



**STATE LEGISLATION
COMMITTEE**
Wednesday, January 24, 2024
10:00am – 12:00pm
City Hall, Room 201

This meeting will be held in person at the location listed above. Members of the public may attend the meeting to observe and provide public comment at the physical meeting location listed above or by calling in to the number below. Instructions for providing remote public comment by phone are below.

<https://sfgov.webex.com/sfgov/j.php?MTID=mb823ad01db3973d1052254aa6e64c07d>

Meeting ID: 2498 242 6330 **Meeting Password:** QsKegBra335
Join by Phone at +1-415-655-0001 **Meeting ID:** 2498 242 6330 **Meeting Password Via Phone:** 77534272

(Public Comment Instructions available on page 5)

Members

Mayor's Office (Chair) – Eileen Mariano
Supervisor Dean Preston -- Preston Kilgore
Supervisor Connie Chan -- Kelly Groth
Assessor's Office -- Holly Lung
City Attorney's Office -- Rebekah Krell
Controller's Office -- Calvin Quock
Treasurer's Office -- Eric Manke

AGENDA

I. ROLL CALL

II. APPROVAL OF MEETING MINUTES (Action Item). Discussion and possible action to approve the minutes from the meeting on October 25, 2023.

III. RETURNING TO IN-PERSON PUBLIC COMMENT ONLY (Discussion and Action). Discussion and possible action item: the Committee will consider amending current public comment practices to return to in-person public comment only. If passed, this item would go into effect at the next meeting.

IV. PROPOSED LEGISLATION (Discussion and Action). Discussion and possible action item: the Committee will review and discuss state legislation affecting the City and County of San Francisco. Items are listed

by Department, then by bill number.

New Business

Office of Economic Workforce & Development

Presenter: Ben Van Houten

SB X (Wiener): Improving Entertainment Zones to Support Economic Recovery

Recommended Position: Sponsor

In 2023, Governor Newsom signed Senate Bill 76, which empowers San Francisco to establish outdoor “entertainment zones” where bars and restaurants may sell takeout alcoholic beverages to patrons for consumption at street fairs, outdoor festivals, and other events. Prior to the legislation’s approval, amendments adopted without discussion in the Assembly Appropriations Committee narrow the effectiveness of entertainment zones and limit the bill to only San Francisco.

Senator Wiener is currently exploring new legislation to improve the entertainment zone language for San Francisco and expand the program statewide. The proposed changes would significantly improve the City’s ability to deploy entertainment zones as a tool for economic recovery.

Mayor’s Office of Housing and Community Development

Presenter: Kyra Geithman

AB 578 (Berman): Multifamily Housing Program: No Place Like Home Program

Recommended Position: Support

AB 578 would update the monitoring fee that the California Department of Housing and Community Development (HCD) charges affordable housing developers, which could unlock over \$20 million dollars in private financing for desperately needed affordable housing, based on awards since 2018. The State Legislation Committee voted to support AB 578 in the 2023 legislative cycle.

Mayor’s Office of Housing and Community Development

Presenter: Kyra Geithman

AB 1053 (Gabriel): Housing Programs: Multifamily Housing Programs:
Expenditure of Loan Proceeds

Recommended Position: Support

AB 1053 would allow for loans from the State Department of Housing and Community Development (HCD) to be issued during construction instead of waiting until permanent conversion for funds to come in. This will save on construction loan interest and origination fees for affordable housing projects in San Francisco. The State Legislation Committee voted to support this bill during the first year of the 2023-2024 legislative cycle.

V. GENERAL PUBLIC COMMENT

Members of the public may address the Committee on items of interest that are within the Committee’s subject matter jurisdiction and that do not appear on the

agenda.

VI. ADJOURNMENT

Disability Access

Room 201 of City Hall is located at 1 Dr. Carlton B. Goodlett Place and is wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible Muni lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness, as well as Muni Metro stations at Van Ness and Civic Center. For more information about Muni accessible services, call 923-6142. There is accessible parking at the Civic Center Plaza garage.

Know Your Rights Under the Sunshine Ordinance

The government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact the Donna Hall at Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, by phone at 415-554-7724, by fax at 415-554-7854, or email the Sunshine Ordinance Taskforce Administrator at sotf@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting the Task Force, or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at www.sfgov.org/sunshine.htm.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code Sec. 2.100 –2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone 415-581-2300, fax 415-581-2317, Internet website: www.sfgov.org/ethics.

Cell Phones and Pagers

The ringing and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Public Comment

Public Comment will be taken on each item on the agenda before or during consideration of that item.

View the meeting:

<https://sfgov.webex.com/sfgov/j.php?MTID=mb823ad01db3973d1052254aa6e64c07d>

NOTE: Depending on your broadband/WIFI connection, there may be a 30-second to 2-minute delay when viewing the meeting live.

