California Debit Limitation Allocation Committee Meeting
Wednesday, September 16, 2020
10:00 a.m. to 3:15 p.m.

>> Treasurer Ma: Calling the California Debt Limit Allocation Committee to order. It is Wednesday, September 16th. It is 11:04 a.m., and we are meeting at 915 Capitol Mall in the 5th floor conference room and also virtually.

Item 1: Attendees: Anthony Sertich for State Controller Betty Yee, Keely Bosler for Governor Gavin Newsom, Tia Boatman Patterson, California Housing Finance Agency Director, Gustavo Velasquez, Housing and Community Development Director.

>> We have a quorum. Executive Director's report. Judith is not here today. Do we have a report from the staff?

>> Evan Kass: First off, I would like to offer my sincere thanks to the CDLAC Team. Even with regular regulation board meetings, training new staff, and processing day-to-day transactions, we persevered and worked our way through 75 applications for this round. I can't tell you how proud I am of this team, this CDLAC team. We all came together. This is an allocation meeting, so I'll briefly discuss the round. When considering staff recommendations for allocation after ranking the projects by score and tiebreaker value, staff is recommending applying Carryforward allocation first as it has an expiration associated with it, and then staff recommends applying allocation of the 2020 State Ceiling to the apportionment levels for the rounds set by the Board. And in the case of this round, it was adjusted on May 20th to add $92 million to New Construction and $67 million as an apportionment for the Mixed Income Pool. There is also an exempt facility project in this round for $150 million. Richard Fischer will discuss this.

Since we're still in a COVID situation, I would recommend a 60-day penalty-free return policy like we did in April for projects receiving allocation awards today. We know allocation is scarce, and we want to make sure the projects that are shovel-ready are ready to go, but I'm throwing it out there for the thoughts from the Board if we want to do the 60-day return policy like we did in April.

CPFA is expecting to bring $122 million in projects for the remainder of the year. As the Treasurer mentioned in recent board meetings, we're planning to have an exempt facilities allocation meeting. As CPCFA has been without an executive director for some time, staff suggests this exempt facilities meeting occurs on November 18th, 2020, at 11am. The application deadline, we're suggesting is October 2nd. And this would be open, of course, to all issuers of exempt facilities bond allocations.

And then after the application of the CPCFA projects, staff estimates the existing December 9th apportionment to be at a deficit of approximately $125 million. Now there will definitely be Volume Cap available in December. It just won't be at the original levels. The Board has allocated more projects “below the line” at a prior meeting and because of those actions and with the exempt facilities projects coming to the Board, there might be a shortage.

Now this amount has changed since we last talked because there is a recent withdrawal we just heard about, so we're estimating the deficit at this point of $115 million. We'll discuss this in a little bit later in Item 5 in today's meeting. As we encounter projects issuing for less than the allocation award and possible reversions, we may have more Carryforward in 2020 State Ceiling to work with in December.

Lastly, I would like to remind our stakeholders that we expect to get the 2021 Demand Survey for CDLAC out this week Friday. We kindly ask that you carefully fill out the surveys and return it to us by October 2nd. Thank you. And that concludes my report.

>> Anthony Sertich: Did any of the projects return their allocation within the 60 days?

>> Evan Kass: From the April round, nobody returned their allocation. But I am suggesting a 60-day penalty-free return policy for this round as we get tighter with the allocation. We want to make certain that the issuers assess their projects as being shovel-ready and give them a chance to return the allocation penalty-free.

>> Treasurer Ma: Has anybody asked for any extensions?

>> Evan Kass: Yes. We have gotten extension requests from the April round.

>> Treasurer Ma: And what has been the response? Are we granting extensions?

>> Evan Kass: We are granting extensions. However, since these projects did have the opportunity to return allocation within that 60-day period and did not, we are still assessing the penalty of performance deposit forfeiture. But we have decided in these particular cases not to assess negative points on these projects.

>> Treasurer Ma: So this was something we discussed earlier at a board meeting about whether we would assess negative points, also whether we would return performance deposits if applicants came forward within the 60 days, right? So, right now nobody has come forward to return any of the allocation, but there have been a number of extension requests. So we're granting the extensions, but we are not returning the performance deposits, and we are not granting negative points. Is that what staff decided?

>> Evan Kass: Yeah, we're not assessing negative points.

>> Treasurer Ma: Not assessing negative points. Was that everyone's understanding, board members, from prior meetings? Tia.

>> Tia Boatman Patterson: I just want to make sure that staff has the ability to manage so that anything that is going to be returned is returned so that it will be available for the December round. And if they're not enforced -- if you're granting extensions and people aren't turning it back, that seems like a difficult administrative management issue. At some point you have to have a cutoff date where if you're not going to use it, you need to give it

back so that other people can have it for the December round. And it just sounds like there's a mismatch between granting an extension and then giving people the ability to return back the allocation for the December round.

>> Treasurer Ma: I don't recall us setting a deadline, but I think we should as a Board so that we can reassign the unused 2020 allocation to those projects who are shovel-ready and can use it, so. We will take it up in Item Number 5.

>> Keely Bosler: I do think that we need to think this through as we're working on the entire regulatory package, which is not before us today. But we need to think about this Carryforward issue. And I do understand it's probably going to be less in future years because you're doing so much more to allocate this bond cap. But I am concerned about notice and giving people a fair chance to understand what's coming up and then to have an opportunity to react. And right now it just feels like it's very fluid, and we don't have a good view forward from month to month on things. So, it feels like maybe staff should work on a recommendation on how to deal with Carryforward this year and next year so we understand what's coming in and what's been unused. And I think it really links to what Ms. Patterson just said regarding the need to have some clear rules so that people aren't just sitting on bond cap and not utilizing it. A whole new system needs to put in place to adjust to the scarce resource that we have today. And I applaud all of the hard work that you all have been doing for months. So I'm just a carpetbagger over here. Maybe we do Carryforward with allocations perhaps a couple of times a year so that there's time to plan.

>> Treasurer Ma: Thank you, Keely. When Judith took over CDLAC in February of this year, we found out that the Carryforward had not been kept up to date, even as far back as when I became Treasurer in January of 2019. So we have created new policies and procedures which Richard can talk about it. He is now designated to be the Carryforward expert. I'll have Richard just talk a little bit about what he's done since we appointed him to this position, and then Spencer Walker, Esq. will talk about what we have done to be more transparent in this process. Richard.

>> Richard Fischer: Briefly, following staff management instructions, I've been working with our issuers to figure out who has a Carryforward allocation from a previous year by going through IRS Forms 8328. Once that is filed, that Carryforward technically belongs to that bond issuer. We have been keeping track of that bond issuer's issuances and what has been unused. Our major issuers have been supplying us a month-to-month Carryforward balance. We have three issuers giving us weekly balances so we have a clearer picture of where we stand.

>> Treasurer Ma: Richard, how long have you been working this on this project?

>> Richard Fischer: Ever since Judith assigned it to me the end of March.

>> Treasurer Ma: I discussed this issue with Spencer Walker, our general counsel, yesterday. Spencer.

>> Spencer Walker: Just to ensure that the committee is as transparent as we can be, I am recommending that CDLAC immediately post any changes to the Carryforward Schedule. I'm also recommending that the list be revised in such a way that stakeholders clearly understands the Carryforward schedule. We need to be able to follow who receives an allocation, what is not being used and what the carryforward number is. I went over the staff prepared Carryforward schedule with the Treasurer, who's a trained accountant and she couldn't understand it. If she can't understand it, if I can't understand it, and the stakeholders can't understand it, the format needs to be changed.

>> Treasurer Ma: So we are working on a process, Keely, to make sure the Carryforward Schedule is understandable by even a lay person.

>> Tia Boatman Patterson: This is something that Ms. Miller had requested early on and so this is consistent with her dashboard approach. If you remember, Ms. Miller had requested earlier on in the year that there be a running dashboard. And what Mr. Walker has outlining and what Richard has been doing, is that work. We need to put it all together so that we get that information regularly. It seems like you guys are on the right track to getting those processes up in place and then what that report looks like on an ongoing basis.

>> Ben Barker: I'm Ben Barker of the California Municipal Finance Authority. Just a quick comment or clarification on the extensions, requests and performance deposits. I totally agree with Ms. Boatman Patterson that we can't grant an infinite amount of extensions for indefinite amounts of time. If people aren't going to be able to complete their projects, they should be turning in their allocation so that people with shovel-ready projects can use them. The normal process has been: once you ask for an extension, you automatically forfeit your performance deposit. I think there's some confusion re the normal process after that. An applicant must issue bonds and once the bonds are issued, the applicant can come back to CDLAC and ask for a waiver of the performance deposit, and the waiver of negative points, which has been deemed that they won't be given, and then you can ask for the performance deposit back. And then it's up to the Board to deem if they get the performance deposit back. I think that's where we've heard a lot of questions in the marketplace of what's going to happen, and I think the process still stands exactly as has been laid out: You have that 60-day period to give it back, no harm, no foul, or you kind of go through the normal process. And you automatically lose your performance deposit if you have any extension other than a 5-day hardship extension, which is always a confusing part in the market. But you automatically lose your performance deposit and you have to request it back after you close, and the Board has to approve that return of the performance deposit.

