California Debt Limit Allocation Committee
Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
October 14, 2020
Meeting Minutes

OPEN SESSION

1. Call to Order and Roll Call

State Treasurer Fiona Ma called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 3:45p.m.

Members Present: Fiona Ma, CPA, State Treasurer
Gayle Miller for Gavin Newsom, Governor
Anthony Sertich for Betty T. Yee, State Controller
Tia Boatman Patterson, California Housing Finance Agency
Gustavo Velasquez, Housing and Community Development Authority.

Treasurer Ma: Good afternoon everyone. It is 3:45 p.m. on Wednesday, October 14, 2020. This is the California Debt Limit Allocation (CDLAC) Committee Meeting. We are meeting at the Jesse Unruh Building, 915 Capitol Mall, Room 587 in Sacramento, California and also virtually.

2. Approval of the minutes for the September 25, 2020 meeting. (Action Item)

Treasurer Ma: First up we have approval of the minutes for the September 25th CDLAC Board meeting. This is an action item. Evan, have the minutes been posted?

Evan Kass: The minutes are up on the website with some minor edits.

Treasurer Ma: There are 33 pages from the last meeting. There a few minor edits. I personally went through it twice. Does anyone else have any other edits?

Anthony Sertich: Motion to approve.

Gayle Miller: Seconded.

Treasurer Ma: Any public comments?

Cherene Sandidge: I have one edit to the minutes Madam Chair. I did not see the changing of the CDC/CBO pool or category to "CDC/CBO/BLO/ and Female" everywhere it is mentioned as it was done during the meeting on the 25th. Thank you.

Gayle Miller: Cherene makes a real good point that it was meant to apply to every place we referred to CBO were meant to apply to all of the categories, so I apologize that was my mistake and I am hoping that this can be corrected if that is okay with you Madam Chair.

Anthony Sertich: And I am not sure, I mean that I agree that these should be the same definitions and we should move forward. What we have approved at the last meeting is not the final regulations or anything, so I don't think it is too late for that. I will defer to Mr. Walker if we should change the minutes or not but it I don't think we need to change the minutes, I think we just need to reflect moving forward that this pool should align with what is in item #6 before we approve any final regulations.

Spencer Walker: I agree with you Mr. Sertich, once you have time to comment on the content of the regulations.

Cherene Sandidge: I am sorry, I am not following. We intend to comment on the regulations? I am hoping that the regulations are coming up soon, I don't mean to rush anyone, but for what we would like to support whole-heartedly is the corrections, so make it so noted. I am asking for a friendly amendment to Ms. Gayle Miller's motion that was approved and I believe Tony Sertich seconded that motion

Gayle Miller: Cherene, everyone agrees with you and we are having a discussion that reflects in today's minutes because of an error I made last time. We cannot actually change the minutes from a meeting that has already happened, so I apologize. But what will be going forward will be reflected but now that you have stated this and I have stated it for the record, the record reflects that this change has to be made, it is just legally we cannot change a motion that was already made, does that make sense? We cannot change what happened at the last meeting. But now the record will reflect that every time we refer to CBO, it applies to CBO/BLO and female and that we have consistent definitions in the future.

Spencer Walker: That is correct Ms. Miller.

Cherene Sandidge: We appreciate that Gayle, and we will hold you to this. And so we will accept and move on.

Treasurer Ma: Any other public comments? None. Okay, Mr. Sertich made a motion, I will second.

Roll call was taken and the motion passed unanimously.

Treasurer Ma: Next item is item #3.

3. Transfer of the project 20-547 La Prensa Libre Apartments from the housing community investment division of the City of Los Angeles to the California Municipal Finance Authority. (Action Item)

Evan Kass: To do this type of change (change of issuer), does require Board approval. The La Prensa Libre Apartments project was approved in the April 14, 2020 meeting~~. U~~ under HCLA, the City of Los Angeles. That project is being moved to CMFA. ~~So again, t~~This is an April project~~. It is~~ with an allocation of $27,000,000. Staff recommends the motion to move the project from the Housing and Community Investment Division of the City of Los Angeles to the California Municipal Finance Authority.

Anthony Sertich: I move to approve the motion.

Gayle Miller: I second.

Treasurer Ma: Any public comments? None. Please call the roll.

Roll call was taken and the motion passed ~~unaminously~~uniminously.

Treasurer Ma: Next is item #4.

4. Discuss the Framework of the CDLAC Tie-Breaker. (Action Item)

Evan Kass: This is a continuation of where we left off before. We had the framework approved, thank you everybody. Now, there are the two remaining pieces in the workbook relating to the tie-breaker. I am leaving this open to discussion.

Anthony Sertich: I think, you know, I am the one who requested this meeting so I will kick it off and let others jump in as necessary. My concerns about the scoring is that it is really going to come down to a couple of items for the most part in the scoring. So I think it will come down to the leverage category, which could disqualify a lot of projects which don't have leverage which I am not a huge fan of but I understand that this is the working groups' proposal and we agreed on moving forward on it. And I think the other thing that we agreed on last week was that the high opportunity areas would get an advantage over all other projects, such as the large family high opportunity areas. But I think beyond that everything else will probably go down to the tie-breaker because I think most of the points will be able to be maximized. So, I do think we need to have a tie-breaker that reflects the state's priorities, and right now what was in the package was just looking at bond efficiency on a county adjusted level but the county adjustment is pretty small, because it is using the threshold basis, so a lot of the low cost counties are not reflected as such. I think the difference between the lowest and highest cost counties is only about 30%, so I think that could disadvantage a lot of coastal development in that tie-breaker.

