



# CDLAC 2021 Scoring System Framework

Secretary Lourdes Castro Ramirez | September 14, 2020



# The Administration's Prioritized Value Set

## Guiding Principles for a United Policy Approach:

1. The state should fund to the greatest degree possible the types of housing units that are not being produced by the market.
2. State financed affordable housing should be issued consistent with Affirmatively Furthering Fair Housing Principles.
3. The state should bring to bear all its regulatory and enforcement powers to influence and monitor zoning, permitting and production of housing for people of all income levels, but particularly moderate and below for rental and homeownership, in local jurisdictions.





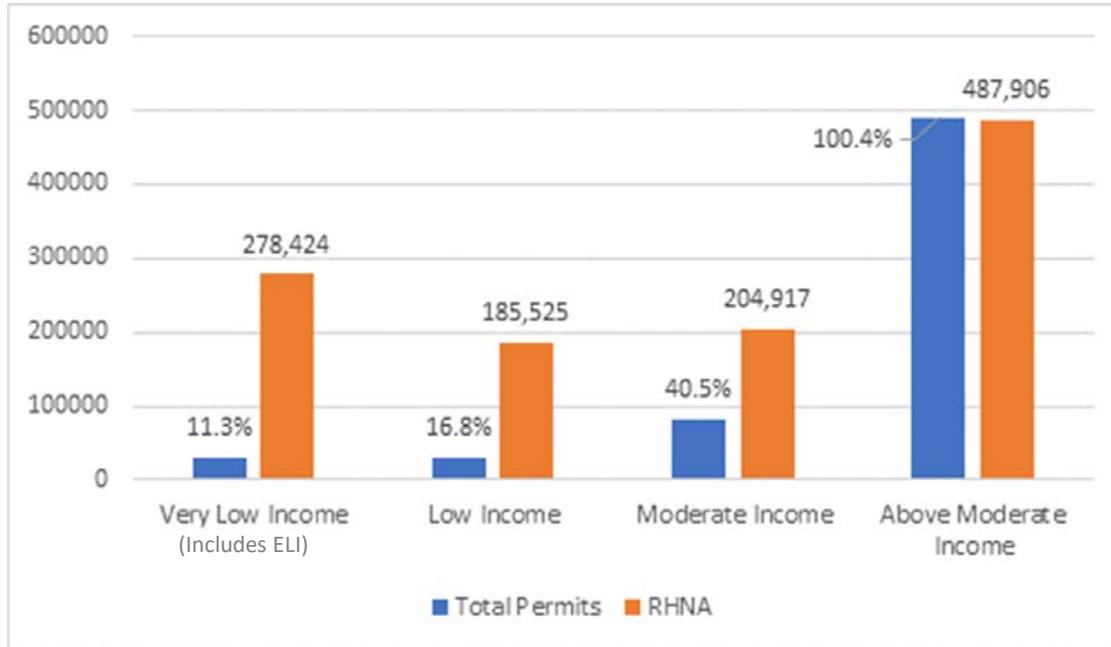
# The Administration's Value Set (Cont.)

4. Across the full housing spectrum, units should be produced expediently and efficiently, in areas of high need, in order to tackle affordability and access issues.
5. Looking for solutions to decrease cost and time, the state should incentivize units, innovations, state lands, and solutions that align with co-existing state goals.
6. Promote and develop a robust preservation strategy to protect past investments and naturally occurring affordable housing.
7. The State financing system should be viewed in its entirety and be deployed more effectively.



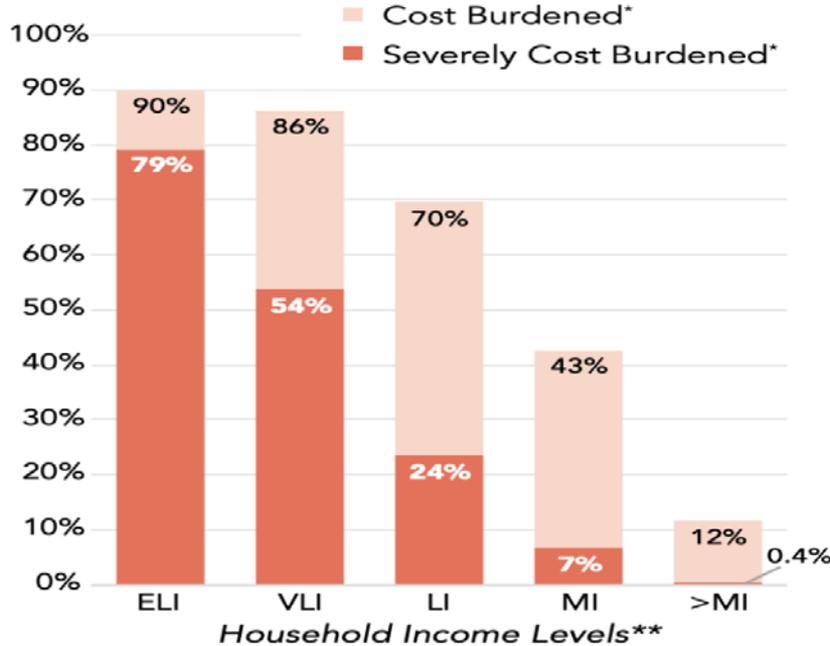
# A Data - Driven Approach:

CA is Under Permitting at Lower Income Levels (5<sup>th</sup> Cycle APR Results)



# A Data-Driven Approach:

## Housing Affordability Challenges Exist in CA's Rental Market



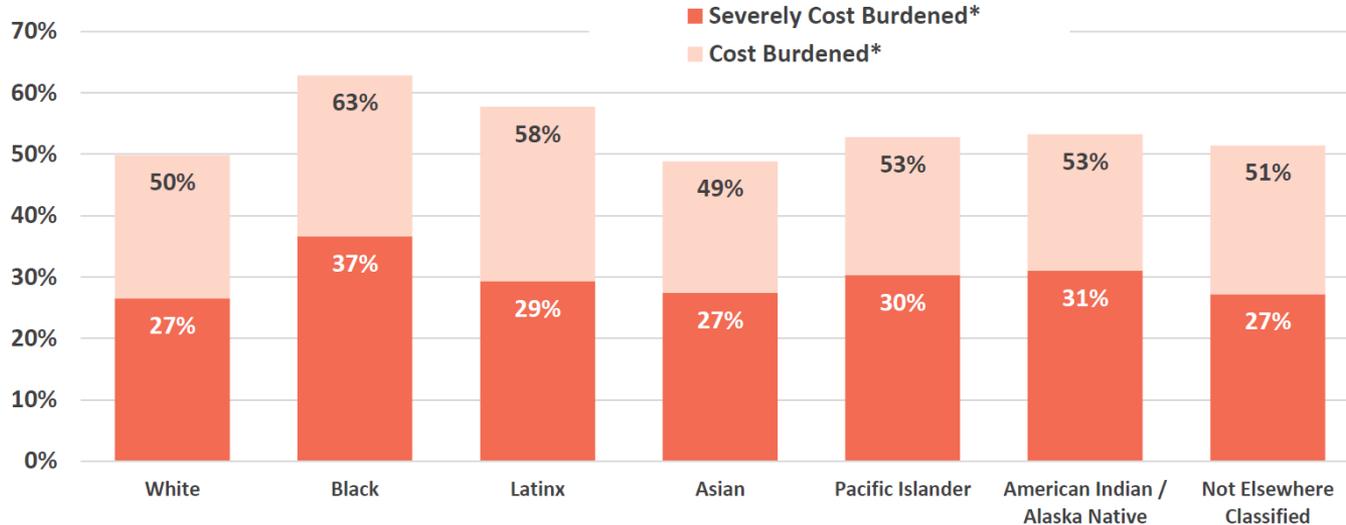
**Source:** California Housing Partnership analysis of 2018 1-year American Community Survey (ACS) PUMS data with HUD income levels. Methodology was adapted from NLIHC gap methodology.

\*Cost burdened households spend 30% or more of their income towards housing costs. Severely cost burdened households spend more than 50%.

\*\*ELI: Extremely Low-Income, VLI: Very Low-Income, LI: Low-Income, MI: Moderate-Income, >MI: Above Moderate-Income

# A Data - Driven Approach:

Black and Latinx renters are most likely to experience cost burden



*Source: California Budget and Policy Center analysis of 2016-2018 1-year ACS PUMS data.*

*\*Cost burdened households spend 30% or more of their income towards housing costs. Severely cost burdened households spend more than 50%.*

# Priority Goals – CDLAC 2021 Regulations

Priority goals the Administration would like to see as a result of this framework:

1. Establish truly **integrated, inclusive and balanced living patterns** that offer opportunity and upward mobility for residents;
2. Prioritize **cost containment** solutions that enable our public resources to stretch further; and
3. **Removal of barriers and inclusion of new development partners**, specifically black and brown development partners in the affordable housing space.