>> Sarah Lester: I just need a little clarification. The typical process has been if an applicant asks for an extension, they automatically lose your performance deposit, and it's handed over to CDLAC. So my question is: after the bonds close or they're issued, does the applicant have

the opportunity to come back to the CDLAC board and request a return of the performance deposit?

>> Treasurer Ma: What has the CDLAC staff been doing?

>> Sarah Lester: When we get requests for waiver of forfeiture in open rounds, we've been taking those one by one and presenting it to the Board for Board ratification. And those requests would come after the round, it wouldn't necessarily be by bond-issuance time that the requests would come in. A waiver of forfeiture has always come after the bonds were issued though. The performance deposit is required but we are not going to return the performance deposit if the bond is never issued. If at expiration date you don't issue the bonds, then we will request the performance deposit to be forfeited. So if an applicant does not issue the bonds, they send us a letter notifying us, and then that applicant may request a waiver of the forfeiture of the performance deposit. But once we take the performance deposit, there is no stipulation that says the applicant could come back and ask for a request for the waiver that you've already forfeited.

>> Anthony Sertich: Madam Treasurer, can we move on? Because that sounds like a separate issue that probably needs to be dealt with administratively.

>> Treasurer Ma: So we're going to talk about it again in Item 5 because we also want to make sure that whoever can return the bond allocation before the end of the year or before the next round does so because there are projects that are waiting. And so there has to be some sort of deadline and understanding. For example, regarding the April round, we did grant automatic extensions to anyone who needed it until December 1st. For 60 days we said that we would not assess negative points, but we didn't create a deadline for it. So let's wait until we discuss Item 5. Anyone have any other comments before we move on to Item Number 3?

>> Anthony Sertich: I would like to take Item 5 before we get to Item 4 since I don't think we can approve the project until we know how much there is in the Carryforward.

>> Treasurer Ma: I would agree with you. So we will take Item Number 3, Item Number 5, and then Item Number 4, in that order. Any comments? No comments? So let's move on to Item Number 3, Consideration of an Exempt Facility Application for an Allocation of the State Ceiling on Qualified Private Activity Bonds. This is an action item. Richard.

>> Richard Fischer: CDLAC received one application from California Municipal Financial Authority for $150 million from the Waste Management Incorporated -- just to speed things along here. Staff recommends approval of $150 million.

>> Treasurer Ma: The allocation would go toward improvements at a number of their facilities in Livermore, Anderson, Morgan Hill, McKittrick, Palmdale, Lancaster, Simi Valley,

Azusa, Novato, San Jose, Kettleman Hills, and Sun Valley, California locations. Any members of the Board have any questions?

>> This is an action item. So I will need a motion and then a second. Any members of the public? Seeing none, I have a motion by Mr. Sertich. A second by Ms. Bosler. This application and the allocation has been unanimously approved.

>> Treasurer Ma: So let's go to Item Number 5. Evan, can you talk about your updated spreadsheet titled, "Tracking of 2020 Volume Cap Usage and Balance."

>> Evan Kass: The Board has this. And we've just recently tried getting this posted, so it'll be on the web shortly. But I will describe it so everybody can follow along. So we've been tracking the 2020 Volume Cap, round by round, since the beginning. When we apportioned the State Ceiling in January, we had $4.15 billion to work with. We split it up into the "General Pool" which included the sub pools of "Other Affordable," "New Construction" and "Preservation." We also had the following pools: "Mixed Income," "Rural" and "Single Family." We voted to allow Calvets to do their "Single Family" project. And then there's $10 million for "Industrial Development Bonds" and "Exempt Facilities" had an allocation of $639 million. There was $300 million or so in carryforward over to this year. The Virgin Trains (Brightline/Express West) needed a total of $600 million. At the end of the year last year we awarded $300 million for CMFA to hold to Carryforward. When the Virgin Trains projects was ready in April, we took a $300 million from Carryforward that was held by CMFA, and then $300 million directly out of the 2020 State Ceiling. In February, there were Mixed Income Projects for a total of $173 million. In total, we used $484 million of the 2020 State Ceiling in February. So that left us with a balance of $3.6 billion if you look at the total line at the end of February after applying what we used.

So that brought us into April. April was a rather large round. We had originally apportioned $369 million, but we extended that in the April meeting to do close to $800 million in New Construction. So we increased that amount partly using the Carryforward that was available, which was mainly at that point a combination of leftover CSCDA -- and Richard, maybe you can tell us where some of the other pieces are. But in total we used $178,581,000 from the Carryforward that was available to use that had not expired.

So for New Construction to make up that $800 million, we used the Carryforward and then we also pushed forward some of the allocation for the year to beef that up. So New Construction was large. And then Preservation was $77 million so that left a deficiency in April. If you recall, there were a few projects with CalHFA in the City and County of San Francisco. So that left a $79 million deficiency that had to be filled, which we can talk about later.

So after using of $1.9 billion of 2020 Volume Cap, there was $1.67 billion left of the State Ceiling for Volume Cap. And then that is what we had available going into May. In May, we awarded a $100 million to CalVet for their Single-Family projects. That brought us down to $1.572 billion. And then we come to this round. And if we were to follow staff's recommendation, there is $234,865,925 available. That's the amount of Carryforward available. Per CalHFA, we just learned that that number is actually is a little bit higher than that. We also have Carryforwards from CSCDA, CalPFA, LA City, CalHFA and the City of San Diego. Staff is recommending using the $234 million in the Carryforward. So the $1.5 billion from May and using staff's recommendation for the current year's State Ceiling of $882 million in this round, would leave us with $690 million.

So there's a couple of other things that is in the spreadsheet. For one thing, the Mixed Income Pool had $0 originally apportioned for this round when we portioned everything back in January. In May, the Board allocated $67 million to the Mixed Income Pool. There was a balance going into September of $21 million, but that needed to be supplemented to handle the Mixed Income Projects that have applied for September so we are suggesting using part of the Rural pool balance which was $199 million at the end of May. In September, the applications total $28 million thus a pretty substantial amount in the Rural Pool as delineated in little number "a". So we're borrowing from the Rural Pool to make up what we need in the Mixed Income pool to be within $67 million in the September round.

And then moving on to staff's recommendations, would leave a total Volume Cap balance of $690 million, and this includes the award for exempt facilities of $150 million. And that would be available in December. However at the beginning of the year, we estimated the December round to be significantly more than this.

>> Tia Boatman Patterson: I'm a bit confused by borrowing from the Rural pool to supplement the Mixed Income pool. That's confusing me because the Mixed Income pool had $21 million available in Volume Cap balance, but on May 20 we apportioned $67 million.

>> Evan Kass: We used some Carryforward which brought us to a total of $46 million. If we did not use the Carryforward in the Mixed Income Pool for September, the total requests for Mixed Income Pool was $69,524,000. So to do all three projects applying CalHFAs Carryforward left us needing to use $46 million of 2020 State Ceiling Volume Cap.

>> Tia Boatman Patterson: One of those projects that CalHFA applied to was a rural project and should have come out of the Rural Pool, not the Mixed Income pool. So I'm confused. I'm going to take this offline. The Carryforward in September… should that be distributed amongst the pools so we know where it's coming from? Is that what we're doing? Do we keep it in those pools? I'm sorry for asking such a basic question.

>> Evan Kass: We generally apply Carryforward from a top down basis. We go to the first pool that we address. And as I mentioned, stays with the issuer. So we apply it to the highest scoring project, highest tiebreaker, all of that by issuer as we go down the list.

>> Anthony Sertich: Regarding the proposal you presented, Mr. Kass, my biggest concern is the negative $115 million that we have at the end. Just because a project is using Carryforward or not using Carryforward shouldn't affect how much is allocated to that project. At the April board meeting we submitted instructions regarding the total Carryforward amount versus the Carryforward at the end of the year. It was a total Carryforward. And so as we're adding Carryforward back into this round, that's where the negative number is coming from because we're double counting this Carryforward. Even if it wasn't used in the April

round, it was allocated in the April round assuming it would be used throughout the rest of the year. So that's one of my concerns is whether we are double counting that Carryforward. I agree with Mr. Walker and Richard about the need to create an understandable and easier to read Carryforward schedule.

