Nancee Robles, Interim Executive Director
Date: March 15, 2023

AGENDA ITEM 6

Resolution No. 23-013, 23-014, Request to Extend the Bond Allocation Issuance Deadline for Qualified Residential Rental Project (Cal. Code Regs., tit. 4, §§5100,5133)

Agenda Item No. 6
March 15, 2023

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023

Request for Extension of the Bond Allocation Issuance Deadline for Qualified Residential Rental Project – Application No. CA-22-456, Cortez Hill Apartments (Cal. Code Regs., tit. 4, §§ 5100, 5133)
(Agenda Item No. 6)

Action:

Approve a 90-day bond issuance deadline extension request for the Cortez Hill Apartments project.

BACKGROUND:

Pursuant to California Code of Regulations, title 4, section 5100, the expiration date for issuing Qualified Residential Rental Project Bonds is either 180 days, 194 days, or 208 days depending on the circumstances at the time of allocation.

Per the Cortez Hill Apartments Resolution No. 22-120, if the bond allocation transferred to the applicant has not been issued by March 26, 2023, the applicant shall notify CDLAC and carryforward the allocation to the next approved project to be awarded a bond allocation in accordance with California Code of Regulations, title 4, Section 5133. In a case of extreme hardship, the Executive Director may extend this date by up to five business days.

DISCUSSION:

The applicant, the Housing Authority of the City of San Diego, is requesting a 90-day bond issuance deadline extension from March 26, 2023, to June 24, 2023.

The Cortez Hill Apartments project received an original allocation of $19,305,000 on June 15, 2022. This is a extremely low-income/very low-income, new construction project that will provide 88 total housing units. Of the units, 87 will be restricted to households earning 20% or less of area median income.

The Housing Authority of the City of San Diego has stated that the extension request is due to a pending waiver request submitted to the U.S. Department of Housing and Urban Development (HUD) to allow for the execution of an Agreement to Enter into a Housing Assistance Payments (AHAP) for 87 project based vouchers (PBV). A response from HUD is expected in March of 2023. HUD regulations do not allow for any demolition or construction prior to the AHAP execution. The project conducted demolition of the site, due to a public safety threat, prior to the AHAP execution and is pursuing the waiver with HUD to waive the prohibited demolition and allow for the execution of the AHAP prior to the construction finance closing. Without PBV assistance the project will not be financially feasible, and a closing may not be authorized.

The bond issuer, the Housing Authority of the City of San Diego, or the project sponsor, Community Housing Works, will speak on behalf of the project.

February 22, 2023

Ms. Nancee Robles
Executive Director
California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814

RE: CDLAC Application No. 22-456 / Cortez Hill Apartments / Request for 90-Day Extension
1449 Ninth Avenue / 915 Beech Street
San Diego, CA 92120

Dear Ms. Robles:

On behalf of the Project Sponsor, Community HousingWorks (CHW), the Housing Authority of the City of San Diego (Housing Authority) respectfully requests that the California Debt Limit Allocation Committee (CDLAC) approve a 90-day bond issuance deadline extension to June 24, 2023 for Cortez Hill Apartments ("Project"), CDLAC Application No. 22-456 and CDLAC Resolution No. 22-120.

On November 17, 2022, San Diego Housing Commission (SDHC) submitted a waiver request to U.S. Department of Housing and Urban Development (HUD) to allow for the execution of an Agreement to Enter into a Housing Assistance Payments (AHAP) for 87 Project Based Vouchers (PBV). Per current HUD regulations, demolition or construction of any kind, including removal of existing improvements is prohibited prior to the AHAP execution, regardless of whether said improvements pose an immediate danger and a significant public safety threat. The Project's site previously hosted a vacant and uninhabitable building that posed a public safety threat to the immediately surrounding community. And, as a result of the public safety threat, demolition was performed, unfortunately, prior to execution of the AHAP, a disallowable action according to HUD PBV regulations.

In order to ensure the Project moves forward, SDHC is pursuing a waiver with HUD, which would waive the prohibited demolition and allow for the execution of the AHAP prior to construction finance closing. A response from HUD is anticipated in March 2023. Without PBV assistance, the project is not financially feasible and without an executed AHAP, investors and lenders may not authorize a closing. Upon issuance of the approved waiver from HUD, CHW, its lenders and investors are prepared to proceed with closing.