The other piece that I am concerned about is it is just on cost, it does not take into account other public benefits that are being provided by the projects. So affordability is out the window as long as you meet the minimum requirements to get the maximum points, as well as some of the other transit oriented development, the jobs rich areas, other things that we have looked at that were actually provided for in AB83, are not included in the scoring and I think we will not drive behavior in a way that we want to as a committee.

Gayle Miller: I appreciate that Mr. Sertich and I am happy to look at the specific details of how we can change the tie-breaker. I don't know if you want to share your screen and pull that up and just sort of talk about how practically it does not work. I think the only thing that I disagree with is that we did not meet the requirements of AB83. I actually think the scoring does meet the requirements but I am certainly happy to improve on it if there is a tie-breaker that we can make sure actually works for everyone. That is my concern is that this is an interim change, I think that we have committed to not stopping any of this work so that is my only concern.

Anthony Sertich: I appreciate that. I understand that. I am not saying that this does not meet the AB83 requirements, I was saying that some of the pieces in there I think, are not going to drive behavior in as full a ways that we would like to see it. I mean, that is what I was saying, not that we were not meeting AB83. I think it does meet AB83. I think we are getting to that point. My only concern is that the tie-breaker will lead to development in lower cost areas, so let's take some large counties for example; because the adjustments are on a county basis, if we look at Los Angeles County, and there are a bunch of projects that tie and some are in high transit oriented/denser areas, those projects generally lose to the areas that are in more far-flung areas of the counties where development is cheaper. This is ignoring once we get past the idea of high opportunity areas. So if they are all moderate opportunity areas or lower opportunity areas, I think we are going to run into those problems. I think the other issue is when we are looking at broader geographic comparisons, such as some of the proposed pools like the inland pool, it really will damage the lower cost counties significantly. And so, if we are just looking at the cost adjustment by county, I think that we may not, and this comes back to what I was saying at the last meeting, we may not have the same outcomes that we are fully looking for. I know that it is a big push, and we might not get there, ideally, I think we could use a scoring system like the one that was in the spreadsheet and I can share my spreadsheet now and show you, I promise not to share my screen again after I get out. Can everyone see the screen? Okay. So this was the tie-breaker that was proposed by the working group. Which is really just the bond request divided by the adjusted units and adjusted by high and higher resource areas and a county cost adjustment. What the Controller's Office is proposing is a little more intricate, and we can scale it down or up as necessary. But really we are doing the same basic thing. We are calculating adjusted units, but instead of saying just the total cost or just the total units are the benefit, we are really calculating the public benefit here, which includes units produced, rent savings and this really is encouraging two things; it encourages deeper targeting in areas but it also encourages development in higher cost areas because this is done at a zip code level as opposed to a county level. And then, all this pieced down here are other adjustments that could be made or ignored as necessary. I think the main key here is this rent savings benefit because if we think about it, these HUD small market fair market rents, which are not ideal measurements but they do reflect market rents in different zip codes, and the best measure of where people want to live or at least the supply/demand mis-match is the market rents I think. So, it should be where the jobs are, where transit is, where high opportunity areas are, so that is why we chose that measure. These special populations, these are ones' that have been deemed priorities by the state government over the last few years, so we label those out and these locations look again, the high resource areas, TOD, job census tract, things like these can be added. So in getting to Ms. Boatman-Patterson's concerns from earlier about only taking into account the amount of the allocation on all of the state's investments, rather calculating state investment as just the private activity bonds, this also takes into account state tax credits and HCD, CalHFA soft money loans in terms of the total state investment. So it layers on a few more things than the tie-breaker that the working group has proposed. I just think it really gets at a measure that is going to drive the outcomes in a much more productive and efficient manner because we are taking into account more than just bond allocation per unit in a broad location adjustment. I don't know if you have further questions. I am more than willing to answer them.

Treasurer Ma: Can you go down to the first part? Is this what the working group proposed?

Anthony Sertich: It is pretty much the same thing. It is just adjusting the units by a factor. I mean everything in green here is open for discussion in terms of specifics. In terms of how much we should adjust. These adjustments on a per unit basis are slightly larger than what the working group proposed. This is based on what the fair market rate for these types of units are. But I think these are discussions that we can have as we work after we put the larger framework out. I think changing the specific numbers is easier to do. On the state investment there is a discount factor for private activity bonds and for state loans because the value of those is not as great and the cost to the state is not as great either because there are fees on state loans generally on an annual basis as well as the fact that if there is income in the projects over time that some of the principal may be paid back as well. And on the private activity bonds the value is really the 4% credit that comes along with it and not the bonds themselves. This is the spreadsheet that was sent out for the last meeting, it is part of that presentation that was included with the working group. So this is really just part of the working groups' spreadsheet that was sent out.

Evan Kass: It is on our website for the September 25, 2020 meeting.

Anthony Sertich: The other piece that the working group was looking at is using this as a tie-breaker in 2022 or possibly using it as an uncapped scoring system scoring addition rather than a tie-breaker. So in this scoring mechanism generally it is going to be between 15 and 25 points but if you scored really high on it and you did not have leverage, or if you did not have building in a high opportunity area, you then could pass some of those projects. So that is the longer term approach that they were taking with this piece at least in initial discussions I do not think anything has been approved by them, so I do not speak for them anyway. Maybe I already did.

Gayle Miller: I am really interested in this as you know. Mr. Sertich, I guess my understanding and I apologize if I misunderstood, I thought this was for 2022. I did not realize that this piece of this was for this year.

Anthony Sertich: And to be fair, that was the proposal of the working group, I think that we have that out there and I think we could push it forward sooner, and that is what I am proposing. But, obviously, if the Administration and the Treasurer are not comfortable doing that then I think we can move forward with the 2021 tie-breaker, I think we have something out there that could do more than these incremental steps, and while I understand the desire to do that sometimes, I worry that we are not doing as much as we can to drive the outcomes that we want in 2021.