And if we decide to add Carryforward to any of these specific pools, it doesn't need to be counted against the allocation. That's where we're coming up with a negative. As we work through it, I have some suggestions: I want to make sure that the original amounts that were allocated for the future rounds for each pool, unless the Board took a specific action to move that forward, should remain there. And if we're adding (allocation) to any current round, that can't be coming from future rounds being brought forward. And that what I think is the big twist here. And I do think ultimately this is going to be a decision the Board is going to have to make that will reduce the amount available on the New Construction round if the Board recommends wants to dig into future rounds.

>> Keely Bosler: Right. And thank you for that, Tony. I'm also concerned about the negative numbers in December, especially because the statute is very clear about the need to do the survey, which I was glad to hear at the top of this meeting that is in process for 2021, but I don't want to take any action here today that presupposes what we're doing in December. I think we need to be mindful of all of the statutes in that regard and do the survey first so we can plan. I realize we're in a transition right now in this scarce environment.

>> Tia Boatman Patterson: So do we think that this is just an accounting issue? Because there were some rounds, Tony, that that round was brought forward, specifically the Mixed Income Program. So I think this may be an accounting issue, but, Tony, I'd like you to weigh in here because I thought it had all been reconciled. But now looking at this, it's confusing me again. And if you remember correctly, there was a round of New Construction that did get brought forward so that round had more, which means that in later rounds we would have less. So I'm confused.

>> Anthony Sertich: You know, I think you're right. Like I said, we took specific action on the Mixed Income projects to move it around forward. So I think that is fine. So I think there two issues here. One is we allocated a $67 million to Mixed Income, but we never really designated where it was coming from. I think that when we had talked about it, we had talked about it coming from Exempt Facilities. But now that there's a couple big exempt facilities projects coming to the Board. I looked in the minutes and the motion itself makes that explicit. But two, the amount that ultimately decreased the New Construction was not bringing money forward for future rounds. It was really designed to use the additional Carryforward that was found and allocate that in that round, understanding that those issuers that still had Carryforwards might not use it in the April round, but they would use it in the September and December rounds. And CSC is the biggest issuer that had Carryforward, and it looks like they have a large pool in September that will use that Carryforward. And then if we don't close those bonds from CSCDA in September against New Construction or wherever it's coming from, that's how we're getting to the negative figure because we already increased the

April amount by that amount and then now we're increasing the September amount by that again.

>> Tia Boatman Patterson: So it is an accounting issue?

>> Anthony Sertich: I think for the most part. Some of this is how the Board was not clear in the earlier rounds.

>> Tia Boatman Patterson: Ms. Keely made a policy recommendation earlier about being very clear about how we're going to use Carryforward next year. Staff has their hands full just working through the report and trying to manage all of this and it can be confusing to everybody. And I think we just need to make sure that we're clear about how we staff to do things so that they don’t take it upon themselves to figure out how to allocate these new funds.

>> Anthony Sertich: Right. I completely agree with you. I think one of the mistakes we made is we made it more difficult in that April round and allocated more bonds than we had for the pool. We said we were going to augment it with Carryforward versus taking it from the 2020 pool. And that is what usually happens when you reconcile the Carryforwards towards the end of the year. And we've just helped confuse the situation.

>> Tia Boatman Patterson: I do think as we go through next year we will have a better sense of the Carryforward when we set up our pools. If we know that we have X amount of Carryforward we should include that in the pools we're setting up so that we can make sure that the total pools that we create are equitable, including any Carryforward that's available. What's a little difficult about that is there could be new projects that don't use their full allocation in December, but we can at least use what we know we have at that point and put it in the pools.

>> Anthony Sertich: And then we can decide to allocate any new Carryforward that comes. In the past we made a decision to allocate it to the New Construction pool. I think when we did that this year, we explicitly said that this Carryforward was going to CMFA to be used for New Construction.

That being said, every project that comes in still has to compete. They don't get an automatic allocation just because the issuer has the Carryforward. And that's what I'm saying is we can double count it in the sense of because we have the allocation. We're going to skip that as accounting for the pool because that's how we're getting into this.

>> Tia Boatman Patterson: That makes sense. And, Treasurer Ma, that's a good suggestion to know what we're going to have going in the front end, but also be aware that anytime during the year there may be something that gets returned.

>> Treasurer Ma: Right. And so that's why Spencer mentioned we're going to keep better track and post every time something gets returned so that people can follow what it is

happening. So that's part of the reason we're having difficulties is because staff was not keeping good records and tracking the Carryforward in a transparent manner.

>> Anthony Sertich: I think we need a written board policy on this so it's clear and everyone can understand what the rules are. As we allocate next year's pool, we have to more transparent and try to cover as many bases as we can.

>> Treasurer Ma: This item is listed as an action item. So we can take action later on today. And usually what we do is we have this Board deliberation, then we go to public comments and then we come back to Board deliberation. So we don't want to set policy without hearing from all of the stakeholders out there who usually have some something to comment on about whatever policy we intend to make.

>> Sarah Lester: I just have a clarifying question. Tony, thank you for your comments. I appreciate it. So are you also saying that the Board would set where the Carryforward is going to go, for example, to New Construction or Preservation?

>> Anthony Sertich: Yes. We are going to talk about. We know the Carryforward stays with the issuer, but the Board can allocate it to a specific category. To be fair, I think the Board would vote if we wanted the Carryforward to go into a different pool. For example, if CalHFA had some Carryforwards and they had only Mixed Income Projects that were not in the Mixed Income Pool, supposedly we can use it there, but it wouldn't increase the Mixed Income Pool at all if it was used. This is sort of how I'm thinking about it.

>> Tia Boatman Patterson: So you're saying we should still keep this separate, the Carryforward allocation and the CAP?

>> Anthony Sertich: That's correct.

>> Tia Boatman Patterson: That would be full allocation, and the Carryforward, as you guys manage that, I think you're doing fine with that in the sense that you're applying it to the projects on the issues that are carrying forward and you're applying it to them on the first projects that come through, just let them use that. I think that makes a ton of sense, because we want to get through the Carryforward before we do anything with the unused allocation for the year. But it would increase the amounts of those pools. So the pools would be at one level, and how the Carryforward is used, on a project by project basis, is not tied to the pool necessarily.

>> Anthony Sertich: Right. So we allocate a certain amount to each pool, or budget as people are calling it, and that should not change. For the total pool combined with the Carryforward. And we are prepared when we get to Item 4 to discuss what that would look like as a recommendation.

>> Treasurer Ma: Okay. So let's keep going. You're in September still, right?

>> Evan Kass: Yeah. And this is again following our original recommendation of first applying Carryforwards across the Board and then using the apportionment levels or the adjusted apportionment levels. For example, if you add the 92 in New Construction to May, the total apportion level that we went to is $461,864,673. So we went, of course, as close as we can get to that. And that allowed us to use $424 million in this scenario of 2020 Volume Cap to be within that apportion level. And that's how we did our recommendations. At that time there was $234,865,000 available as we mentioned in Carryforward. So applying staff's recommendations would leave us with a 2020 Volume Cap total from September of $690 million, if we again use all of the Carryforward and then $882 million of Volume Cap. So that is where we would be in September. Of course, as Tony mentioned, what that means in December is the Volume Cap balance that's available is not the Volume Cap balance that was thought to be available when you apportioned back in January for that last round. So, as Tony mentioned, we pushed a lot of projects forward in April. We went deep in New Construction. The original apportionment was $369 million of State Ceiling and we went down to $674 million, and then used some of the Carryforward. So that's why we have less for December as originally apportioned

But there's a couple of other things that make up the deficiency balance that we found in April. It still has to eventually come out. So if you look at little "b": this model suggests pulling from a combination of sources. To my knowledge, we're not expecting an IDB request coming in from IBank. I'm not a hundred percent certain, but if that doesn't happen we could certainly use from that pool. The exempt facilities, like I mentioned before, we're expecting $122 million between the November 18th round and December but there would be some balance that could make up the deficiency of $79 million that we discovered in April.

And then the last thing that I am looking at here is, of course, New Construction. Based on our recommendations in September, there would be significantly less to use for December. This model suggests that there would be about $254 million available for New Construction if we followed all the other suggestions mentioned here and for December.

And that's kind of my walk-through of this. I know that there's been some discussion of what else we could do in terms of a September suggested amount. And you'll notice in this model, the $234 million, if we did not use it in this round, it would seem to cover the deficit in December. So I wanted to just put all that information out there. I know it's a lot. Tony, I know that you've looked at some of this information. So we really, as it's been mentioned, we would really appreciate some guidance here from the Board.