We believe the CDLAC 90-day deadline extension is necessary because of the uncertain waiver processing timeline that has already created delays beyond the Project Sponsor's control. This extension will help accommodate HUD's review and approval. With HUD approval of said waiver request, the shovel ready Project is ready to close construction financing and begin construction immediately in order to create additional housing opportunity for the City of San Diego's most vulnerable populations.

Thank you again for your consideration. We would greatly appreciate your approval of this request. The Housing Authority values CDLAC's continued support of affordable housing projects in the City of San Diego. If you have any questions or require additional information please contact Jennifer Kreutter, Vice President of Multifamily Housing Finance, at jenniferk@sdhc.org.

The San Diego Housing Commission is the administrative agent for the Housing Authority of the City of San Diego.

Sincerely,

Emily Jacobs

Emily S. Jacobs
Executive Vice President, Real Estate
San Diego Housing Commission

Cc: Sean Spear, President & CEO, Community HousingWorks

Agenda Item No. 6
March 15, 2023

RESOLUTION NO. 23-013

RESOLUTION OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE APPROVING A REQUEST FOR EXTENSION OF THE BOND ALLOCATION ISSUANCE DEADLINE FOR QUALIFIED RESIDENTIAL RENTAL PROJECT – APPLICATION NO. CA-22-456, CORTEZ HILL APARTMENTS

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC) is authorized to implement the volume limit for the state on private activity bonds established pursuant to federal law, annually determine a state ceiling on the aggregate amount of private activity bonds that may be issued, and allocate that aggregate amount among state and local agencies (Gov. Code, § 8869.81 et seq.); and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5100, the expiration date of an award of a portion of the state ceiling is required to be specified in the CDLAC resolution and to start from the date on which CDLAC awards it; and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5100, the expiration date for issuing bonds awarded by CDLAC as exempt Qualified Residential Rental Project bonds is either 180, 194, or 208 days depending on the circumstances at the time of allocation; and

WHEREAS, CDLAC Resolution No. 22-120, adopted June 15, 2022, for the Cortez Hill Apartments project, application No. CA-22-456, requires the Housing Authority of the City of San Diego, if the bond allocation transferred to the Housing Authority of the City of San Diego has not issued bonds by March 26, 2023, to notify CDLAC and carryforward the bond allocation to the next approved project to be awarded a bond allocation pursuant to California Code of Regulations, title 4, section 5133. In a case of extreme hardship, the Executive Director may extend this date by up to five business days; and

WHEREAS, the Housing Authority of the City of San Diego has requested a 90-day extension, with a new bond issuance deadline of June 24, 2023;

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee as follows:

SECTION 1. The bond issuance deadline extension request is approved for application No. CA-22-456 for the Cortez Hill Apartments project, with a new bond issuance deadline of June 24, 2023.

SECTTION 2. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on March 15, 2023, at 11:00 am. with the following votes recorded:

AYES:
NOES:
ABSTENTIONS:
ABSENCES:

Nancee Robles, Interim Executive Director
Date: March 15, 2023

Agenda Item No. 6
March 15, 2023

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023

Request for Extension of the Bond Allocation Issuance Deadline for Qualified Residential Rental Project – Application No. CA-21-724, Manchester Urban Homes (Cal. Code Regs., tit. 4, §§ 5100, 5133)
(Agenda Item No. 6)

Action:

Approve a 90-day bond issuance deadline extension request for the project.

BACKGROUND:

Pursuant to California Code of Regulations, title 4, section 5100, the expiration date for issuing Qualified Residential Rental Project Bonds is either 180 days, 194 days, or 208 days depending on the circumstances at the time of allocation.

Per the Manchester Urban Homes Resolution No. 21-238, the project received a $35,933,000 tax-exempt bond allocation and issuance deadline of June 6, 2022. At the May 25, 2022 Committee meeting an automatic 90-day extension of the issuance deadline was issued for all projects awarded on December 8, 2021 due to volatile conditions in the market resulting from the COVID-19 pandemic, effectively extending the bond issuance deadline to September 9, 2022. Additionally, the Committee extended the issuance deadline for projects that submit a supplemental bond application during the automatic 90-day extension until the project is awarded supplemental allocation plus time to close bonds. On September 1, 2022 the project submitted a supplemental application. On November 30, 2022, CDLAC awarded an additional $4,692,000 supplemental bond allocation. In aggregate, CDLAC awarded the $40,625,000 bond allocation and required that the tax-exempt bond be issued by March 30, 2023.