Gayle Miller: I would love to hear from folks. I mean, again I think we have committed doing something like this for 2022 with the Administration but I would love to hear from folks, even if just from within the room adjustment, just doing that for now, it is sort of an interesting idea. It does get at some of the blunt instruments we were talking about previously, but I do want to clarify that ~~we~~ none of this should slow down where we are right now in terms of the current regulations being written and then presented. I think it is important that we complete all of that. I would love to hear from folks on kind of what they are thinking as well Madam Chair if that works for you.

Treasurer Ma: Okay. So let's open it up for public comment. Doug, do you want to start first?

Doug Shoemaker: I apologize Treasurer, I was not initially on the call so I am just catching up. It would be great is someone could comment.

Treasurer Ma: Okay. William Leach?

William Leach: So number one, my overarching comment is I think that the regulation process to get any type of tie-breaker is going to take some time and thought with the community. And so whether or not the committee is excited about this tie-breaker that may be a little more granular than the tie-breaker proposed by the working group, I still think a similar amount of time and effort is going to go into it by the community to discuss it, and I see some efficiencies of the industry right now looking at even a more granular version, so I am a little bit supportive of bringing a more granular version to the community to ~~give the~~receive their comments~~ on~~. In general, I want to echo the idea that I think there ~~is~~ are three beauties to this particular added detail. In step two you will notice that part of the public benefit calculation is not just did we build a unit but rather is that unit providing significant rent savings in comparison to market rents. And I really believe that this is going to help promote building in affluent areas and giving strong housing choice to our low income residents,~~. A~~ and~~,~~ this is a nuance that I think most people believe in. In choosing these small area fair market rents, I think is a really good start. We could officially measure much of what the market considers important at a site by incorporating this rent saving benefit within the calculation. The second beautifuly~~y~~ thing I would like to point out, if you scroll down Mr. Sertich, rows 28 through 50ish provide the opportunity to give an incentive for certain public policies. For example: the community based organizations, the minority developers, women lead developers; it is harder to make a point category that says oh we are going to advantage that to an all or nothing kind of concept, but if you have the option to put in where you are going to give a small incentive for folks who build this type of project, or in this type of location; this small adjustment option in rows 28 through 44 gives you the ability to make minor adjustments. I really like minor incentives and minor adjustments, because the committee can implement them more readily with less worry that it is going to skew the entire system. When you change point categories, you unfortunately have to talk about every applicant who is going to be judged or not judged by a point, whereas when it is put in a tie-breaker, you can have smaller incentives and it gives you a little bit more freedom as a committee to forward important policies that you have at the moment. And then lastly, the third thing that I think is beautiful about adding this level of detail to the tie-breaker, is in rows 50 to 57, where instead of simply calculating how efficient the project is at leveraging private activity bonds, it also takes into account what Ms. Boatman-Patterson was talking about~~,~~. I want to motivate state credit minimization efficiency. I want to see people sharpen their pencil. And this row 54~~,~~ will cause every developer to decide should I ask for five million state credits or six million state credits? Do I think I will wait if I ask for six or can I get by with five (million credits)? And so I believe that Ms. Boatman-Patterson's hope that in 2021 we will motivate the developers to sharpen their pencil about the state tax credits that they request. I believe that comes through here in row 54, when you incorporate that into the system. Now, when you measure more than one thing, you have to do conversions so that they make sense to everyone. You can't simply add private activity bonds to state credits. And so I understand why in the Foxtrot (F) column, Mr. Sertich is proposing discount factors just so that they are more on the same playing field. I think that this third beauty gets us much closer to the idea of measuring overall state investment, rather than one resource. When you do that it gives developers a lot of flexibility. You know what, I want to do a project with a lot of state tax credits but I am not going to get other state grants and state loans. I am just going to rely on these tax credits. Or we may say, this deal is better served by having three different funding sources. But we have the flexibility, whereas if you make multiple competitions for individual state resources, we may game the system a little bit and say, look how good I look for the state. And then I say to the state, oh look, I am not using very many state tax credits, and then we say to the bonds, hey, I am good with my bonds. If we have to talk individual competitions, number one; the process is more lengthy, number two; developers have a little bit better chance to get creative with their scoring if you measure us all at once, our private activity bonds, our credits, our loans, our grants, all at one moment, then it is hard for me to sneak around the specific measurements. So, overall, I believe adding the extra granularity for 2021 would be a huge win for the state. Will it come at a cost? Will there be maybe four categories that the public is going to give comment on in the tie-breaker? Yes, but I think if you are going to be under the hood anyway, having the public comment now on four things, rather than having the public comment now on two things, and then revisiting it next year, I see a big time-saving effort for everyone. So, I am a big fan of it. I am supportive and hopefully, I have been able to articulate it.