>> Anthony Sertich: My thoughts on this again are that we need to start with the idea that we originally apportioned a certain amount in January and we went deeper in the April round. The second was the "other pool" was reduced to some extent. And so those two pools have been reduced, but that was a direct Board action in April. But I do think we need to make sure we keep the New Construction, Preservation and Rural at the amounts originally called for as delineated in Mr. Kass' spreadsheet . I am comfortable then backing in and making sure that the September allocations that we make today are in line with what was originally called for as well. I know the Rural allocation pool is not used that much, so there will be some leftover. And I know there is excess funds in the New Construction pool even

after the April allocations we made. Under my calculations, and I could be wrong, I think we have about $185 million in the New Construction pool after making the other staff recommendations. That would include any Carryforward amounts. And so it would not get us as far down the list in New Construction, but that would mean that we would not have a negative balance at the end of the December round. At the end of the December round, if we do the same thing, if there were pools that were fully subscribed we could move those funds to whatever pools were undersubscribed. But for now, I don't think we should plan to touch the December pools in any way above and beyond, other than what we've already done way earlier in the year.

>> Tia Boatman Patterson: So Tony, with the recommendation that you're making, we would not be funding everything that staff is recommending? Is that what you're saying? That way there's funding available for the December round?

>> Anthony Sertich: That's correct. Based on the staff recommendation sheet, there's a red line and a black line and it would be somewhere in between there. I know one project dropped out and that might move things a little, but it was a smaller project. But yeah, we wouldn't be able to get to all the recommended projects.

>> Tia Boatman Patterson: So, I have two more questions. The repercussions of that would mean that there are shovel-ready projects that potentially don't get funded this round, which means additional carrying costs. And two,

>> Anthony Sertich: That funding is expected in December, right?

>> Tia Boatman Patterson: They have to reapply and they have the carrying costs. So that's just a policy call you all have to make. And then I think, Tony, you are right. I think the Mixed Income Pool was given a $67 million augmentation to fund the last two, but you never said where it was coming from. So I think staff is trying to recommend that that $67 come from the Rural pool because there was some leftover, but that wasn't quite clear to me.

>> Anthony Sertich: Yeah, and that's fine. I don't think it really matters where it comes from in a real way because -- that's why I started with a disclaimer -- that has to be backed into the amount that we allocate to New Construction this round, because if we do it any other way, we're not going to get into the December allocation and the projects that we're planning in the fourth round.

>> Tia Boatman Patterson: I hear what you're saying and I think that's very important for New Construction, but because there's so much Rural left over, I would rather see more New Construction get funded this round. You understand what I'm saying?

>> Anthony Sertich: Right. And I move anything that was left over in the Rural Pool this time and then I left the $69 million. If you wanted to reduce the $69 million in the

December round for the Rural pool, that would be fine. But I did move the excess amount in the Rural pool up to the New Construction to get to this number.

>> Tia Boatman Patterson: And I do believe there are going to be other projects that we see coming back in, that could be allocated in the December round, because what we're seeing is a lot of tax credit investors pulling out, one, because they have to -- the market is a little unstable right now. Plus people have been holding on to bonds as opposed to giving them back because in the past they have not been competitive, and we've kind of given them this free pass. So I don't know how much will come back between now and December.

>> Anthony Sertich: I fully understand that and that's why I asked the question about has anything come back from the eighth round. And since it hasn't, I don't think we can necessarily count on that. But if it does, then we will have more allocations in December. But I just don't think we can count on it right now.

>> Tia Boatman Patterson: So the downside that we have too many projects and we have a finite amount of money. So that means some projects that came in now that staff are recommending to be funded, would not get funded and they'd have to reapply to be considered for the December round. Your point on the Rural pool and allocating that to Mixed Income pool -- how are you handling that in your recommendation?

>> Anthony Sertich: In my recommendation? The Rural has been underused all year as Ms. Boatman Patterson pointed out. So it’s a reallocation of funds.

>> Gustavo Velazquez: I apologize I have been distracted. The Governor just announced the first round of awards for the Homekey Program that HCD administers, and so I've been kind of a multitasking. But I believe I overheard Ms. Boatman Patterson talk about the importance of having ready projects right now that could potentially receive some allocation. I took a look at the list of some of those projects, and I am familiar with some of them. I do agree that would be important to figure out which projects are ready at this time as opposed to the December round. I just wanted to make you aware that I'm supporting that decision if the Board decides to go in that direction. And when we talk about reapplying, does that mean to reapply in real time sense and money sense? Can someone explain it to me?

>> Tia Boatman Patterson: If a project is razor thin and it already has carrying costs -- does the applicant have to pay new application costs and put a whole new application together? I'd like to hear which projects may potentially not get funded although these state priority projects that are potentially serving our homeless population with permanent supportive housing, for example. I understand wanting to maintain a balance. But there must be some developer certainty on the backend for those who thought they were going to come in on the last round of the year and balancing that with shovel-ready state priority projects. And so that's the policy call.

>> Gustavo Velasquez: Is there a way to shift projects that didn't get funded over to the next round?

>> Tia Boatman Patterson: I think that's a good question. Since we are now in a competitive environment and more competitive applications, is there a way we can change the allocation pools so at they can be rolled over to the next round.

>> Treasurer Ma: I'm sure everybody is following very closely with what has been said. So let's go to public comment.

>> Ben Barker of CMFA: Going into the December rounds, CMFA has filed 49 to 51 applications for allocation. In December, with the current closings that we've done this year that had 2019 allocation and then the 2020 allocation, it looks like we'll have close to $50 million that can be put towards the December round to help make up for some of the shortfall in the budget. And a healthy amount of those are all New Construction. So if they're not designated to a specific project type, they could get a carried forward.

>> Treasurer Ma: Where did that $50 million come from?

>> Ben Barker: Regarding deals that had a 2018 and 2019 allocation from previous years, let say hypothetically they had an allocation of $10 million but they only used $8 million, that delta, of $2 million stays with CMFA. It's just carried forward. As deals have been closing this year, especially in the last two months, we've been going through our closings and trying to determine if we have any more carryforward. And there may be some more carryforward on deals that received 2020 allocation but closed more with taxable bonds. So the 2018 and 2019 carryforward would stay with CMFA but we could add it to the 2020 bucket, if that makes sense.

>> Tia Boatman Patterson: Now, I do believe that we may see some 2020 fallouts. And we haven't received any April 2020 allocations back. Like I said, once again, you have some shovel-ready projects that are ready to go, and some of these are really good projects, versus people who have planned to come in the last round. And so you will have to balance that.

>> Treasurer Ma: Nancee Robles is here also and she's the new director for CPCFA, and I know that she has projects coming in in November as well as other applicants. So that extra carryforward in Evan's chart of $34 million may not be available.

>> Evan Kass: Well, my chart does say $122 million.

>> Treasurer Ma: Nancee, why don't you come up.

>> Nancy Robles: In November, we anticipate bringing $106.5 million and in December $125 million. All are shovel-ready deals.

>> Treasurer Ma: We only have $122 million and staff is showing a negative $125 million. So there is no room for all of those projects.

>> Nancee Robles: We're speaking to our December applicants now to see if they can push back their applications to 2021. So we are trying to manage the pipeline right now.

>> Caleb Roope: Thank you, Madam Treasurer and board members. I'll just first say that we have no projects under consideration. As most of you know, we're a developer. But we have no projects under consideration, and we have no applications for December. So what I'm trying to communicate to you is strictly policy, and there's no self-interest in it. But I would encourage you to fund the list the staff has designated, and I'll tell you why. You just heard Ben Barker talk about the $50 million that he's accumulated, which is basically the difference between the bonds people applied for and the bonds they ultimately issued. And he's one issuer, right? So the other issuers across the state all have the same phenomenon going on, maybe not to that degree because they're not as large of an issuer, but I'm sure CSCDA will be collecting some of this excess allocation, City of Los Angeles, others, you know, that are not issuing the full bond. So you are going to have money accumulating, like Ben has described, Number 1.

Number 2, when you go down the list and you fund projects, remember that you're not actually spending the entire bucket every time because there's a breaking point. :You'll get to a point where you might have $30 million left, and then let's say the next project is $42 million so that project won't be funded. So that $30 million now can be available to cover any deficits that you might have. So you have that phenomenon going on as well. And then finally, you have return projects that aren't showing up just yet, but those are the projects that aren't moving forward because they have issues, can't find equity or whatever.

So by working with your exempt facility issuing partners, there is the ability to move projects into the future year. And so for the sake of developers I would encourage you to spend the money, spend the time, to introduce some sense of predictability to the system. Preserve that entire December round. That's something our working group tried really hard to advocate for: don't mess with December. There's projects that are counting on that money being available. And I think you can fund your project list to the line that's been specified by staff, and you can have a full December round because of these other phenomena that I mentioned so I believe that you will be fine. I've done the math myself…not that I'm any authority on any of this, of course, but I'm just telling you that I feel very confident if I had projects that I was going to apply for in September or December for December round, they would be shovel-ready. I would encourage you to provide some stability for this last part of the year because the first part of the year has been anything but stable. And I just would encourage you all to just try to focus on that and produce that. And you have a chance to produce it. And, you know, I wish I could say just trust me and then you trust me, but I know that's hard. I'm speaking for myself and not the working group, but I'm highly confident that you will have the money you need to have a full December round if you fund the list as specified by staff. So that's all I got. Any questions you have I'm happy to answer them.