DISCUSSION:

According to the Applicant and the Sponsor, the project has experienced a dramatic and unexpected increase in total development costs related to rising building costs, supply chain disruptions, a shortage of skilled labor and interest rate increases. Among other things, the Sponsor reviewed value engineering/cost cutting recommendations/ideas, submitted funding applications for a number of additional soft sources and worked with the lenders and tax credit investor to explore pricing increases and interest rate reductions. The project was able to secure additional funding and is otherwise ready to begin construction. According to the sponsor a 90-day extension is essential the execution of the additional funding.

The bond issuer, the City of Los Angeles, or the project sponsor, Abode Communities, will speak on behalf of the project.

Ann Sewill, General Manager
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

City of Los Angeles

Karen Bass, Mayor

LOS ANGELES HOUSING DEPARTMENT
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Tel: 213.808.8808

housing.lacity.org

February 23, 2023

Nancee Robles, Interim Executive Director
California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814

Via Email

Re: Manchester Urban Homes (Resolution No. 21-238)
Request for 90-Day Extension

Dear Ms. Robles,

On behalf of the sponsor for Manchester Urban Homes, (the "Project"), the City of Los Angeles ("Applicant") is requesting a 90-day extension of the allocation expiration date from March 30, 2023 to June 30, 2023.

The City's request is based upon sponsor's written request (attached) which is due to needing additional time to include additional financing for the uncontrollable and unforeseeable construction cost increases, which entails allowing the source to conduct due diligence, receive authorities, and prepare loan documents.

On December 8, 2021 the Project received a $35,933,000 tax-exempt bond allocation from CDLAC with a bond issuance deadline of June 6, 2022. On May 25, 2022 CDLAC granted an automatic 90-day extension of the issuance deadline due to volatile conditions in the market resulting from the COVID-19 pandemic, effectively extending the bond issuance deadline to September 9, 2022. Additionally, CDLAC extended the issuance deadline for projects that submit a supplemental bond application during the automatic 90-day extension until the project is awarded and given a new issuance deadline. On September 1, 2022 the Project submitted a supplemental application. On November 30, 2022, CDLAC awarded an additional $4,692,000 supplemental bond allocation. In aggregate, CDLAC awarded the $40,625,000 bond allocation and required that the tax-exempt bond be issued by March 30, 2023.

The City and the sponsor are working diligently to resolve all outstanding matters in order to close financing and comply with CDLAC's bond issuance deadline. In light of the foregoing, we respectfully request a 90-day extension of City's bond issuance deadline through June 30, 2022.

The Applicant very much appreciates your consideration of this request. If you have any questions, please do not hesitate to contact Carmen Velazquez of my staff at (213) 808-8691 or carmen.velazquez@lacity.org. Please indicate your approval (and/or additional conditions) under separate cover.

Sincerely,

Georgina Tamayo
Housing Programs Manager

February 24, 2023

Nancee Robles
California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814

Re: CDLAC Resolution No. 21-238
Extension request

Dear Ms. Robles,

On behalf of the entire Manchester Urban Homes development team, we are happy to report that the Manchester Urban Homes (MUH) project has recently secured funding from State and local resources to cover the funding gap that caused the project to pause closing activities last year. However, because this only occurred recently, we are in need of a 90 day extension to the March 30, 2023 bond closing deadline. The extension is needed in order to allow the City of Los Angeles and HCD time to complete final approvals and draft/finalize loan and grant agreements.

Manchester Urban Homes received a tax exempt bond allocation award as well as both state and 4% low income housing tax credits in December 2021. These awards came with a readiness/bond closing deadline in June 2022. As you know, since that time, the project has experienced a dramatic and unexpected increase in total development costs related to rising building costs, supply chain disruptions, a shortage of skilled labor and interest rate increases.

As soon as the general contractor's bid was received in April 2022, the development team paused the closing activities and focused all their attention on finding ways to fill the funding gap. Among other things, the MUH team reviewed value engineering/cost cutting recommendations/ideas, submitted funding applications for a number of additional soft sources and worked with the lenders and tax credit investor to explore pricing increases and interest rate reductions.