Doug Shoemaker: First, I just want to apologize to Tony, I don't think that we were as prepared for today as perhaps we should have been. I don't think that we knew that we were discussing this and that the group did not prepare for it so I apologize for that. I will just say, Treasurer and this is not meant to obviate anything that Will said or Tony said, I do not think the working group, you know, reached an opinion about sort of whether or not this system is ready for adoption in 2021. There are just a lot of moving parts to it that is not to say that it is not better. It could in fact be better. And I think part of it is just figuring out how to make sure that no people have run their projects through the model to understand whether or not there are some unintended consequences in it. I will just throw out a couple of questions and maybe Tony you could answer them. I know that we have talked about this in the past. One thing that I think that is really important, that makes this a better system in some ways then in the existing tie-breaker is we are struggling I think in our existing scoring system to acknowledge the importance of serving ELI/VLI households. So part of what I am wondering Tony, and if you could speak a little bit to the tradeoff between, for lack of a better word, in effect, penalizing folks for using state programs like MHP which are designed to supplant lost rental income in order to serve ELI/VLI households. And whether or not you think this in fact is just sort of neutral to that or is in fact going to reward those projects in the tie-breaker. That is one question. The second question that I have is and I apologize for these questions Treasurer, the second question I have is more of a question really related to the location benefit. I think there is tons of reasons why that is a really great idea. I think the question of how we might resolve how much weight to give to these things is maybe a question for you as a committee. I think that, and Tony I don't mean this in the wrong way, so I am not saying this in a facitious way but there is an element to which any scoring system, any valuation is going to feel a little arbitrary the first time you run it. And I don't mean that in a bad way. I just mean none of us know how much weight to put on a veteran versus another person or TOD or whatever might be. So part of what I am wondering Tony is if we were to move something like this forward, how one would determine in the process of the regulations and rulemaking that I think that this year is going to be pretty intense and condensed. How are we really to resolve these issues in a way that is going to be, it is not going to feel arbitrary? I guess that this is the best way to put it. And again, I am not trying to insult the proposal, it is very well thought out. But really just acknowledging that from a certain perspective one person's high priority might be another person's medium priority or lower priority. I will just note the only other thing I would offer is I think that we have a lot of competing policy goals at this point in the system. I was just reading through the HCD regulation changes and you know, frankly the terminology around disadvantaged areas runs almost completely in conflict with the high resource and highest resource areas from a philosophical standpoint. And so trying to figure out what we do with all of these awards, 50% of which are being prioritized per disadvantaged areas at the same time that this system is really pushing in a different direction, and I think that this is kind of the alignment, I am not saying couldn't be done, I am just saying, Tony, I am just a little confused on how it can be done over this time period.

Anthony Sertich: All right. And I think that those are all very fair and good questions. So I will start from the first. I think there were three questions that I heard you ask. So, the first was how does the rent savings measure sort of balance out the additional cost that lower income units generally get soft money from the state. I will give that answer in sort of a, well it depends, but when I ran through the projects for the three rounds of bond projects that were awarded this year, under this system, this actually would have rewarded more HCD projects that were awarded under our current tie-breaker. And that is because, we are giving more credit for the public benefit that is being provided rather it be through the rent savings, but not only the rent savings but also the special populations. So there is that. I guess that it depends on the specific project but the location matters, the specific target population matters. But, on an aggregate level the HCD projects are not put at any disadvantage, if anything they are advantaged under this system. Your second question was about coming in to an agreement on the values that we are providing with any of these adjustments. And that I think we are going to have no matter what. I mean everything we do is arbitrary in a way in terms of how many points you get for affordability versus how many points you get for high resource areas. I mean everything in the scoring system is arbitrary but what we tried to do with our larger system in taking points out of it, is we tried to base those values on sort of quantifiable data points. For example: the cost of having someone homeless on the street is quantified for local governments. What does it cost in terms of extra health care, in terms of extra police presence, or other costs~~ that are there~~. So we have tried to base some of our adjustments on things like that. Now, is everything like that, no, not at all, but that is sort of the foundation of what we have. What is the extra value of housing a veteran? That like you said, you could ask 50 people and you will get 50 different answers. So I think those to some extent, if we could, I would be perfectly fine outsourcing some of these and saying let's get 50 answers and take an average because that is how policy is going to be made on some of these things. It is just the nature of how we do things. And like Mr. Leach said earlier, we can adjust these over time if we find that these things are overvalued it is easy to drop it down by five thousand dollars next year. Or if it is undervalued, do the opposite. And policy priorities are going to change as well. Your third question in terms of the disadvantaged communities being in conflict with the high opportunity areas, I do think that this is an issue. I guess I may not be the best one to answer that question. Because I think value in high opportunity areas is very important, but we do need to make sure we don't disinvest in disadvantaged areas. I think that they are both competing priorities. I think the regulations where we try to build that in we try to do an either or scenario. We ended up over prioritizing the high opportunity areas by giving them an extra point in high opportunity areas. I think the other piece on location benefits, I do think that you would know this better than me, but I think that it costs more to build in higher opportunity areas generally speaking. And so I think we need to talk that all into account and balance that. But, I guess the short answer is I don't have all the answers to those questions and that is why we have been having these discussions for 6 months. Hopefully, we are closer to the answer but I know that we are not all the way there.

Doug Shoemaker: Treasurer, if I could make just a quick follow-up to Tony. I wasn't trying to say that this tie-breaker has a particular problem relative to the disadvantaged areas and high resource areas. I think that it is just an endemic challenge to the way that we are talking about this right now in which we have not fully aligned all of our financing, so my concern is really that basically we will fund a bunch of projects that have one locational criteria that is not showing up in the system and that is just really for you guys as a committee to decide. Is there a cost to stranding a bunch of funded HCD projects in the pipeline or not? Or is there another way to resolve that? I don't have an answer. I really just wanted to call attention to it. I am not saying it is the wrong approach to fund high resource areas, but we are arguably incentivizing something else in some of the other scoring systems. So how do we reconcile those when we have projects coming forward ~~for~~ to request bonds. That is all.

Anthony Sertich: Yeah. I agree with that completely. I would love to have a much more integrated financing system that solves all of these problems and works together a lot better and gets to a place where we can more efficiently allocate these funds, but also make sure that the policies are working together. This was part of the discussion that we just had at the TCAC meeting earlier today.

