

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
RESOLUTION NO. 25-007
August 5, 2025

**RESOLUTION TO LEVERAGE NEW FEDERAL LAW TO INCENTIVIZE VOLUNTARY
RETURN OF EXCESS BOND ALLOCATION**

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) is authorized to implement the volume limit for the state on tax-exempt private activity bonds established pursuant to federal law and establish priorities for certain categories of bonds (Gov. Code, §§ 8869.80, 8869.81, 8869.83, 8869.84); and

WHEREAS, for calendar year 2025, CDLAC prioritized over 90 percent of the state ceiling for the qualified residential rental project program for the development or rehabilitation of affordable multifamily housing to be awarded over three rounds throughout the year (Gov. Code, § 8869.84; CDLAC Resolution No. 25-001); and

WHEREAS, CDLAC awards qualified residential rental project bond allocations to applicants receiving the highest score and applies a tiebreaker in instances where two or more applications are awarded the same total number of points (Cal. Code Regs., tit. 4, §§ [CDLAC Regulation] 5231, subd. (g); and

WHEREAS, CDLAC made qualified residential rental project bond allocation awards for round 1 of 2025 on April 8, 2025, and round 2 of 2025 on August 5, 2025, and memorialized the awards in Committee resolutions duly adopted by the Committee specifying the amount of the allocation and the expiration date of the allocation, among other requirements (Gov. Code, § 8869.85; CDLAC Regulations 5000, 5051, 5100, 5080); and

WHEREAS, until July 4, 2025, federal law permitted qualified residential rental projects funding 50 percent or more of the aggregated depreciable basis plus land basis with tax-exempt private activity bonds to access federal four percent low-income housing tax credits administered by the California Tax Credit Allocation Committee (CTCAC) (26 USC § 42, subd. (h)(4)(B)); and

WHEREAS, on July 4, 2025, federal law changed and reduced the amount of tax-exempt private activity bonds required for a qualified residential rental project to receive federal four percent low-income housing tax credits from 50 percent to 25 percent of the aggregated depreciable basis plus land basis provided at least five percent of the aggregate basis is financed by tax-exempt bonds issued after December 31, 2025 and the project is placed in service after December 31, 2025 (Pub. L. 119-21, 139 Stats. 234); and

WHEREAS, on August 5, 2025, CDLAC adopted an emergency rulemaking in response to the federal law change on July 4, 2025, prohibiting all qualified residential rental project bond allocations made after round 2 of 2025 from exceeding 30% of the

aggregated depreciable basis plus land basis, unless an explicit exception applies (CDLAC Regulation 5233, subd. (d)); and

WHEREAS, on August 5, 2025, CTCAC is considering an emergency rulemaking to align its regulations with the reduced 25% threshold for federal four percent low-income housing tax credits and implement a developer fee benefit for certain projects electing to restructure their financing to meet the 25% standard (Health & Saf. Code, § 50199.17; Proposed Cal. [Code](#) Regs., tit. 4, § [CTCAC Regulation] 10327, subd. (c)(2)(B)(iv).)

WHEREAS, under Chapter 11.8 of the Government Code, CDLAC is provided with full, fair, flexible, and workable means of utilizing the state ceiling available under the Internal Revenue Code (Gov. Code, § 8869.91); and

WHEREAS, CDLAC intends to leverage the changes in federal law to maximize the efficient use of private activity bonds in California by incentivizing projects that received bond allocations in rounds 1 and 2 of 2025 under the 50 percent aggregated depreciable basis plus land basis standard to voluntarily restructure their allocations to comply with CDLAC Regulation 5233, subdivision (d), and return the excess bonds to CDLAC for the Committee to fund additional qualified residential rental projects.

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee all the following:

SECTION 1. If a qualified residential rental project allocated an award of tax-exempt private activity bonds in round 1 or 2 of 2025 elects to restructure its allocation consistent with CDLAC Regulation 5233, subdivision (d), and return the excess bonds to CDLAC by August 31, 2025, the project will receive an automatic 120-day extension to the allocation expiration date.

SECTION 2. If a qualified residential rental project allocated an award of tax-exempt private activity bonds in Round 1 or 2 of 2025 elects to restructure its allocation consistent with CDLAC Regulation 5233, subdivision (d), and return the excess bonds to CDLAC by August 31, 2025, the project sponsor is eligible for either a tiebreaker benefit for any single project in 2025 or 2026 that is not requesting state low-income housing tax credits, or a developer fee benefit for the restructured project. The tiebreaker benefit allows the project sponsor, for purposes of the tiebreaker calculation in CDLAC Regulation 5231, subdivision (g), to increase the project's tiebreaker score by one (1) percent for every five (5) percent of bond allocation voluntarily returned to CDLAC from the round 1 or round 2 of 2025. Alternatively, the developer fee benefit allows projects to offset increased lending costs associated with the restructuring by increasing the developer fee consistent with proposed CTCAC Regulation 10327, subdivision (c)(2)(B)(iv).

SECTION 3. The Executive Director is authorized to amend Committee resolutions memorializing the amount of the allocation and expiration date of the allocation to align

with the adjusted expiration dates and bond allocation amounts resulting from any project participating in the voluntary reduction of bond allocation.

SECTION 4. The Executive Director may issue guidance on project compliance with the requirements of this resolution.

SECTION 5. This resolution shall take effect immediately upon its adoption by CDLAC.

CERTIFICATION

I, Marina Wiant, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Paul Bonderson Building, 901 P Street, Room 102, Sacramento, California 95814, on august 5, 2025, at 1:00 pm. with the following votes recorded:

AYES:

NOES:

ABSTENTIONS:

ABSENCES:

Marina Wiant, Interim Executive Director
Date: August 5, 2025