Over the last few weeks, the hard work finally paid off. The project secured an award of HCD IIG funding in early February. In addition, last week the City of Los Angeles notified the developers that they were working on forward committing 2023/2024 affordable housing dollars towards projects which, had financing gaps, but were otherwise ready to start construction. MUH is now included in LAHD's Fast Track Loan Program that is being expedited through the City's approval process. That commitment of $7M is the final piece needed in order to get the project under construction.

Given that the City of Los Angeles is now working through the approval process, the project is requesting an extension of the readiness closing deadline. A 3 month extension is essential to provide the City the necessary time to process final approvals through City Council as well as to draft/finalize new loan documents. In addition, HCD also needs additional time to complete the Standard Agreement process for the IIG funding and the other lenders and investor must pick up where they left off last year.

We genuinely appreciate your assistance and support throughout our efforts to close this much needed project during this very unusual and difficult time. We are excited to move forward with such great financing partners that have stuck with the project for so longer under very tough circumstances! Should you have any questions or need additional information, please feel free to contact me at lregus@abodecommunities.org.

Sincerely,

DocuSigned by:
Lara Regus
595E3E26133A432...

Lara Regus
Senior Vice President, Development

Agenda Item No. 6
March 15, 2023

RESOLUTION NO. 23-014

RESOLUTION OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE APPROVING A REQUEST FOR EXTENSION OF THE BOND ALLOCATION ISSUANCE DEADLINE FOR QUALIFIED RESIDENTIAL RENTAL PROJECT – APPLICATION NO. CA-21-724, MANCHESTER URBAN HOMES

WHEREAS, the California Debt Limit Allocation Committee ("CDLAC) is authorized to implement the volume limit for the state on private activity bonds established pursuant to federal law, annually determine a state ceiling on the aggregate amount of private activity bonds that may be issued, and allocate that aggregate amount among state and local agencies (Gov. Code, § 8869.81 et seq.); and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5100, the expiration date of an award of a portion of the state ceiling is required to be specified in the CDLAC resolution and to start from the date on which CDLAC awards it; and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5100, the expiration date for issuing bonds awarded by CDLAC as exempt Qualified Residential Rental Project bonds is either 180, 194, or 208 days depending on the circumstances at the time of allocation; and

WHEREAS, CDLAC Resolution No. 21-238, adopted December 8, 2021, for the Manchester Urban Homes project, application No. CA-21-724, requires the City of Los Angeles, if the bond allocation transferred to the City of Los Angeles has not issued bonds by March 30, 2023, to notify CDLAC and carryforward the bond allocation to the next approved project to be awarded a bond allocation pursuant to California Code of Regulations, title 4, section 5133. In a case of extreme hardship, the Executive Director may extend this date by up to five business days; and

WHEREAS, the City of Los Angeles has requested a 90-day extension, with a new bond issuance deadline of June 30, 2023;

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee as follows:

SECTION 1. The bond issuance deadline extension request is approved for application No. CA-21-724 for the Manchester Urban Homes project, with a new bond issuance deadline of June 30, 2023.

SECTTION 2. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on March 15, 2023, at 11:00 am. with the following votes recorded:

AYES:

NOES:
ABSTENTIONS:
ABSENCES:

Nancee Robles, Interim Executive Director
Date: March 15, 2023

AGENDA ITEM 7

Recommendation for Award of Allocation to Qualified Private Activity Bonds for Exempt Facility (EXF) Projects (Round 1)

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
Exempt Facilities Program 2023 Round 1
Recommendation List

App. No.	Applicant	Project Name	Requested Amount	Recommended Amount	Round 1
Round 1 Allocation					**$200,000,000**
23-102	California Public Finance Authority	TPI-Holloway Lost Hills Recycling Project	$150,000,000	$150,000,000	
				Remaining allocation being rolled into Round 2	**$50,000,000**
				Total Available for Round 2	**$250,000,000**

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN EXEMPT FACILITY PROJECT

Prepared by: Anthony Wey

Applicant: **California Public Finance Authority**

Allocation Amount Requested: $150,000,000

Project Information:

Name:	**TPI-Holloway Lost Hills Recycling Project**
Project Addresses:	14045 Holloway Road
Project Cites, Zip Codes:	Unincorporated (four miles from Lost Hills), 93249
County:	Kern County

Project Sponsor Information:

Name:	TPI-Holloway Metals Recovery, LLC
Address:	2001 Kenilworth Ave., Capitol Heights, MD
Principals:	Derek Whitwer
Contact:	Derek Whitwer
Phone:	(301) 873-0442

Project User Information:

Name:	Same as Project Sponsor
Address:	Same as Project Sponsor
Contact:	Same as Project Sponsor
Phone:	Same as Project Sponsor

Project Financing Information:

Bond Counsel:	Ice Miller LLP
Underwriter:	B.C. Ziegler and Company
TEFRA Hearing Date:	TBD

Project Sponsor's Principal Activity:

Automotive shredder residue processing and recycling facility.

First Tier Business (Yes/No): Yes

Regulatory Mandate (Yes/No): No

Details of Project Financing

Sources of Funds:		
Tax-Exempt Bond Proceeds	$	150,000,000
Other Company Sources	$	32,705,000
Total Sources	$	182,705,000
Uses of Funds:		
Site Preparation	$	20,000,000
Construction of New Buildings	$	10,000,000
Acquisition/Installation of New Equipment	$	100,000,000
Bond Issuance Expenses (Including Discount)	$	4,205,000
Interest During Construction	$	28,500,000
Working Capital Debt Service Reserve	$	20,000,000
Total Uses	$	182,705,000

Description of Proposed Project:

TPI-Holloway Metals Recovery, LLC's proposed recycling facility near Lost Hills, CA, will consist of a 3D separation plant, a falling velocity separator plant, a fluidized inertia separator plant, a water clarifying plant, spiral plant, shredding plant, and a screening plant. The end products to be provided by the proposed project include copper, stainless steel, aluminum, and other precious metals.

Environmental Impact:

1) Air Quality:
The design of the separation technology is a closed loop water-based system that employs electric motors on many of its components, greatly reducing air emissions compared to dry separation. Thus, dust, diesel motor emissions, and other greenhouse gas emissions are reduced by over 80% compared to traditional copper and alumina mining.

2) Water Quality:
The plant is designed to separate stormwater and process water. The processed water is recovered using several means, such as filter presses, screw presses, and the like, then it is sent through a closed loop clarifying system for re-use. This will significantly mitigate water quality impact.

3) Energy Efficiency:
The plant processes fewer tons of infeed to recover the same amount of these metals than a traditional mining operation processes. Copper ore and aluminum are recovered at less than 1% in traditional mines, making the Project Sponsor 3-4x more efficient in its use of fuel and power.

4) Recycling of Commodities:
The Project Sponsor will recycle primarily copper, aluminum, stainless steel, and precious metals that would otherwise be sent to a landfill. The Project Sponsor will sort these metals into a smelter-ready product so that they can be reused in many industries.

5) Safety and Compliance:
The Holloway Group, a partner in this venture, which owns and manages the landfill where the project will be located, is in the business of solid waste disposal and has a strong track record in complying with California's regulations regarding solid waste.

Local Government Support:

The Applicant provided a letter of support from the government entity where their company is currently located.

Legal Questionnaire:

Please see legal memo.

Recommendation:

Staff recommends approval of $150,000,000 in tax exempt bond allocation.

AGENDA ITEM 8

Recommendation for Award of Allocation to Qualified Private Activity Bonds for Industrial Development Bond (IDB) Projects (Round 1)

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
Industrial Development Bonds Program 2023 Round 1
Recommendation List

App. No.	Applicant	Project Name	Requested Amount	Recommended Amount	Round 1
Round 1 Allocation					**$15,000,000**
23-101	California Enterprise Development Authority	JBR, Inc. Project	$6,000,000	$6,000,000	
				Remaining allocation being rolled into Round 2	**$9,000,000**
				Total Available for Round 2	**$24,000,000**

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A SMALL-ISSUE INDUSTRIAL DEVELOPMENT BOND PROJECT

Prepared by: Jake Salle

Applicant: California Enterprise Development Authority

Allocation Amount Requested: $6,000,000

Project Information:

Name: JBR, Inc. Project

Project Address: 1731 Aviation Blvd.