William Leach: In answer to the idea what if the HCD has awarded a significant chunk of awards to projects in disadvantaged areas per-se. The other categories could written for that. It could say did you receive an award in a disadvantaged community. And while I think the spreadsheet said a high resource area might get a 50 thousand dollar adjustment for that, this may achieve a 35 thousand adjustment. So the concern that is being raised is the potential mismatch or a mismatch for a period of time, could potentially be accounted for. That was my conclusion. I am done speaking.

Ann Wilson: I think the measure that Tony has come up with is a complicated but an artful measure. I think it is important to publish it so people can look at it even if we are going to adopt it in 2022. And I would advocate that we look at 2022 again, because you have to remember that developers out there have millions of dollars investment in a pipeline based on the scoring system that we have to date. You need to give us time to adjust to a scoring system that is complicated and we are not really going to understand the impact that it has on over time, changing how people identify what their pipeline is. I would also say that every time I have run this through some of our pipeline our 31 unit inclusionary project in a high resource area won over permanent supportive housing every time. If that is the outcome we want we have to just be careful about it. I echo Doug's comments about AHFC, that they have a specific goal of targeting disadvantaged communities and I encourage the committee to consider identifying a goal for high resource so that we don't go overboard and end up divesting in some of our low income communities that are suffering from gentrification and have suffered decades of disinvestments. So if we are going to put something in place, you need to give developers time to adjust to a new system, and that is why we should make the changes that the working group came up with for the tie-breaker, that is modest, which helps address that. I would also just say that in the Controller's proposal, the Delta between market rents and affordable rents gives a lot of weight to high resource areas. So you have to just make sure you are not weighing that too many times, or else create your goals say 50/50, where is it now, where do you want it to get to so that we do not go overboard. But that Delta between market rents and TCAC rents is going to disadvantage disadvantaged communities every time because they have a much smaller Delta. Thank you for listening and taking all of this under consideration.

Anthony Sertich: Thank you.

Cherene Sandidge: I want to echo a little bit of the last caller's statement. Over the last week, we have been able to meet with not only our industry stakeholders, Chinatown CDC, which if they are on the line maybe they will chime in as well, as well as the Hispanic coalition, throughout the state. And the resounding agreement I think from us is that the current pipeline, how does that effect these new regulations that are being proposed and in fact, the need for more time to look and study this whole tie-breaker. We were in, I know for the Black Developers Forum, we are in alignment with leaving the points in the scoring, but having heard some wise comments here on this, we might want to look at not distracting. But in terms of the tie-breaker, I think there is a little bit more discussion that needs to happen, and on one hand fair market rents, we are leaving this to the judgment of HUD which has always been a disadvantage to developers. And I really think that we need to be a little bit more assured of some stability in the calculations. That we developers don't have to every year go through the gymnastics of relearning. And so I would sort of echo the fact that maybe some more time is needed to be able to run this new model tie-breaker. Not in the scoring sheet but in the tie-breaker, to run it through some actual models to see exactly how it works. Thank you.

Beilui Naizghi: We appreciate the opportunity to provide on the changes to the tie-breaker today. While we think the tie-breaker makes significant improvements over the existing tie-breakers, we do have some significant concerns that we want to share with you. The tie-breaker's focus on high and highest resource areas coupled with its' focus on per unit bond requests, disadvantages in-fill urban projects which tend to be located in lower opportunity census tracts and are higher cost due to their urban location. Failing to promote these projects will have a particularly adverse impact on people with disabilities who rely on public transit for their transportation needs. We continue to be concerned about the focus on bond allocation per unit and the viability of building affordable housing in the bay area as a high cost region and a major jobs center. We are concerned that the existing affordable housing pipeline will be significantly adversely impacted by rendering many HCD funded projects uncompetitive if they are not located in high or highest resource areas as many of the previous speakers have stated. To remedy this MPH proposes to grandfather in existing projects that have already secured an HCD award by ensuring that the state or local funded pool has enough bond cap to meet the demand for projects that have already received HCD awards. MH members are also concerned that shifting the pipeline to favor large family in high opportunity areas above all project types means that in the next three to four years, large family projects could be the primary housing type funded by CDLAC decreasing desperately needed funding by other critical housing types such as senior housing and housing for people with disabilities. We must ensure that there is still a viable pathway to fund diversity of housing types within the AAFH regulations. My last comment is, as we discuss building more affordable housing in high opportunity neighborhoods, we must also be mindful of the need for affordable housing in neighborhoods that are considered low opportunity such as San Francisco's Chinatown or Oakland's Fruitvale station neighborhood, ensuring that we can still build a variety of housing types in these neighborhoods as well. One particularly concerning unintended consequence of the proposed tie-breaker and greater AAFH regulations is how they intersect with gentrification neighborhoods without CDC/CDO's and what will happen to affordable housing development in such neighborhoods that are seeing significant market rate investment without a parallel investment in housing affordable to people already living in their communities. These represent our main concerns and our members are more than happy to work with you on solutions. Thank you so much.

Reese Jarrett: I just have a general observation and questions as to, as we go through this evaluation and development, what the goal is in terms of incentivizing development to take place in high resource areas. Is it to reduce the concentration of ELI/VLI developments in areas of concentrated poverty? And I think that part of the answer to that is where we have been allocating our resources to in the past. Have we utilized the scoring system to really and particularly in the tie-breaker to drive the development towards the lower end of the affordability level essentially developing projects and concentrating projects in those areas. How do we incentivize projects to be developed in some of the high resource areas and the challenges and problems that are consequent to doing that. So part of whether the tie-breaker or a point is added is what kind of behavior are we trying to modify? What is the most effective utilization of the deployment of our state resources? I find Mr. Sertich's analysis very interesting and it has all kinds of nuances that if I am concentrated on homeless development then I am going to want to have that weighted in my favor so there is no simple answer as to how we weight these things. I think it obviously is going to require more discussion and evaluation as to where we end up. I think the issue of when it is implemented and given consideration to pipeline projects is an important one. But I also want to understand what behavior are we trying to incentivizing and unless we do something nothing will change.