# Goal 1: Integrated, Inclusive and Balanced Living Patterns

- **Affirmatively Furthering Fair Housing Scoring Criteria**
  - Creating units of housing that stretch widely across the income brackets in lower income communities
  - Building more deeply affordable units in well-resourced areas with higher opportunities
- **Service and Site Amenities Linkage to promote positive resident outcomes**
- **Unit Focus to Incentivize Inclusion**



## Goal 2: Cost Containment

- Lower costs = more housing
- HCD Pro-Housing Designation (AB 101, Budget Trailer Bill 2019/20 Budget Act)
- Retaining Cost Containment within the Scoring Criteria (AB 83, Budget Trailer Bill 2020/21)



## Goal 3: Removing Barriers and Greater Inclusion of Developers

- Establishing a new **Community Development Corporation / Community Based Organization Pool**
- **Modifying the Developer Experience Criteria** to be more inclusive
- Adding **General Management and Partnership Criteria** to promote sustainable and equitable partnerships are formed



# Regulatory Notes for Consideration

- Add definitions related to new criteria proposed by Administration and Working Group
- Add a new threshold requirement related to Developer Experience
- Evaluate TCAC regulations language and terminology for unintended consequences and impact prior to mirroring in CDLAC
- Evaluate a higher Developer Fee Limit for smaller and new developers to support inclusion

# Next Steps

- Support State Treasurer in completion of the CDLAC Regulations
- Partner on next phase of strategic discussions and actions to improve delivery of housing resources across the full state system
- GARE Training & Implementation of Racial Equity Tool





State of California  
**BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**

Gavin Newsom, Governor  
Lourdes M. Castro Ramírez, Secretary

Date: 9/12/2020  
To: Treasurer Fiona Ma  
From: Secretary  Castro Ramirez  
Cc: Governor Gavin Newsom  
State Controller Betty Yee

**Re: California Debt Limit Allocation Committee Affordable (CDLAC) Housing Framework**

On behalf of Governor Gavin Newsom's Administration, I would like to thank you for the opportunity to provide the Administration's housing priorities and our guiding principles to inform the updated 2021 CDLAC regulations and allocation system for the state's unified volume ceiling for affordable housing. We appreciate the time you, your staff, the Working Group, other developers and various stakeholders have spent designing solutions in support of preserving, increasing and improving housing opportunity for all Californians.

In formulating this housing framework, the Administration began with an analysis of the housing system, including a review of the socio-economic demographics and a deep dive into housing funding and production data. This was important to level-set and understand where we've been, who we're serving, and where we need to focus our efforts.

Because we are working in an environment of resource scarcity and cannot fund all of the necessary demand, the Administration has established guiding principles to prioritize the allocations and meet the legislative intent of AB 83 via the scoring criteria and tiebreaker. Further, these principles reflect the clear evidence that the ongoing public health and economic challenges are disproportionately impacting poor communities and people of color.

While we recognize and appreciate that these regulations are one piece of the puzzle, and that more work must be done across the full housing finance system, we also believe that the actions we take today should be part of a longer-term strategy. We acknowledge that CDLAC plays a critical role in the larger housing financing system and these following policy goals are designed specifically to help inform the CDLAC regulation:

1. Establish truly integrated, inclusive and balanced living patterns that offer opportunity and upward mobility for residents, by creating units of housing that

stretch widely across the income brackets in lower income communities AND by building more deeply affordable units in well-resourced areas with higher opportunities;

2. Prioritize cost containment solutions that enable our public resources to stretch further; and
3. Removal of barriers and inclusion of new development partners, specifically black and brown development partners in the affordable housing space.

Attached please find the *CDLAC 2021 Scoring System Proposal Spreadsheet* with the Administration's comments to the Working Group's proposal for our discussion at CDLAC on Monday, September 14, 2020. These changes strive to level the playing field, clarify the rules and increase certainty with CDLAC housing program. We look forward to working with the Treasurer and stakeholders through this regulatory process.

As the Administration looks beyond the 2021 regulations, we look forward to a sustained partnership to continue to address the challenges of access to affordable housing across our state.

