



April 2, 2021

California Debt Limit Allocation Committee
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Sacramento, CA 95814

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Re: Proposed Changes to approved CDLAC Regulation (Adopted February 1, 2021)

Dear Director Robles, Treasurer Ma, and CDLAC Committee members,

As mayors of the Bay Area's three largest cities, we are alarmed that ***no affordable housing projects will be awarded any bond allocation in Round 1***. Further, under the current CDLAC scoring system, projects in the major Bay Area cities are unlikely to be competitive for any bond allocation at all this year.

The cities of Oakland, San Francisco and San José are jointly requesting that the CDLAC implement changes to geographic apportionment, tiebreaker, alignment with other HCD programs, high opportunity, and recycling bond scoring prior to making awards for Round 2 allocations.

Bay Area projects were effectively shut out of funding in Round 1 based on a preview of self-scores. This will stall nearly 3,000 desperately needed affordable homes in our cities, all slated to compete this year. We have invested millions of local subsidy dollars into pipeline projects that are not all large family, 100% homeless, or located in high resource areas – meaning most of our pipelines will not qualify for the full 120 points. With a score of 119, they become subject to the tiebreaker, which remains largely driven by costs per unit. The adjusters included in the current regulations, while much appreciated, simply do not account for the real cost of constructing housing in the largest cities of the Bay Area, and will stall our most shovel-ready projects.

Geographic Apportionments

The Bay Area regional pool is underfunded at 17% of all the geographic regions. In Round 1, the Bay Area geographic region was the most oversubscribed, representing 29% of statewide demand but receiving only 9% of the statewide allocation – with none in the region's major cities of San Francisco, Oakland, and San José. **The Bay Area's regional allocation should be increased to at least 24%** to proportionately produce a similar number of units relative to its population size and cost compared with other regions. In general, we encourage CDLAC to size the regional pools based on historical demand for allocation or at least align with RHNA affordable housing allocations – which argues for an even larger percentage allocation. (Refer to Section 5022.)

Tiebreaker

A bond allocation system that shuts out Bay Area cities is untenable. Therefore, **starting in Round 2, we recommend revising the 30% statewide basis delta cap in the tiebreaker to 60%, with a downward adjuster**. The current 30% cap does not adequately address the cost differences between regions with very

different cost structures. The tiebreaker must be based on equalized basis limits across regions to recognize the vastly different costs of construction in a state as vast and diverse as California. Capping the statewide basis delta at 30% does not accurately reflect the cost of construction in the Bay Area and other parts of the State. (Refer to Section 5231(g)(1))

Prioritize HCD-Funded Projects

We urge you to align statewide housing policy with the billions of dollars of investment made by HCD by **providing 1 bonus point in the CDLAC scoring system to projects with committed HCD funding**. These public benefit projects are shovel-ready and should be prioritized. Without alignment, the State is increasing risk to its significant level of investment in these projects, and its ability to implement its statewide policy goals. (Refer to Section 5030(j))

Alignment with Local Investments: Retool High Opportunity Scoring and Recycled Bond Leveraging

We have a pipeline of projects that have secured significant local investments in addition to the state awards discussed above. We ask that CDLAC either **create a separate pool for High Opportunity projects, and/or phase in this policy after funding the current pipeline**. While we applaud the State's prioritization of locating affordable housing in High Opportunity Areas, large areas of our cities have been designated Low Opportunity, even in rapidly gentrifying neighborhoods that need affordable housing the most. We have invested deeply in place-based strategies with our local dollars and publicly-owned sites, and ask that the State support our existing investments in housing for low and moderate resourced communities that are most vulnerable to the pressures of displacement. (Refer to Section 5030(j))

In addition, local subsidy sources are being devalued by the leveraging advantage assigned to recycled bonds. By **eliminating this leveraging advantage for recycled bonds**, the scoring will reflect the State's intent of providing points to projects that have leveraged new funding support, which is often from voter approved, local funding measures that are awaiting results from their self-imposed taxes. (Refer to Section 5230(h))

Importance of Changes Now

Our cities have made commitments to invest in affordable housing for all residents and continue to do so in light of the pandemic exacerbating the housing and homelessness crisis. We believe that we are best positioned to support the State in its goals to deliver affordable housing and reduce greenhouse gas emissions with development in jobs and transit-rich hubs. However, the shovel-ready projects in our pipeline cannot move forward without bond allocations. It is critical that CDLAC revise the geographic apportionment, tiebreaker calculation, and alignment with other State and local programs, or else the Bay Area will continue to be shut out of bond allocations at the moment when we need them most.

Thank you for the opportunity to comment, and we look forward to continuing the work of housing all Californians.

Sincerely,



Mayor Libby Schaaf
City of Oakland



Mayor London N. Breed
City of San Francisco



Mayor Sam Liccardo
City of San José