Anthony Sertich: I appreciate the question Mr. Jarrett and I appreciated your thoughts generally. Just a quick answer to you, I think that from the beginning of this process we identified three things that are important in terms of building the multi-family affordable housing that we need. One is just the number of units, we need to build as many units as possible. We want to increase affordability as much as we can. I mean it does not mean we do building permits for housing around the state but generally that is a benefit for building affordable housing, hence the term affordable. And the third is location, and we want to make sure that we are building in the locations that we want to build. I don't think that includes only high opportunity areas, but that is a big focus of the regulations structure that we adopted at the last meeting. I think it also includes transit oriented for environmental purposes, it includes jobs rich areas, so that those tenants of affordable housing are able to be close to jobs so that they do not have long commutes and such. I think your question about how do we balance all of these things I think is a fair one and I don't think there is an easy answer to that. And I don't think what we have come up with today or next week or next month, who knows how long it is going to last. We are going to have to continually revisit this based off of the needs of the communities and based off of the policies of the state that they are trying to push. But I think the one piece that we do want to drive as part of all this too is that we do have a limited amount of money. We have say four billion dollars of tax exempt bonds in any given year, the more units, the more public benefit we can do with those four billion dollars, the better off we will be as a state. We are not going to solve the homeless problem. We are not going to solve the housing affordability problem in one year or two years, but the more we can do the closer we will be to that solution and the more people we will be able to help at least. So I think that this is a key thing. We need to use all of our resources as efficiently as possible within the public policy benefits that we are trying to drive. That is sort of how we came at this, and that is why we need to have these discussions and narrow it down. I think we have to a large extent, narrowed down what we are trying to get at, but as I said last meeting, there is still work to do.

Reese Jarrett: I appreciate that. I agree there is still a lot of work to do. Thank you.

Anthony Sertich: If I may Madam Chair, I would like to add one more thing. I appreciate the stakeholders who have said that we need to make sure that we are reviewing their pipelines and that the projects have been in the que for years, I fully understand that and agree with that. However, when we have limited resources, we do have to make decisions about who gets funded and who does not get funded. We funded I think, slightly over 50% of the projects that have applied this year and the same thing next year possibly, maybe not, maybe we will do better, maybe we will do worse. It just depends on the number of applications. But our job is to make sure that we are funding the projects that apply that do the most public good for us and that meet the policy goals of the state. So, I want to push back a little bit on the idea that we have to take into account existing pipelines that exist because if there is eight billion dollars' worth of bond applications next year, no matter what, we need to make sure that we are awarding the four billion dollars to projects that do the best as opposed to the four billion dollars in projects that would have done best under the old system. We want to make sure that we are incentivizing the best projects with the most public good that are out there.

Gayle Miller: Thank you Madam Chair. So I think, I don't know if it makes sense Madam Chair to potentially do two things; one I would like to immediately get into the tract where we are beginning to talk about what 2022 looks like, it just seems like a long time so I think we should already be thinking about 2022, but then also just to begin to signal Mr. Sertich's point that we are wanting to have the tie-breaker to be a little bit more meaningful and again I am a fan of the incremental, but I wonder if we could work or maybe Mr. Sertich can come back in ten days or next month, just around the tie-breaker, especially around the number of rooms, I think that this is an interesting measure that we have not spent a lot of time thinking about, and at least then we are really, we are sending the signal around our deep desire to make sure that we are maximizing the public benefit while also recognizing that we are moving incrementally in order to ensure that we have the production needed in California. So I don't know if that is kind of a little bit of a tweener, that at least it sends the right message and recognizes the commitment we are all making in this process really collectively. And we work on the longer term question around public benefit that I know that Ms. Blackwell is already committed to. I know that it is not perfect but nothing really is.

Anthony Sertich: One thing I would like to add though, the current working group proposed tie-breaker does have the bedroom adjustments in there, so that is already in there as well. So if that is the one piece you want to add, that is already included in there.

Gayle Miller: Can you bring your spreadsheet back up Mr. Sertich? I am trying to see what we can include that is not already included.

Anthony Sertich: I think the one piece that I think really gets at the public benefit more than anything is rent savings. Now, I agree that it has certain areas that it benefits over others but I think that is what we are ultimately deciding when we benefited all the high opportunity areas. Last time as a committee we decided that those areas were we wanted to invest these funds. Now that being said, all of these funds will not go into those high opportunity areas. There is just not enough in terms of places to develop in any given year. But we have already made those decisions. So I think that if this is what we really want to get at, we could do this, but I don't think, I think there is room to tweak on this system or their system in terms of what these exact coefficients are. That one I am not as concerned with. I do worry that because the adjustments are on the county basis on this and because none of the other public benefit is coming in we will end up with less targeted projects, less public benefit, then we would in a more nuanced system. That being said, if it is the committee's desire to move forward with this system, I would be more than willing to work and to add little pieces here and there to get it to where I think it can be as good as possible. My goal here is just to get as many good quality affordable housing units built around the state as we can. The Controller's Office does not have a dog in the hunt otherwise. We are just trying to do our work here.