*Attachment:*

*CDLAC 2021 Scoring System Proposal WG v\_8-18-20\_Admin Changes\_9-12-2020*

CDLAC Allocation System for 2021			Rev. 8/18/20	Admin Change	Link to Policy Goal*	Note or Flag for Regulations
			<b>Notes</b>			Specificity of % will be based on January 21 decisions and actual bond allocation
<b>Est. QRRP PAB Volume Cap</b>	<b>% Set in Jan 22</b>	<b>3,500,000,000</b>	"Green Highlight" indicates State Administration's recommended changes to 8/18/2020 framework proposed by Working Group.			
<b>Pools</b>			Projects funded in pools don't count toward geographic regions; projects in pools do not spill to set-asides or geographic regions			
Rural			Rural new construction projects compete in this pool. Rural acquisition/rehabilitation projects compete in the Preservation / Other Affordable Pools.			
Preservation						
Other Affordable			Projects not meeting New Construction or Preservation definitions compete in this pool.			
CDCs / CBOs			Pool for Community Development Corporations and Community Based Organizations led and/or owned by persons of color.	Added new pool.	1, 3	Need to define the parameters of CDCs/CBOs in the Regulations
<b>New Construction Set-Asides</b>			All set-asides spill to geographic regions; new construction includes adaptive re-use			
Homeless Units			<b>See Note 1:</b> Homeless projects with HCD / Local only funding spill down to Extremely Low/Very Low Set-Aside if not funded in Homeless Set-Aside. <b>Policy target is to focus on units vs developments to encourage inclusive communities and projects vs projects exclusively for homeless tenants.</b>	Specify policy goal to clarify set-aside.	1	
State/Local Funded: Extremely-Low / Very-Low Units			<b>See Note 2:</b> Projects must have HCD or local funding of 15% or more of total dev. costs. <b>Policy target is to focus on units vs developments. Developments do not need to be 100% ELI/VLI; focus is on the creation of these units with the policy goal of inclusive communities and projects.</b>	Specify policy goal to clarify set-aside.	1	
State Funded: Mixed-Income Units			Projects may only use new bonds for relative to their bond/tax credit affordable % if bond/tax credit units that are 80% AMI or below of total units. Partnerships with state and local included.	Specify policy goal to clarify set-aside.	1	Goal is to have initial allocation of bonds go to affordable low income units restricted at 80 AMI.
<b>Total Pools and Set-Asides</b>		<b>1,750,000,000</b>				
<b>New Construction Remainder</b>						
<b>Geographic Regions (New Construction Only) - Jan 21 Review</b>			1) No carryforward from year to year of deficits / surpluses like 9%; 2) A waiting list structure would be used for the last round of the year to use regional leftovers; 3) Projects funded in pools and set-asides do not count toward regional goals; 4) %'s below are from the 9% geographic system with no adjustments			
<b>Location</b>	<b>% (TBD)</b>	<b>Amount (TBD)</b>	Central Coast (5.2%), Orange (7.3%), San Diego (8.6%)			
Coastal Region	19% to 21%	\$332M to \$369M	City of Los Angeles (17.6%)			
City of Los Angeles	18% to 21%	\$308M to \$367M	Balance of Los Angeles County (17.2%)			
Balance of LA County	16% to 17%	\$280M to \$301M	San Francisco (3.7%), South and West Bay (6.0%), East Bay (7.4%)			
Bay Area Region	17% to 24%	\$299M to \$420M	Central Valley (8.6%), Inland Empire (8.3%)			
Inland Region	12% to 17%	\$210M to \$296M	Capital (5.7%), Northern (4.4%)			
Northern Region	8% to 10%	\$140M to \$177M				
	100.0%	1,750,000,000				
<b>Scoring (120 Points)</b>						
<b>1A</b>	Preservation Priorities (Acq. & Rehab.)	10	<b>See Note 3.</b>	Decreased 1A/1B category from 20 to 10 points. Adjusted tab to reflect cap at 10 vs 20.		