Project City: Lincoln

County: Placer

JBR Inc. doing business as Rogers Family Company grows, imports and roasts its own 100-percent organic coffee beans. The Lincoln-based roasting and manufacturing facility is located southwest of Placer county and is situated in the industrial part of the city. The company is devoted to producing quality coffee at an affordable cost and still maintaining it's environmentally and socially responsible vision.

Project Sponsor Information:

Name: Rogers Family Real Estate Partnership, LP
Principals: Lisa Smoot, Co-CEO and James Rogers, Co-CEO
Contact: Lisa Smoot and James Rogers
Phone: (213) 312-4009

Project User Information:

Name: Same as project Sponsor
Principals: Same as Project Sponsor

Project Financing Information:

Bond Counsel: Sam S. Balisy, Kutak Rock LLP
Underwriter: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Hearing: October 11, 2022

Description of Proposed Project:

The project consists of improving and replacing various equipment to be more energy-efficient.

Principal products to be manufactured: Whole bean, ground, and OneCUP Pod coffee.
Number of jobs created: 0
Number of jobs retained: 192

Legal Questionnaire:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Recommendation:

Staff recommends that the Committee approve $6,000,000 in tax exempt bond allocation.

DESCRIPTION OF PROPOSED PROJECT:

- ***Description of project, renovation or new construction, the number of square feet to be constructed/renovated:***
  The property is an irregular-shaped parcel of 11.15 acres. The rectangular building that sits on the parcel was constructed in 1998 and is a warehouse with a small confined office space. Since Rogers Family Corporation occupation of the building, the company has made some upgrades to the building, including the installation of 4,000 solar panels on the facility's roof to generate clean energy to power the building's electricity. The building is 100% occupied by Rogers Family Company and is used as a coffee processing facility. The property is situated within the confines of a single assessor's parcel, which encompasses 11.3 acres of land area. While comprising its own assessor's parcel number, the subject itself is attached on one side and represents one-half of a building with a zero lot line. Thus, the building in which the subject is situated has two separate assessor's parcels and is partitioned to enable the transfer of each half as a separate, legal entity. While the building is functional for its current use, if the company continues to expand, the warehouse will need a full cargo circulation around the entire structure depending on the operation.

- ***Type of equipment being purchased:***
  Equipment that will be purchased will be an industrial coffee roasting machine called Roaster Heat capture and reuse, a 3D printer, Nespresso machine, and new Roasters(s). The site will replace the old elevator with a pneumatic elevator which is energy-efficient and requires little maintenance. Other equipment that need to be replace: hardware, green cleaning and dust abatement, "dry cleaner" parts storage system, dragon formers, pelletizer, primero silo, racking for green coffee, jopper roasters - retro's, green unloading, dump station for green to silos, N2 degassing/storage, CMMS, V2 door, compressor, package automation, palletizing, autobox P1 and P2.

- ***Principal Products to be manufactured:***
  Whole bean and ground, and the company's popular biodegradable OneCUP coffee pods.

- ***Purpose of the Project:***
  To upgrade and improve the efficiency of the manufacturing facility.

- ***Sources of Funds:***

Tax-Exempt Bond Proceeds		$	6,000,000
Taxable Bond Proceeds		$	0
Project Sponsor Equity		$	0
Other Sources		$	0
	Total Sources	$	6,000,000

- ***Uses of Funds:***

Land Acquisition		$	0
Existing Building(s) Acquisition		$	790,000
Used Equipment Purchase & Installation		$	5,060,000
Legal, Permits, etc.		$	0
Cost of Issuance (including discount)		$	150,000
Letter of Credit of Bond Insurance Fee		$	0
Other Costs		$	0
	Total Uses	$	6,000,000

AGENDA ITEM 9

Resolution No. 23-015, Reduction in the Tiebreaker Calculation for Qualified Residential Rental Projects Awarded Supplemental Allocation Where the Original Allocation was Awarded in Round 2 of 2022 or Later

(Cal. Code Regs., tit. 4, §5240)

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2023

Reduction in the Tiebreaker Calculation for Qualified Residential Rental Projects Awarded Supplemental Allocation Where the Original Allocation was Awarded in Round 2 of 2022 or Later (Cal. Code Regs., tit. 4, §5240)
(Agenda Item No. 9)

ACTION:

Establish a standard tiebreaker reduction for Sponsors who receive supplemental allocation for projects awarded in Round 2 of 2022 or later.