>> Treasurer Ma: Thank you. I know Riverside City Councilwoman Gaby Plascencia has time constraints today. So we're going to try to pull her forward in the queue.

>> Keely Bosler: It sounds like staff has been working on this weekly update of the Carryforward or the projects that fall out. Can have a discussion before December regarding the budgets and where we stand.

>> Tia Boatman Patterson: When's the application date for the December round?

>> Evan Kass: September 24th.

>> Tia Boatman Patterson: So Keely, it would have to be before September 24th. I don't know if that's possible. And so here we have -- I think you all might want to consider staff's recommendation and funding shovel-ready projects. We don't know with certainty if we're going to be able to have all of those December rounds. I think there's a very good likelihood we're going to see some more allocations coming back. I think you have a certainty that you have shovel-ready projects now, and to forego shovel-ready projects now to potentially get some projects that can come in December, it's like -- what do they say? "A bird in the hand is better than two in the bush"?

>> Keely Bosler: That's where I'm leaning. Since we are in a transitioning process given the scarcity of the resources, we may not be able to get to all the allocation that's budgeted in these earlier rounds. And so it's inherently not fair if people had planned on that. However, this seems to be unavoidable given the way we've been running this process historically.

>> Tia Boatman Patterson: But just to give you some historical context, there's only a couple, a handful of states in the nation that have ever gone competitive. And California has this more robust competitive scoring system, as opposed to other states where you bring a project to the Board when you're ready and you getting funded. We have a more thoughtful process and we have held up some shovel-ready projects by trying to stick to the certainty in our rounds. And so at this late date in the season, i.e. September -- and I'd like to have my colleague from HCD weigh in here -- I think you have some very worthy projects that are shovel-ready that staff is recommending to fund, and it may be worth that risk to go with those shovel-ready projects and then reconcile it in December and hope for more allocation coming forward.

>> Gustavo Velasquez: I appreciate what Ms. Boatman Patterson just said. She's absolutely right. Some of us have the advantage of knowing a little bit more, not just whether the project is shovel-ready, but whether the project is a quality project, and a multitude of other factors. And so I would say, we have some good projects here. They are, for the most part, I think, shovel-ready. I encourage the voting members of the Board to consider supporting what Tia just said.

>> Treasurer Ma: So, Tia, when you say fund the list that staff recommends, are you saying to that line, to the big bold line on each of the pools?

>> Tia Boatman Patterson: To what was supposed to have -- what could have been funded under this round – up to the bold line.

>> Anthony Sertich: I want to follow up on Mr. Velasquez's point and I think it's important. I do think one of the problems that we have run into a lot this year is the fact that the CDLAC points system is not necessarily tied to the State's priority projects that we work on. We've been having meetings, what was it, is it every other day or so over the last the three months?

>> Treasurer Ma: Every two weeks. This is like our seventh meeting.

>> Anthony Sertich: And so, I mean, that's a huge problem with this. With that being said, these are the rules that we put out this year, so that's sort of where we're stuck. We can't just pick and choose projects that we want to fund just because we think they meet the priorities because we did put out the rules at the beginning of the year. And that's my biggest concern. And to the point of about this round, we're still funding more than we have allocated at the beginning of the year in New Construction.

>> Treasurer Ma: All right. So we're going to go back if we can find City Councilwoman Gaby Plascencia. Still having technical issues? I'm going to call her.

>> City Councilwoman Plascencia: Thank you, Madam Treasurer and Board for taking my call. I'm calling on behalf of the City of Riverside and to advocate for a shovel-ready project, which is the St. Michael's Community Project. this is a much-needed project in Riverside, but specifically in my area, to house our families, those that are experiencing homelessness. So I really hope you consider approving our application as much as it's shovel-ready. As soon it's approved, we will start building. So thank you again for your time. And if there are questions, please let me know. Thank you.

>> Maurice Ramirez, Domus Development: I think we're probably one of those projects that might not be funded. This is a second time we've applied, and so it's an absolutely shovel-ready project. In terms of quality project, this is an affordable housing development for homeless families, actually survivors of domestic violence. So it's something that is really good in terms of it being one of the first projects that could potentially break ground that would service that population. So, again, it's a little self-serving because I think that if that line changes, I'm second to last in terms of how these are apparently deemed as funded.

And to answer your questions in terms of what it costs to sort of just reapply. There's certainly the application costs that are part of the process, but the carrying costs are really what's really driving costs up for the project. We have an acquisition limit of five months. So if we were to push the project back and not get funding, we would push back at least six months from when we can actually schedule to post. So that's a good chunk of money. That's probably $125,000. In addition to those costs are the costs that we've incurred and the interest on those loans that we've secured to pay for those costs. So it's truly another, $200-$250,000 that would impact the project.

In terms of having things ready and making sure that things are ready to start to meet the different deadlines, I know that it's not a given it will be funded, but once staff puts together their report of projects that are recommended for funding and we see ourselves above that line, there's additional actions that we take to make sure that the project is ready to begin construction. And to be frank with you, we're very excited about it, and we move forward and reengage our contractors and pay for this additional cost so that we have a little bit more time to try to make sure that the project meets the deadlines, as opposed to once we get an award. So, to close I reiterate the points that have been made with regards to funding those projects that have been recommended by staff, especially those projects that obviously are project ready. Thank you.

>> Alice Talcott of Midpen Housing: I would like to say that I think it's really important that the mix -- that there are funds available for round four in the amounts that were allocated. This has been a hard year following CDLAC to understand what the rules are, what we can do, but that was something that the committee set out at the beginning of the year and said it's going to be a competitive program and we're going to do that by having four rounds and making people compete within those rounds. And while I totally understand the desire to fund projects that are in front of you that are shovel-ready, the projects that are applying next week and that we've been working very hard on those applications are also very high-quality projects. And you'll end up funding higher scoring projects if the money goes into the fourth round. And so I think that it's really important that the money that you said was going to be there at the onset is there.

Now, I hear that this in fact could well happen if you put all the Carryforward into this round three, and there may be ways to do that. And I hope that's the case. But it does sound like there's still some uncertainty there. So I guess I would want to have some more clarity between what is going to happen between now and the fourth round so that that fourth round isn't underfunded. I just sort of want to reiterate that as developers that we're really planning our pipelines. We're really putting a lot of money into these projects with expectations of the money being available, that we at least have a chance at it. And our staff has been working super hard on these applications that are due in just a week, and so I think that perspective is really important as well. And I do think that projects that don't get funded this round can still certainly still reapply because the applications aren't due for another week. Thank you.

>> Treasurer Ma: Thank you, Alice. And like Keeley said, this has been a really tough year. We thank the Governor for allocating more state credits to our programs. As you have heard, this is the first time that the bonds, coupled with the new 4% tax credits, have been competitive. So we also have a different set of rules here at CDLAC: when we propose regulations we also have to go through the Office of Administrative Law to get approval. So this process is a little bit longer than TCAC where we were able to vote on emergency

regulations and get them out onto the street to everyone quickly. So we appreciate everybody's patience. And I guess the silver lining for COVID-19 is that we are all able to meet remotely. You don't have to come to Sacramento and wait here in the conference room for your turn. So I thank you all for participating.

>> Andre Perry, Manager with HCIDLA's Tax-Exempt Bond Unit: From my vantage point, we've got projects that'll be ready in either round. So it's not my role to take a particular position with respect to one project over the other; however, I will say that we are applying. We didn't apply for certain projects in the City of LA that applied in this particular round for consideration today. We had previously applied and did not receive awards. I think Maurice Ramirez just referenced one of those such projects. My concern is as an issuer, in light of the fact that the application deadline for December is one week away, I don't know if there's enough notice regarding those projects that are above the black bold line that has been provided to all the recipients of this meeting for them to have enough time to reapply. And that's a burden not only to the developer, but also to the issuer staff and not have to turn that around and actually submit an application. And, theoretically, like the project that Maurice mentioned was on the recommendation list since end of August. So that's a concern that I have with respect to consider deviating from that recommendation list.

The other thing is carrying costs and they vary per project. The question is, is it more appropriate to have the developer that received a December recommendation to incur additional carrying costs to 2021 versus a scenario where an applicant that is applying now has no formal warning of whether their project will receive a recommendation in December but as a result the project that otherwise would have received an application award, not receive it in December. I would argue that it's probably better to award the projects that are already recommended now, and let those in December compete. I think it's less stress to the various issuer staff and it also, in terms of carry costs, does not unfairly put carry costs on projects that have, as in the case of the ones that was aforementioned, applied back in the April round was unsuccessful, now has a scenario to actually receive an allocation this round and may be possibly unsuccessful again and may not necessarily have the opportunity to be assigned the time window of one week to be able to reapply.