1B	Density & Local Incentives (New Construction) 10	10	Project includes any one of the following: (1) Local jurisdiction has approved the project at a density greater than that allowed by the general plan through the use of state/local density bonus law, SB 35, concession and/or waivers; (2) Project is being developed at a per net acre density as follows: A) 100 bedrooms in Urban areas; B) 60 bedrooms in Suburban areas; C) 40 bedrooms in Rural areas; Net acre defined as parcel boundaries after dedication of any public right-of-way, the presence of restrictive easements, and non-buildable areas. Possible grandfather clause: Projects with land-use approvals obtained prior to January 1, 2022 shall earn full points in this category; or (3) Jurisdiction has met HCD's "Pro-Housing" designation requirements.	Shifted Opportunity Maps to Sct 2. Added Pro-Housing option.	1, 2	
2	Affirmatively Furthering Fair Housing	20	<p>Guiding statement to CDLAC staff / Working Group to inform measurable criteria: <i>State financed affordable housing should be issued consistently with Affirmatively Furthering Fair Housing Principles – taking meaningful actions that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. The state should seek to replace segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws. State should look for solutions to remove barriers that inhibit community-based developers' success in accessing funds for development within their communities.</i></p> <p>Points shall be awarded as follows (Maximum of 20):                  (1) If lower AMI Project is located in a High or Highest Resource Area: 10 Points;                  (a) AND has also received full points for Service Amenities: +10 Points;                  (b) OR received points Site Amenity Scoring as defined in the TCAC 9% Program: up to 10 points</p> <p>OR</p> <p>(2) Project located in lower-income communities with broad spectrum of income units: 10 Points;                  (a) AND has also received full points for Service Amenities: +10 Points;                  (b) AND received points Site Amenity Scoring as defined in the TCAC 9% Program: up to 10 points</p>	Added category and new criteria. Combined with Working Group's 'Site Amenities' category given significant overlap between methods to achieve AFFH and those in "Site Amenities" category. Link to Service Amenities category to achieve maximum points reflects priority of upward mobility for tenants.	1, 3	Point structure and accompanying definitions to be detailed in the Regulations
3	Service Amenities	10	Use TCAC 9% criteria (keep same for both programs) - TCAC staff requests recommendations for simplifying this category, especially for PSH projects		1	
4	Gross Rents (5 points)		Eliminate from scoring and make a threshold requirement			
4	Exceeding Minimum Income Restrictions (TBD)	20	2 points for each 1% the average affordability is below 60% AMI (average affordability of 50% AMI = 20 points OR full points earned with an average affordability of 60% AMI or less with a minimum of 10% at 30% AMI and 10% at 50% AMI - only bond/tax credit units measured in both scenarios	Increased from 10 to 20 total points. Adjusted internal point math.	1, 2	
5	Exceeding Minimum Rent Restrictions (% below Market)	10	1 point for each 1% the average affordability is greater than 10% below market (measure bond/tax credit units only)			
6	New Cons. / Adaptive Re-Use / Subs. Renovation (10 pts.)		Eliminate since it is no longer necessary to award points for this with creation of pools, set-asides and geographic regions			
6A	General Partner & Management Co. Experience 10		Review this criteria carefully so it does not penalize new entrants or create an unnecessary obstacle. Consider a more flexible method to reduce risk in project failure. For example, look at key staff on the project versus organizational experience.	Move to threshold criteria and change definition.	3	Move experience to threshold requirement and change definition of experience: blend of experience of key people and the organization based on risk to program.

6A	Management Structure and Equity Share	10	10	Points for true equity split on fees and other cashflow revenue 50/50, small/large development Joint Ventures or JV's with community-based organizations when such organization exists. Demonstrate equitable share of work to support capacity building for newer or less experienced entrant.	Added new scoring criteria.		3	Define terms and relationships in the regulations.
7	Housing Types (replaces Large-Family points)		10	Use TCAC 9% criteria for Large Family, Senior, Special Needs, SRO (must be Special Needs or 100% at 40% AMI or below) and At-Risk, but add a High Density housing type that meets conditions in 1B; waiver of criteria available for New Construction projects with land-use approvals obtained prior to January 1, 2022				Evaluate if 9% has unintended consequences before use
<del>8</del>	<del>Community Revitalization Areas (5 pts.)</del>			Eliminate to avoid determining factor that drives production into existing low-income areas				
8	Cost Containment (TBD)		12	1 point for every 1% below TCAC basis limits, with permitted adjustments - See attached "Cost Containment" worksheet	Increased from 10 to 12 points		2	Evaluate Cost Containment measure for efficacy as part of regulations
9	Leveraged Soft Resources		8	1 point for every 1% of Residential TDC; Use TCAC 9% definition, but expand to include private non-related party soft money and eliminate taxable tail provisions. <b>Include recycled bonds as an option for leverage.</b>	Decreased from 10 to 8 points. Include Recycled Bonds in definition of leverage.		2	
10	Readiness to Proceed		10	Use TCAC 9% criteria (keep same for both programs)				Evaluate if 9% has unintended consequences before use
<del>11</del>	<del>Sustainable Methods (10 pts.)</del>			Eliminate to reduce costs and recognize California's already highly efficient building code				
<del>12</del>	<del>Forgone Developer Fee (10 pts.)</del>			Eliminate to align programs and recognize proposed reduction in developer fee limits (reommendations forthcoming)				
<del>13</del>	<del>Exceeding Minimum Term of Restriction (10 pts.)</del>			Eliminate from scoring and make 55-year regulatory period a threshold requirement				
<b>Total Scoring Potential 120</b>								
TB	Adjusted Bonds per Adjusted Units - 2021			Adjusted tax-exempt bonds (numerator) divided by bedroom-adjusted units (denominator) - See attached "Tie Breaker" worksheet				
11	State Benefit and Efficiency Measure (SCO Proposal) - 2022			Uncapped scoring category measuring value of public benefit relative to adjusted state resources used				