Gayle Miller: Madam Chair? Can I just make one more recommendation? In addition to my dual tract recommendation to the tie-breaker, I think we are trying to get draft regulations to respond to. I think this is because nothing happens until that comment period. I think we can continue to kind of work on this and I would ask Mr. Shoemaker to take it back to the working group and I just to see sort of where we can get, I would love to hear sort of the public reaction to some type of the rent savings to see if there is a consensus driven idea to see what the reaction to that is, but in the meantime, I would say that we don't necessarily take action today but it goes back to the working group and we do sort of make a commitment to see if there are some nuances that we can include while we are finalizing the regulations. Because what I would not want to do is kind of slow down the writing of the regulations at all, because I think we are really pushing up against a deadline. I don't know if that works Mr. Sertich, just to continue the conversation, but I would be interested in hearing sort of public comment on measuring rent savings just given market trends and see what folks think about that as well.

Joanna Ladd: I am just reviewing Mr. Sertich's proposal for the first time today, but one thing that I do really like about it is measuring discount for market rents, looking at TOD, and other location amenities as compared to the previous proposal which really just provides a boost for projects in high and highest resource areas. We feel that these measures would really take into account opportunity much better. Chinatown is, per the Opportunity Maps, a low resource high segregation poverty area, but it actually is a major job center for Cantonese speakers and has a bevy of other resources including transit, so this would allow that kind of nuance to be recognized in the tie-breaker. Thank you.

Doug Shoemaker: Madam Treasurer, I am just responding to Gayle. Of course the working group will be happy to take this up and I just want to make sure that I am really clear on what we are being asked to do and maybe make a suggestion. I think to Cherene's point, what a lot of people are going to want to understand is how to evaluate their projects against this criteria. And Tony, perhaps you and the staff can work together to kind of make sure that everyone knows how to get to those HUD small market area calculations so that people can really see what it is that they are being asked to compare themselves to. And I think we can ask our working group to run projects through that timeline. The point Joanna just made is potentially a very important one and I will just offer this thought, the working group can work on this further which is, we struggle to think about places like the Mission District or Chinatown that are in extremely expensive areas, don't show up on the opportunity maps, but pricing would suggest are very desirable places to live in some ways, if you assume that high cost means something. I am not sure what it means but just to suggest that it means something to somebody. It may be a way for us to further nuance the conversation about high resource areas because in a place like Chinatown which I do not know as well as Joanna does, you might be a block away from the most affluent zip code in the city, but your particular census tract might not indicate that and I think that is one of the challenges we are all trying to deal with while we try and advance the goal of AAFH. I think it would be great if we could just post a couple things especially now that Judith is back and I am sure that she has tons of time on her hands to do all of this stuff, but just put a few things on the website so that people can go and do a little bit of the self-analysis that we want people to do. Just sort of again, Tony has done us all a huge favor by sort of field testing this, but as we look at the individual component parts of that it might really go a long way. And perhaps what the working group can do as well is try to figure out if there is a simplified version of this scoring that we can distribute to people that are interested so that they can have an understanding of how this might play out. I do think there is different levels of sophistication, that is part of what we have been talking about, and having a shared understanding of what this scoring might look like will I think even the playing field who are trying to evaluate it. If that makes sense.

Dan Hernandez: We are a Latin driven mission district developer in San Francisco. We have a two-pronged concern about the current CDLAC rules. The first one being empowerment for people of color and the second one cultural stabilization of inner city urban areas. To the point, the Chinatown member that just commented, we also live in an area that has a great deal of investment and over gentrification and Meta urges staff to consider issues in inner cities because of the high cost areas at Mission District and Chinatown. We also suffer from serious out-migration and relocation of long-standing residents. Secondly, we are aligned with the Black Developer's Forum for there to be colored persons' set-aside taken into consideration, that 39% of California's are Latin, another 8 to 10% are Black or African-American. So this is almost 50% of the population that is either black or brown and almost no developers of color are represented. With regards to Tony Sertich's tie-breaker, we think that is something to be considered and definitely go into the granular level, it solves many issues but again, to Cherene's point, we have to dry run this a few times and see how it works. Thank you.

Gabriel Speyer: I am a Senior Project Manager with the Tenderloin Neighborhood Development Corporation. I wish to comment on Mr. Sertich's comment on the existing pipeline. I wish to call attention to the distinct possibility that there will be a statewide pipeline of projects in pre-development which have received full entitlement and are fully designed and have been awarded HCD funding, but because they are not in a high opportunity area will not be competitive in the proposed 2021 tie-breaker. These projects will likely stall out. This seems contrary to me to the state's other goal of moving through the HCD pipeline. I would like to suggest that projects that have received funding awards from HCD receive some special consideration in the calculation of the tie-breaker or in some other way to avoid the scenario I have just described. Thank you.

Cherene Sandidge: Thank you Madam Chair. I would be remiss if I did not bring up the faith based organizations' concerns at this point. And as we as a city (Los Angeles) and as a state are moving into senior status, the current tie-breaker as it is set out now is not really as advantageous for those small senior projects. I guess my question that needs to be answered is one; is this no longer a project type that the state wants to continue to see created and funded?; and two, what are some of the alternatives of being able to do a senior project if the one bedroom unit is weighted so low to note be competitive? It would be a disadvantage and a misfortune if a faith based organization, which are usually more political, have more resources to bring to the table, would get all the way up to the tie-breaker and not be competitive because of the unit sizes they are planning on building on their property. Thank you.

Anthony Sertich: I appreciate that Ms. Sandidge. I just, quickly one of the reasons for the adjustment I think it is important that we level the playing ground a little bit between one bedroom units which should be cheaper to build than three and four bedroom units and larger units. So I think getting that factor correct is important for sure and I do not think we are finalizing anything at this point. But as we work through the process, we will need to get feedback and make sure we are getting to the right place, but we can't, saying that a one bedroom unit is the same as a four bedroom unit does not make sense either in the sense that we can house four times as many people theoretically in a four-bedroom than we can in a one-bedroom. So, I appreciate your point and I do think we need to make sure that we still are able to value affordable senior projects because that is a huge part of what we are supposed to do as a program. So this is something that needs to be taken into account as we go forward in this process.