So those are the considerations I would ask the Board to consider as they move forward with their consideration. It is tough all around. We understand that with this competitive environment there have been a lot of tough decisions that had to be made, but as I mentioned before, I don't normally get involved in these conversations because I try to stay as an outside observer. But with respect to this particular issue, I think it would be best to actually move forward with the list of recommendations that you have before you that's been distributed to the entire universe of applicants. Thank you.

>> Chris with Affordable Housing: We're a Santa Clara County affordable housing developer. We have two projects that are towards the latter part of the tiebreaker of 120 points. And one of the challenges of building in Santa Clara County in the Bay Area is just the cost of development is so extraordinary, that unfortunately we just end up towards the bottom rank of the tiebreakers. Both projects are exceptionally shovel-ready. You know, we were anticipating applying earlier in the year, but this round got delayed due to the COVID

delays. They have shovel-ready. We're ready to start. They have 10s of millions of dollars of commitment from local cities, the county, project-based vouchers to provide permanent supportive housing for a severely impacted housing environment. And so I would request the Board to move forward as staff recommends. This year has been anything but predictable. As I mentioned earlier, we thought we'd be applying early and having earlier allocations. So this round hasn't been predictable. I certainly empathize and think it's a good decision to try to create predictability in the long run, but there's been nothing predictable about 2020, and I encourage you to move forward as recommended by staff. Thank you.

>> Adhi Nagraj, Senior Vice President of Tim McCormack Baron Salazar: I just want to echo the recommendations to approve the projects that staff has recommended, all the items above the gold line. What we're finding is because of the uncertainty in the market -- and this has been said by a few speakers -- everything is taking a lot more time. So, a day or two after staff's recommendation, we find ourselves needing to talk to investors, talk to lenders, making sure that they are able to commit in this really uncertain market to a project, talking to the GC and all the subcontractors, working with our cities on permitting because a lot of cities, as you know, are functioning on kind of a slower capacity due to COVID. And so we just have had to jumpstart all of that activity. And we always say as developers that certainty is the most important thing, and I think now that's truer than ever. And so for all those reasons, we just really recommend and hope that we can move ahead with staff's recommendation for the projects that they've recommended it. Thank you.

>> Chris Neale, The Core Companies: I'll read it word for word. "We have two projects that are at the bottom of the General New Construction Pool. They are building permit ready and shovel-ready with 10s of millions of dollars of local commitments from the City, County and Housing Authority. Both projects include Project-Based Vouchers for supportive housing. There'd be a risk of loss of local sources and significant increase in carry cost. Projects at the bottom of the New General Construction Pool are more weighted to the Bay Area. The Bay Area would suffer a disproportional impact of reducing projects from the bottom up. There is been nothing predictable about 2020, and not allocating projects that are shovel-ready now in the September recommendation to stay predictable for the allocation in December does not make sense given the unpredictability of 2020. I encourage you to proceed in support staff's recommendation."

>> Treasurer Ma: I think we're through with the public comments. Here's an option Board, we can take all projects above the bold line today. We can continue with what we agreed to for December. If we have a shortfall, we can take it from the 2021, and let applicants know that we can get them a resolution re our funding commitment in 2021, but they cannot close until 2021. So that's just an option that could be available to us.

>> Richard Fischer: I'm sorry to interrupt. We need to make sure the apportionments have been made, and we have not received the Department of Finance information in order to garner our actual cap, Volume Cap, for the following year. So it'd be technically difficult for us to allocate funds they couldn't issue to the following year on '21 funds or cap.

>> Treasurer Ma: I understand that but we know we're going to get $4.1 billion or so in 2021. Are we ready to make a motion or is Tony's motion on the table?

>> Anthony Sertich: I made a motion but before -- I don't think I made a motion. Oh, okay. I'm ready to move on the staff recommendation. It's not perfect. It's not ideal, but I think that we have shovel-ready projects in front of us, and I think it makes sense to move forward on those. And then we do have a lot of work to do in the next couple of months to figure out how we allocate what is really a scarce resource in the last allocation.

>> Treasurer Ma: I will second that motion and note that I think we need to make sure that we have a better accounting going forward with the allocation.

>> Evan Kass: With the motion I need to let you know that there is a waiver that needs to be approved with this for a project going greater than 50 million in allocation. That's 921. Howard.

>> Treasurer Ma: That's for Item 4, right? That's not for the approval of -- we're in Item 5, right?

>> Evan Kass: For approval of the use of funds as it stands now for the two months, yes. Okay.

>> Treasurer ma: So, I guess we have to call Item 4, because they're kind of now morphing into each other. So Item Number 4 is: Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation. This is also an action item.

>> Anthony Sertich: Correct. And I'm fine to go back and make a motion. It's a little unclear what the staff recommendation is in Item 5. It just seems like an informational item, but I guess if we want to motion on that I would move to approve through the September round only and then the December round will be something that we'll have to revisit.

>> Evan Kass: The September recommendation on Item 5 is to use Rural to make up the difference in the Mixed Income pool where there was less available Volume Cap even after using Carryforward, to use that leftover amount from Rural. It'd be about $26 million out of Rural that goes in there.

>> Anthony Sertich: But your spreadsheet also would affect the New Construction Pool because there's a negative number. I sort of agree with Ms. Bosler that I'm not sure we need to have a formal motion on this.

>> Keely Bosler: Yeah, I think that that's cleaner than going back and forth. I would prefer in the future if agenda items with “action” have very clear recommendations

>> Treasurer Ma: So that's the action item, if we're just looking at September, is to use from the Rural Pool to make up the difference in Mixed Income so we can fund the three projects.

>> Tia Boatman Peterson: I think what Tony just was saying was like let's go back to Item 4, which is the meat and potatoes of the actions which are the approval of the projects, and then there's a lot of reconciliation that we need to do in a transparent way. And I think this committee needs to be brought back to reconciliation of the different parts where the Carryforward should be allocated, and so let's just take action on the projects today. We're funding we know, we're fully aware, we're very aware that we're funding at a level higher than is contemplated in the budget that we put out earlier, and so we may not have enough in December. So I think everyone's clear on that. But we should fund the projects that are recommended and on the table in Item 4. That's my recommendation.

>> Treasurer Ma: Above the bold line, right?

>> Tia Boatman Patterson: Correct.

>> Keely Bosler: So, let me try to read it into the record. So since we're -- you only handed out the yellow Goldenrod to everyone, but from what is posted on the website there is only one project that was withdrawn, which was the CalHFA Project Number 20-639, which is the Worthington Del Sol. So they withdrew. So it should be the same schedule pool applications that are on the website except
20-639. Right?

>> Tia Boatman Patterson: That's correct.

>> Treasurer Ma: So, if we go to the Mixed Income Pool, the three applicants will get funded.

>> Tia Boatman Patterson: Correct. 20-638, 20-634 and 20-631.

>> Treasurer Ma: Then we go to the Rural Project Pool. The two that are listed will get funded, 20-637 and 20-590. Then we go to the General New Construction Pool, and we will fund from the first one 20-601 down to the City of Los Angeles to Talisa Apartments 20-614. I can read them into the record if you want. 20-601, 20-652, 20-628, 20-585. 20-582, 20-589, 20-594, 20-583, 20-633, 20-653, 20-619, 20-644, 20-610. I'm going skip reading the “20”. Let's just go 621, 640, 588, 657, 615, 616, 648, 613, 606, 595, 627, 596, 598 and 614.

>> Tia Boatman Patterson: Correct. I think we have to vote on the $89 million waiver.

>> Treasurer Ma: Then Other Affordable Project Pool, we have four projects. 20-605, 20-643 20-611 and 20-604 will be funded out of the Other Affordable Pool Project. And then

the Preservation Pool, the ones that will get funded above the line are 20-624, 623, 600, 641, 642, 603 and 629. Everybody good with that? All right. And then with the same motion, should we just waive the one that's over the limit? Right? Okay. So you want to include that in the motion. Keely, if we could waive that project. What number is it? CalHFA 921 Howard Street, San Francisco. All right. So can you add that to your motion, Keely?

>> Keely Bosler: Yes. And I'm fine with adding to the motion to move the staff recommended Volume Cap recommended amount from the spreadsheet and then also the waiver

>> Treasurer Ma: We have a motion?
>> Anthony Sertich: I'll second that.
>> Keely Bosler: Aye.
>> Anthony Sertich: Aye.
>> Fiona Ma: Aye. Motion passes.
>> Treasurer Ma: All right. That's one thing. We're not done yet. I don't think. Right? What are we going to do about December, because people have to apply on the 24th of this month?

