

1 [Urging Tax-Exempt Bond Regulation Changes]

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3 **Resolution urging Treasurer Fiona Ma and the California Debt Limit Allocation**
4 **Committee (“CDLAC”) to amend the adopted CDLAC regulations immediately to**
5 **address the regional inequities of the allocation system resulting in no awards to San**
6 **Francisco for new construction affordable housing projects.**

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8 WHEREAS, The California Debt Limit Allocation Committee (CDLAC) administers and
9 awards allocation of the State’s tax-exempt private activity bonds (“PAB”), a critical vehicle to
10 finance the new construction or acquisition and rehabilitation of multifamily affordable housing;
11 and

12 WHEREAS, Federal tax code establishes and limits the amount of tax-exempt PAB
13 that may be issued in a state each year, referred to as volume cap; in 2020, the demand for
14 tax-exempt PAB in California became oversubscribed for the first time; and

15 WHEREAS, Prior to calendar year 2020, projects that met a minimum point threshold
16 were able to receive an allocation because there was available volume cap; in 2021,
17 applications for PAB allocation are approximately three times in excess of available volume
18 cap; and

19 WHEREAS, To address the demand for PAB allocation, CDLAC implemented a new
20 allocation system in 2021 to award \$2.2 billion of tax-exempt bonds for Qualified Residential
21 Rental Projects; and

22 WHEREAS, For Round 1 in 2021, San Francisco submitted applications for five
23 affordable housing projects and received no awards; and

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1 WHEREAS, For Round 2 in 2021, San Francisco submitted applications for five
2 affordable new construction housing projects and based on preliminary scoring, none of its
3 new construction projects will be receiving an award; and

4 WHEREAS, San Francisco's 2021 affordable housing pipeline consists of nine new
5 construction and three preservation projects totaling 1,299 units, including permanent
6 supportive housing, transitional age youth housing, and HOPE SF projects; and

7 WHEREAS, San Francisco and other Bay Area cities are job and transit rich hubs
8 where affordable housing needs to be built. It is critical to the local economy and its continued
9 growth that affordable housing be provided to prevent the displacement of low- and moderate-
10 income households to lower-cost regions, resulting in long commutes for jobs, adverse
11 environmental consequences, increased homelessness, and additional health and human
12 services costs; and

13 WHEREAS, San Francisco has been investing significant amounts of local dollars into
14 affordable housing; sources include the Local Housing Trust Fund that grows to \$50 million
15 per year, 2019 voter approved general obligation bond measure of \$600 million, and a local
16 operating subsidy for permanent supportive housing; in Fiscal Year (FY) 2020-2021, San
17 Francisco invested about \$250 million of local funding for affordable housing production; and

18 WHEREAS, While San Francisco shares CDLAC's goal of cost containment, the use of
19 cost containment as the primary determinant of which applications for housing will receive
20 PAB allocation will disadvantage projects in San Francisco; now, therefore, be it

21 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
22 urges Treasurer Fiona Ma and CDLAC to amend the adopted CDLAC regulations immediately
23 to address the regional inequities of the allocation system resulting in no new construction
24 awards to San Francisco; and, be it

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1 FURTHER RESOLVED, CDLAC should adopt the following amendments prior to
2 Round 3, the final round of allocation in 2021: 1) increase the Bay Area regional allocation
3 from 21% to 24% to reflect the historic demand of PAB in the region; 2) revise the 30.0%
4 statewide basis delta cap in the CDLAC tiebreaker to 60%, with a downward adjuster to
5 adequately address the cost differences between regions with varied cost structures; 3)
6 eliminate recycled bonds as leveraged soft resources points in the CDLAC scoring system to
7 reflect the state’s intent of providing points to projects that have leveraged funding support,
8 often from voter approved, local funding measures that are awaiting results from self-imposed
9 taxes; 4) create a separate pool for High Opportunity projects and/or phase in this policy after
10 funding the current pipeline to support existing investments in housing for low and moderate
11 resourced communities that are most vulnerable to the pressures of displacement, and for
12 reparations-focused revitalization initiatives; and 5) provide one bonus point to projects with
13 committed funding from the California Department of Housing and Community Development
14 (“HCD”) in the CDLAC scoring system to award shovel-ready projects that align with statewide
15 policy goals; and, be it

16 FURTHER RESOLVED, CDLAC should revise the tiebreaker prior to 2022 to be based
17 on public benefits instead of cost efficiency and should specifically incorporate the following
18 into the tiebreaker calculation: 1) rent benefit/savings measures that will create balance
19 between public benefit and cost containment, while complying with AB 83’s requirement to
20 “maximize the efficient use of public subsidy and benefit”; 2) accounting for the total public
21 funds leveraged to place greater value on local subsidy that often stems from voter-supported
22 affordable housing general obligation bonds; 3) allow permanent supportive housing studio
23 units to count as 2-bedroom units to account for the higher costs to develop additional
24 services and community spaces that carry overall greater public benefit; and 4) waive the
25 large unit cap adjustment for projects that obtained land-use approvals prior to January 1,

1 2022 to grandfather shovel-ready projects with unit designs that are supported by the
2 surrounding community.

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