[Urging Tax-Exempt Bond Regulation Changes]

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

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

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

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

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

WHEREAS, For Round 1 in 2021, San Francisco submitted applications for five affordable housing projects and received no awards; and
WHEREAS, For Round 2 in 2021, San Francisco submitted applications for five affordable new construction housing projects and based on preliminary scoring, none of its new construction projects will be receiving an award; and

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

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

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

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

RESOLVED, That the Board of Supervisors of the City and County of San Francisco urges Treasurer Fiona Ma and CDLAC to amend the adopted CDLAC regulations immediately to address the regional inequities of the allocation system resulting in no new construction awards to San Francisco; and, be it
FURTHER RESOLVED, CDLAC should adopt the following amendments prior to Round 3, the final round of allocation in 2021: 1) increase the Bay Area regional allocation from 21% to 24% to reflect the historic demand of PAB in the region; 2) revise the 30.0% statewide basis delta cap in the CDLAC tiebreaker to 60%, with a downward adjuster to adequately address the cost differences between regions with varied cost structures; 3) eliminate recycled bonds as leveraged soft resources points in the CDLAC scoring system to reflect the state's intent of providing points to projects that have leveraged funding support, often from voter approved, local funding measures that are awaiting results from self-imposed taxes; 4) create a separate pool for High Opportunity projects and/or phase in this policy after funding the current pipeline to support existing investments in housing for low and moderate resourced communities that are most vulnerable to the pressures of displacement, and for reparations-focused revitalization initiatives; and 5) provide one bonus point to projects with committed funding from the California Department of Housing and Community Development ("HCD") in the CDLAC scoring system to award shovel-ready projects that align with statewide policy goals; and, be it

FURTHER RESOLVED, CDLAC should revise the tiebreaker prior to 2022 to be based on public benefits instead of cost efficiency and should specifically incorporate the following into the tiebreaker calculation: 1) rent benefit/savings measures that will create balance between public benefit and cost containment, while complying with AB 83's requirement to "maximize the efficient use of public subsidy and benefit"; 2) accounting for the total public funds leveraged to place greater value on local subsidy that often stems from voter-supported affordable housing general obligation bonds; 3) allow permanent supportive housing studio units to count as 2-bedroom units to account for the higher costs to develop additional services and community spaces that carry overall greater public benefit; and 4) waive the large unit cap adjustment for projects that obtained land-use approvals prior to January 1,
2022 to grandfather shovel-ready projects with unit designs that are supported by the surrounding community.
Resolution urging Treasurer Fiona Ma and the California Debt Limit Allocation Committee ("CDLAC") to amend the adopted CDLAC regulations immediately to address the regional inequities of the allocation system resulting in no awards to San Francisco for new construction affordable housing projects.

September 07, 2021 Board of Supervisors - ADOPTED
Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

I hereby certify that the foregoing Resolution was ADOPTED on 9/7/2021 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board