>> Anthony Sertich: I think your recommendation about, if necessary, if we don't get the money back, going forward from 2021 is the only sort of valid solution, and not only, but it's the best solution that I see at this point.

>> Keely Bosler: I don't think we can take that action legally right now just because we need to do the survey. The statute is clear that we need the survey before we start.

>> Tia Boatman Patterson: Yeah. We need to do the survey and, generally, we don't get the IRS regulation with the factoring amount is. That release usually comes out like mid- December. And I would hope that we get to the point where Mr. Barker, maybe he'll find another $80 million in the couches or something. (Chuckles). We can also potentially give contingent awards. So depending on how much comes back, you would make that award contingent upon the amount of Volume Cap that comes back. So people could apply in December anticipating that we have so much available, reconcile how much we actually do have, and then those that are kind of on the bubble, it's a contingent award. But those are some procedural things that you could do to manage the amount of allocation that may be available compared to what gets applied for.

>> Anthony Sertich: I guess, for now I think the most important thing is that we need to be able to stick to the schedule, and I think that it's important, again, for certainty that we find a way to stick to the with the original allocations. So I'm not sure that we need to make a motion today, but I think that you can message to the public that that's our goal is that we will have $369 million available for New Construction and we will have $174 available in Preservation.

>> Treasurer Ma: Okay. But can we also talk about the April round. We did not set a time limit if the 60 days has expired. Right? So people have received allocation in April. And if they came back and requested an extension, we granted them an extension. We would not assess negative points. And what did we say about their deposit? Would they forfeit it?

>> Tia Boatman Patterson: Yeah. So I think we're requesting for a motion is -- well, for one, making the 60-day return policy, and if they end up missing their deadline or not following the original resolution terms, then they would be forfeiting their deposit. And it's up to the committee also to think about if we want to assess negative points as another penalty or not. But an extension above and beyond that 60-day grace, I don't know that the Board ever had a conversation about that. And so what it seems like is happening is we provided kind of a 60-day grace without penalty if you give it back, but we have people who will come in and in a competitive environment and ask for an extension.

>> Treasurer Ma: So I think what staff is asking about is how do we treat those people who have come in and asked for an extension. Is that correct?

>> Evan Kass: Yes.

>> Treasurer Ma: How many extensions and what amount of time have we been giving people?

>> Evan Kass: So our standard extension is 90 days that we have been granting so far. But we haven't been assessing negative points, but we have been requiring forfeiture of the deposit as a penalty because they originally had that 60 days.

>> Tia Boatman Patterson: So how many people have you been granting a 90-day extension to because I don't know that that information has ever come to the Board, because I don't know that the Board contemplated you giving people 90-day extensions in a competitive environment when they had talked about giving people 60-day kind of grace period. So I think it's important for you all as staff to let the Board know how many extensions are outstanding, how much time you've given them, and then recommendations to the Board on how you want to treat those extensions because you've never had that conversation with the Board.

>> Evan Kass: That's true, Tia, and thank you for that. It is in our regulation that the executive director can grant a 90-day extension or extensions, but I agree that the Board should be updated on the information.

>> Treasurer Ma: So the executive director is out on sick leave, and the directive was to delegate all authority to Spencer Walker, our general counsel; administrative issues would go to my chief of staff Genevieve Jopanda, and, obviously, I'm actively involved as the chair. So Evan, have you granted any extensions?

>> Evan Kass: We've brought a total of five extensions to Mr. Walker and Genevieve, and that's what has been done so far.

>> Treasurer Ma: And we have not gotten anymore requests? There are some more requests, according to staff.

>> Keely Bosler: I don't think there was ever an intention to layer these two things because, I mean, the whole action we just took was about, you know, wanting to keep moving forward projects that are ready to go so we're not delaying them further. But then I get it, lots of things happened. And maybe there are like narrow hardship exemptions because, you know, something extraordinary happened, but I don't think there was ever an intention to give a free 60 days to everybody and then another 90 days on top, like that doesn't make sense in this environment where we have lots of projects. We're not able to fund all the projects, and we want to keep getting projects out there, shovels in the ground. So I'm very concerned. It sounds like that was sort of a preexisting regulation and then the 60 days was on top of that. And I don't think the intention was to slow this down further. So I would like to revisit all of that.

>> Anthony Sertich: I agree with Ms. Bosler that I think any future extensions and any waivers of points should be brought to the Board for approval before. They can even be lumped. I mean, we're meeting very regularly this fall for a number of reasons, but we can deliver those onto the agenda as if we need to just have a blanket approval of any waivers. But I think allowing the extensions does go against the idea of trying to get out shovel-ready projects in this competitive environment.

>> Spencer Walker: I agree with Ms. Bosler and Mr. Sertich. The regulation says that the executive director may grant a 90-day extension, and I agree that since it is competitive, the Board can make a policy decision not to grant any extensions. It would be one thing if it said "shall," but it uses the word "may."

>> Treasurer Ma: So we're looking for direction from the Board since we're here and there's a number of extension requests that have been submitted to us. When is the deadline for the original 180 days will expire in October? (Discussion ensues)

>> Ben Barker of CMFA. I just wanted to comment on the executive director having the authority to grant the extension. And the reason that was done is because sometimes the deals, the closing deadline date, will not line up with the CDLAC meeting dates and agenda requirements. And so technically, if you have a deal that's supposed to issue and they can't get an extension approved because there are no upcoming meetings to get an approval, so they expire because they don’t have a valid resolution in place, and would have to start all over. So I would hope that we would think through saying that the Board has to make extension approvals because you're going to just technically could take away everybody's allocations from them, if that makes sense.

>> Treasurer Ma: I think that requests are one thing, but we need to understand the nature of it. I agree with your point, like that would be just a timing issue, but if there are other things that are happening that are triggering this extension that are because the project's not ready to go, you know, something changed, then I think we need to know that and we need to make a decision about whether we go down further on the list.

>> Ben Barker: And I would also like to add, I mean, I think I agree with your standard. I'm not saying we're taking it away going forward, but the awards made in April, specifically with this additional 60-day grace period because we did know that a lot of projects may have trouble getting through the process. Well, I do know there's sometimes a timing issue because we did get a request for someone who was trying to close, but they needed the extension otherwise, if they didn't get the extension, they wouldn't be able to close and to come back two weeks later for that meeting. So there are certain circumstances like that I know that I personally have gotten calls like that.

> Tia Boatman Patterson: I think the issue is, is that once you have been allocated the bonds, you have 180 days to issue. We don't want people to take 180 days and then another 90. We understand that there's some discretion that they may get to that 180 days, and they're trying to line up closing, but what we don't want is someone to have six months. They said they had a shovel-ready project and come in and ask for an extension for an additional 90 days. So I think what Mr. Sertich is trying to say is we're trying to manage and if people need longer than 180 days on a project that they said was a shovel-ready project and they know this is a competitive process, that they better have a doggone good reason to ask for additional time. And I don't know that we should be giving them an entire 90 days. I think that's the issue.

>> Keely Bosler: I agree with, Tia. I think that hardship exemptions should be for very narrow reasons.

>> Ben Barker: I don't think it needs to be an additional 90 days. I think we can say very specifically how much time do you need and you go in for that extension, but I know of projects personally that we've issued where lenders and equity have dropped out at the last-minute due to COVID. Syndicators have not been able to get the pricing they needed, which derail projects where they had to go out and find new tax-credit investors, which was truly outside of the developers control, as opposed to they just didn't start phone calls, like we used to see a lot last year until a week before deadlines were, so.

>> Treasurer Ma: I understand that, and you get maybe one week. That 180 days, if the project didn't work, then put that allocation back in so somebody else that's shovel-ready can get it.

>> Ben Barker: Yeah. I totally agree that it should be real timeline, just not a blanket 90 days. There's no reason for that. But I just -- my whole point was not getting into who deserves what and who doesn't matter. I just wanted to make sure we're preserving

allocation and that somebody doesn't lose their allocation just because we went into a Board approval. And, you know, if you technically go past that date and you don't have your resolution amended, it's going be pretty tough to get on bond council to give a tax opinion on your deal.

>> Treasurer Ma: We wanted to be flexible during COVID-19. Because we understood there was a lot of confusion in the marketplace, banks weren't open, cities weren't open, lots of people were sheltering at home. So the 90 day for the April round expires on October 14th. Can we say if people do not close, they must give it back? And then therefore, there's going to be more for the December round because the applications for December are due next week or the 24th, but the meeting, allocation meeting, is not till the 9th. So if they return it back in October, we still have six weeks.