BACKGROUND:

Under California Code of Regulations, title 4, section 5240(c):

> "(c) For projects awarded Supplemental Allocation where the original allocation was awarded in Round 2 of 2022 or later: (i) no increase in developer fee will be permitted in association with the increase in costs related to the project and (ii) the Project Sponsor will be subject to reduction in its tiebreaker calculation determined by the Committee for a period of one round following the award of Supplemental Allocation."

DISCUSSION:

When 5240(b) was amended, which delegated authority to the Executive Director to award supplemental allocation, there were concerns from staff, members of the public and the committee that if supplemental allocation were too easy to access that Applicants could easily under-request allocation for a competitive scoring advantage and then receive supplemental allocation after being awarded. This concern was for Round 2 of 2022 projects or later because prior to Round 2 of 2022, 5240(b) had not been amended and the Supplemental Allocation Pool had not been funded. It was discussed at the May, June, and July 2022 Committee meetings that a consequence was necessary for receiving supplemental allocation after the adoption of 5240(b). There were concerns that negative points may be too severe as they would most likely cause certain Sponsors to not be competitive. It was decided that a tiebreaker reduction determined by the Committee based on market conditions and the actual usage of the supplemental allocation pool was a more balanced approach. At the July 20, 2022 Committee meeting, amendments to 5240(b) were adopted as was the addition of 5240(c) and the Supplemental Allocation Pool was funded. At the February 1, 2023 Committee meeting, the Committee voted to once again fund the Supplemental Allocation Pool.

Since there has only been one round since a new tiebreaker was adopted, staff could only look to Round 2 of 2022 when making a recommendation for a tiebreaker reduction. Staff is recommending the Committee adopt a 2% tiebreaker reduction. A 2% reduction may impact a project's competitiveness without having devastating consequences for any one Sponsor. Staff will continue to assess the 2% tiebreaker reduction as market conditions change and more data is available and may recommend changes in the future.

RECOMMENDATION:

Staff recommends approval to adopt Resolution No. 23-015 to establish a 2% reduction to Sponsors' tiebreaker when an award of supplemental allocation is received for projects awarded allocation in Round 2 of 2022 or later.

Agenda Item No. 9
March 15, 2023

RESOLUTION NO. 23-015

RESOLUTION OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE ADOPTION OF A REDUCTION IN THE TIEBREAKER CALCULATION FOR QUALIFIED RESIDENTIAL RENTAL PROJECTS AWARDED SUPPLEMENTAL ALLOCATION WHERE THE ORIGINAL ALLOCATION WAS AWARDED IN ROUND 2 OF 2022

WHEREAS, the California Debt Limit Allocation Committee ("CDLAC") is authorized to implement the volume limit for the state on private activity bonds established pursuant to federal law, annually determine a state ceiling on the aggregate amount of private activity bonds that may be issued, and allocate that aggregate amount among state and local agencies (Gov. Code, § 8869.81 et seq.); and

WHEREAS, applications to CDLAC for supplemental allocation for Qualified Residential Rental Projects are awarded under California Code of Regulations, title 4, section 5240; and

WHEREAS, pursuant to California Code of Regulations, title 4, section 5240(c), for projects awarded supplemental allocation where the original allocation was awarded in Round 2 of 2022 or later the project sponsor will be subject to reduction in its tiebreaker calculation determined by CDLAC for a period of one round following the award of supplemental allocation;

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee as follows:

SECTION 1. The Qualified Residential Rental Program tiebreaker reduction for sponsors awarded supplemental allocation where the original allocation was awarded in Round 2 of 2022 or later shall be 2%.

SECTION 2. This Resolution shall take effect immediately upon its adoption.

CERTIFICATION

I, Nancee Robles, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Jesse Unruh Building, 915 Capitol Mall, Room 587, Sacramento, California 95814, on March 15, 2023, at 11:00 am. with the following votes recorded:

AYES:

NOES:
ABSTENTIONS:
ABSENCES:

____
Nancee Robles, Interim Executive Director
Date: March 15, 2023

AGENDA ITEM 10

Public Comment

AGENDA ITEM 11

Adjournment