Treasurer Ma: Okay. It is almost 5 p.m. and I don't think we have any consensus to this item so I think we should go back and think about it. Thank you Tony for bringing it up and the working group will go and evaluate as well as everybody here on this call. We will put it on the next agenda if you want to continue to talk about it. If we get any resolution I am more than happy to do that.

Anthony Sertich: I am really not trying to slow down the process here. So as soon as we can meet again, I want to make sure we can get this through for staff and everybody. Whatever works for you and Ms. Miller, I will make myself available.

Treasurer Ma: Well the staff is continuing to make the changes to the regulations so this is really the tie-breaker, so it is not really slowing things down at this moment in my opinion. All right. Then we can move on to the last item.

5. General Public Comment

Treasurer Ma: Any members wishing to make any comments on any item not on the agenda? Chris Clark.

Chris Clark: Madam Treasurer, members of the committee, thank you for this opportunity to comment to you today. I live in 29 Palms and worked for the National Parks Conservation Association which is a 101 year old organization that works nationwide to protect and advocate for our national parks. I am here today to alert you to a currently unresolved situation, a literal road block, regarding the proposed expiring Express West High Speed Rail that this committee has allocated bonds financing for and I would like to speak today on how this matter can get quickly resolved. As you may be aware, California's wildlife is under increasing pressure from development and from the effects of climate change. The California desert bighorn sheep is no exception. This species is a fully protected species in California, meaning it has the highest level of protection that our state can offer. The desert bighorn has been on a multi-decade migration Northward in the California desert which includes crossing highways such as Interstate 15 where Express West will be built. The pressure to migrate northward will further intensify due to climate change. As you know, Express West recently changed the alignment of its rail track, under its current design specifications the train would place a continuous concrete wall on both sides of the tracks along nearly the entire route. This is obviously an important to increase public safety by keeping cars and humans off of the track. But this safety measure for humans would make the highway and railway a death trap for bighorn sheep. The wall would be too high for the sheep to jump once they get to the median, instead they would be turned back into freeway traffic where they would pose a serious threat to drivers. And the currently risky crossing of the highway would be made impossible permanently ending the migration of the species. What I have described to you just now is not just the position of more than two dozen organizations that have informed federal and state agencies and brought light that this is a major problem. It is also the position of the California Department of Fish and Wildlife. We have worked for decades with leaders like Senator Feinstein to protect our California desert and establish new parks and monuments. Monitoring the migration of one of our most important wildlife species is a very serious substantive issue that stakeholders are now grappling with. But there is a relatively easy win-win solution before us that allows Express West to proceed and demonstrates how this project can be an example of how to successfully address climate change goals and protect wildlife. We can quickly resolve this conflict by including three simple wildlife crossing bridges at strategic points along Interstate 15 near Mojave National Preserve. Now we at NPCA have been in conversation with Express West for nearly a decade and we enjoy a good working relationship. When the project was reintroduced last year, we reached out to the new owner Bright Lines to learn more. As you may know the Federal Railroad Administration elected not to have any public environmental review process to consider ExpressWest's new alignment and design changes. Putting aside the wisdom and legality of FRA's process it means in practicality that there isn't a proper venue to understand and resolve these issues. And more recently, we and California state agencies learned of the concrete barrier wall that would block wildlife migrations and create a myriad of safety concerns. So, last month we reached out to Bright Line directly to notify them of the significant conflict and share with them how we can get it resolved through those three wildlife crossing bridges. We have written a letter to Brightline's Florida management formally requesting that it voluntarily propose these wildlife crossings as part of its design to mark its commitment towards wildlife protection and to celebrate the California desert that it will be running through. We informed them of the scientific research that shows where crossings should be built. We shared with them a letter from over two dozen stakeholders for the need for these crossings and explained the innovations of wildlife crossing bridges and the other states that are incorporating them into highway designs at lower costs than ever, potentially as low as two to ten million dollars per bridge. We also think our request is extremely reasonable from a financial perspective considering that this is a nine billion dollar project. Brightline has told Forbes (magazine) that his company is projecting an annual operating profit of one billion dollars per year. We are still awaiting a response from Brightline to see if it will voluntarily propose and fund these three wildlife crossings which is the least conflict path forward. Ultimately, it is the right thing to do for California and is very easily accommodated I think into a nine billion dollar project. It is the way to show how to do things the right way and in light of Governor Newsom's recent executive order protecting California's biological diversity, which highlights value of protecting states wildlife in the face of climate change. To close out, let me say we would be happy to discuss any of these matters with you or your staff and we are happy to share with you the letters we have referenced today. And again, thank you for the opportunity to speak after what I know has been a very long series of meetings for you all.

Treasurer Ma: Chris, since I have you here what do those crossings look like?

Chris Clark: They would look like essentially overcrossings that maybe a two-lane highway might have over a freeway. They are relatively straight-forward. As an example there are three wildlife crossings for desert bighorn sheep over state route 93 southeast of Hoover Dam that the Arizona Department of Transportation has put in that are actively used by bighorn sheep. You can get fancier. There are precast models sort of in the spirit of Highway 101 crossing for Mountain Lions that California Caltrans is planning. That crossing is significantly bigger and would be significantly more expensive than what we are proposing but it is another possibility.

Treasurer Ma: Can you maybe send me some information on these crossings and what they look like?

Chris Clark: We would absolutely be very happy to do that.

Treasurer Ma: Thank you for attending today. I will move to adjourn the meeting. We are adjourned. Thank you so much everybody.