>> Sarah Lester: We have another extension. There's a 5-day hardship extension that we have in our regs. The problem with the 5-day, though, is you have to be careful. If they go one day past the 5-day, there's nothing in the regs that says they automatically lose the allocation. So that's the one concern about the emergency extension. So there's a 5-day hardship extension that doesn't require you to receive negative points or lose your performance deposit. It's not a freebie, but it's just a hardship for one reason or another. If you go past that five-day period per the current regulations, you can't go and ask for another extension past that. There's nothing past that 5-day. That's why you have to designate between 5-day hardship and the one week or two.

Discussion ensures about the 90-day extension and date to give back the allocation.

>> Andre Perry: So we do have some applications and some types of extensions that were submitted. And I will tell you the conversation that I've been having with CDLAC staff is when you go back to the storyboard and you think about the 90-day extension that was granted across the entire round back in February, this was at the onset of obviously COVID and we were all trying to figure out how to, you know, navigate in a COVID world.

The City of LA also had projects that were very close to closing, but we had shut down as a result of protests that happened in the month of June as a result of national and global protests against anti-police brutality that prevented us from actually getting work done in terms of bond resolutions approved at the municipal level. As a result of COVID, we've had more things on the agenda that impact the normal course of doing business so that some of our normal transactions, like our taxes on bond issuance, resolutions that we need, have unfortunately taken a backseat to folks that are struggling with respect to affordability and eating, whether it's subsidies like Angelino's cards that provide for Angelino's here, to assist without paying housing expenses, that those can get approved. Then on top of that, what my colleague indicated with respect to the capital markets, in terms of investor appetite vis-a-vis 2020, that have had impact in terms of being able to close within that 180-day window.

From where I sit, I think most of the applications that we've submitted on behalf of sponsors will likely be resolved within 45 days of that 180-day window. And I just want to make clear for the callers on the on this call, because I heard on my way back that there was some confusion with respect to the 60-day window and that there was perhaps some sort of stack so that you had 180 days plus 60, now an additional 90. That's not the case, and 60 within the 180 that you're able to give the allocation back. I think we've got that cleared up. And so when folks are really looking at the scenario where because of the fact that they weren't able to get agendized at the municipal level because there were issues like COVID issues or events that prevented certain business to occur at the municipal level, those projects have actually had to be agendized later in the cycle so that's why sponsors are asking for the extensions.

I can't speak to the other issuers, but I know that we do have at least three or four that are before CDLAC staff. And, quite frankly, one of the conversations that I had was that in light of the fact that there was a blanket 90-day extension approved, no penalty, no forfeiture of performance deposit, it would be consistent based on past practice, then, in light of this additional reality that did not exist for the applicants that received awards in February of '18, that there should be some degree of consideration that would be provided.

So my understanding is that the forfeiture of the performance deposit is kind of what the staff is agreed to. I would say to go beyond that would effectively penalize those developers that have deals that are closing and that are incentivized to close but for things like being able to get on the agenda to get a bond resolution. So it's not a scenario where they waited to the last minute or were procrastinating in terms of getting the deal closed, at least the ones that we've submitted. There really are scenarios where you just need that resolution to be approved. And so some of those we anticipate will be approved right either a day or a week after the October deadline, but as was identified before because normal practice has been when you ask for an extension, just ask for the 90.

So if the Board contemplates a scenario where there is some sort of tier in punishment structure wherein if you need the entire 90 perhaps, or if you go beyond that, perhaps there are some additional ramifications that makes sense. I would tell you that from where I sit, 45 days should be enough and quite frankly, if a deal doesn't close within 45 days within the timeframe that they've had their initial 180-day deadline, one could theoretically argue that they should not have to waive or -- sorry, forfeit their performance deposit in light of the various things that I just commented.

>> Treasurer Ma: Thank you, Mr. Perry. So I don't want to penalize anyone, honestly. That is not our intention through this whole period. We're really trying to work collaboratively with developers and underwriters and syndicators wo we can get as many deals to market, but there is a readiness factor when you apply. So how is December 1st, those that got allocations in February and April and do not close by December 1st must give it back so we can reallocate it for the December round? Is that reasonable? And we will not assess negative points.

>> Keely Bosler: Treasurer Ma, I was pretty moved by the last speaker, and I don't think we want to create a situation where we are penalizing people who truly got caught up in the deadlines and the hearings and all of that. I think the way it works on other Boards that I sit on, is that we do have an opportunity to see the extension at the Board level and then we just usually approve them, pro forma. But it's also good to understand what's happening. Maybe

there are some repeat offenders and we take a harder look and ask some different questions when we're evaluating their applications; there may be some circumstances that we keep extending the deadline but we need to have a conversation about that and make the best call for how to use the money we have now.

>> Anthony Sertich: I think that makes sense from the staff approval perspective, and then I think if anything needs to be extended past that, it would have to come to the Board, if that makes sense, if there's true hardships, if there's true real issues, or like what my Ms. Bosler was saying. I think that it has been past sort of practice to just grant these 90-day extensions. But, again, as we've been saying, we're in a different environment. We laid out pretty clearly at the April meeting that if these projects weren't ready to close in 180 days, we wouldn't be able to recycle that money and use it again because we know that we are oversubscribed again and we need shovel-ready projects to build housing built as soon as possible. Again, this goes to the applicants and then the development community, if you're ready to go, then I think we want to give you the award but if you're not ready to go, you have to accept the consequences of that and that's what we are putting in the regulations regarding points and loss of the performance deposit.

>> Treasurer Ma: So are we also seeing extension requests for the February round?

>> Evan Kass: Yes.

>> Treasurer Ma: The February round though, like Mr. Perry said, is that staff gave a blanket 90-day extension when requested since they applied prior to the COVID pandemic. So February is not an issue. It's just the April round right now, right?

>> Evan Kass: Yeah, April.

>> Treasurer Ma: Anybody else have comments?

>> Ann Wilson from Chelsea: As a developer, we want to close our deals as fast as we can. It's how we earned a developer fee for the last four or five years that we're working on the project, and that's how we nail everything down. The kinds of things that we've encountered -- and I'm talking about a project that we got an extension on from the February round. So the first thing, of course, was we lost a huge amount of equity value that we had to go back and figure out how to replace because of COVID and the markets and the values went down. We are having lenders and investors ask us for additional reserves for higher contingencies for longer schedules, and you got to work through all of these because some of this stuff we've already calculated into our budgets. Then you've got to go through this and these are not all asked for on day one. We just got one of these requests a week and a half ago and we're trying to close it ASAP in September.

So there's also been real slow down on getting permits out of cities. Even the Turner Report noted that cities were having a hard time staffing up prior to COVID. It's getting very difficult to get the permits out of the city in the 180 days…that this normally would not have been a problem.

And, of course, I think one of the issues that was noted, was getting on the agenda for council meetings and these things are all much more complicated with COVID. I know we're not just sitting around. We are very much trying to close these things.

Another thing is the staff at HCD has been slow. HCD is trying to close a lot of these deals with standard agreements and multiple programs, and they've had their own staffing issues. I think the staff on our HCD loan project has changed five times during this closing period. So it's not like we're not interested in closing and we are waiting around. We are very much working hard on it. But there are things that are not in the developer's control.

>> Anthony Sertich: All right. I appreciate your comments, Ms. Wilson, and I think that's why the extension process in the waiver process was set up. I think it explicitly says "outside of developer's control," and I don't think any developer wants to come in and sit on bond allocation. But I think we do need to make sure that we're prioritizing ready projects; to make sure the developers understood that there's going to be an additional level of scrutiny on the projects and then additional level of requirements. We will be having a November 18th meeting to hear the exempt facility applications, but we could also hear any extension requests, hardships at that meeting at the Board level.

>> After extension feedback from Board members, advisory members, the working group, stakeholders, and the public, Treasurer Ma proposed the following policy change (which did not require a vote from the Board) and posted it on the CDLAC website:

"At the September 16, 2020 allocation meeting, the CDLAC Board of Directors approved the following accommodations due to the extenuating circumstances around COVID-19:

Project sponsors that were awarded a bond allocation at the April 14, 2020 meeting and have not issued bonds by October 14, 2020 will now qualify for an automatic extension until December 1, 2020.

If a project sponsor seeks an extension past December 1, 2020, the issuer will need to file an extension request with Spencer Walker, Esq. at spencer.walker@treasurer.ca.gov on or before November 4, 2020 (close of business) so as to be heard before the CDLAC Board of Directors at the November 18, 2020 meeting. The CDLAC Board of Directors will determine extension approvals on a case by case basis.

Please note that if a April 14, 2020 bond allocation is returned to CDLAC on or before December 1, 2020, the performance deposit will be returned to the project sponsor and no negative points will be assessed. The project sponsor is welcome to reapply in 2021. "

>> Treasurer Ma: We are adjourned for CDLAC, and we will come back at 2:15 to start TCAC. Thank you all for your time and your patience.