PUBLIC COMMENT CALL-IN: +1-415-655-0001 **Webinar ID:** 2498 242 6330
Passcode: 77534272

Information Regarding Providing Public Comment

- Each individual may comment 1 time per agenda item.
- Each individual may speak for up to 2 minutes; after which time the line is automatically silenced.
- To make public comment on a specific agenda item, dial in using the information above when the item is called.
- When you would like to make public comment via an electronic communication device, dial *3 to be added to the public comment queue for this item and then dial *6 after you have been asked to unmute yourself.
- When you would like to make public comment via laptop and computer systems, click on "Raise Hand" and then you will be asked to unmute yourself.
- When it is your time to speak, you will hear "Your line has been unmuted."
- Ensure you are in a quiet location.
- Before you speak, mute the sound of any equipment around you including televisions, radios, and computers. It is especially important that **you mute your computer** so there is no echo sound when you speak.
- When the Commission Secretary states, "Next Caller," you are encouraged to state your name clearly. As soon as you speak, your 2 minute allotment will begin.
- After you speak, you will go back to listening mode. You may stay on the line to provide public comment on another item.

Documents that may have been provided to members of the State Legislation Committee in connection with the items on the agenda include proposed state legislation, consultant reports, correspondence and reports from City departments, and public correspondence. These may be inspected by contacting Eileen Mariano, Manager, State and Federal Affairs, Mayor's Office at: eileen.f.mariano@sfgov.org.

Health Considerations

In order to assist the City's efforts to accommodate persons with severe allergies,

environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical-based products. Please help the City accommodate these individuals.



STATE LEGISLATION COMMITTEE
Wednesday, October 25, 2023
11:00am – 12:00pm
City Hall, Room 288

This meeting will be held in person at the location listed above. Members of the public may attend the meeting to observe and provide public comment at the physical meeting location listed above or by calling in to the number below. Instructions for providing remote public comment by phone are below.

https://sfhsa.zoom.us/j/81839140042?pwd=6dQvIvB3y3BBQY9S-J4okYGc4Pq1tQ.PY_bsGKee2SeVVt6

Meeting ID: 818 3914 0042 **Meeting Password:** 619273

Join by Phone at +16699006833,,81839140042#,,,,*619273#

(Public Comment Instructions available on page 3)

MEMBERS:

Mayor's Office (Chair) – Eileen Mariano
Supervisor Dean Preston -- Preston Kilgore
Supervisor Connie Chan -- Kelly Groth
Assessor's Office -- Holly Lung
City Attorney's Office -- Rebekah Krell
Controller's Office -- Calvin Quock
Treasurer's Office -- Eric Manke

AGENDA

Meeting commenced at 11:02 am.

I. ROLL CALL

Present: Eileen Mariano, Preston Kilgore, Kelly Groth, Calvin Quock, Eric Manke
Absent: Holly Lung, Rebekah Krell

II. APPROVAL OF MEETING MINUTES (Action Item). Discussion and possible action to approve the minutes from the meetings on July 26, 2023.

Public Comment: David Pilpel commented on the format of the minutes.

Motion to Approve: Eric Manke
Seconded by: Preston Kilgore
Approved: 4-0, Eileen Mariano abstained

III. STATE LOBBYIST OVERVIEW AND UPDATE (Discussion Item).

The City’s state lobbyist will present to the Committee an update on State legislative matters.

Presenter: Paul Yoder, Partner, Shaw Yoder Antwih Schmelzer & Lange

Public Comment: David Pilpel commented on transportation funding and gave suggestions for updating the bill spreadsheet.

IV. GENERAL PUBLIC COMMENT

Members of the public may address the Committee on items of interest that are within the Committee’s subject matter jurisdiction and that do not appear on the agenda.

Public Comment: David Pilpel commented on the rules for approving meeting minutes.

V. ADJOURNMENT

Meeting adjourned at 11:30 am.



State Legislation Committee Proposal Form

This form should be used to submit legislative proposals for consideration by the State Legislation Committee. We ask that you keep your submissions under two pages. Before submission, proposals must be reviewed and approved by the Department Head or Commission. Please send completed forms to Eileen Mariano at Eileen.f.mariano@sfgov.org.

Date Submitted	1/10/24
Submitting Department	OEWD
Contact Name	Ben Van Houten
Contact Email and Phone Number	ben.vanhouten@sfgov.org / 415-554-7038
SLC Meeting Presenter	Ben Van Houten
Reviewed and approved by Department Head?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Reviewed and approved by Commission?	<input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A

Forthcoming Entertainment Zones Senate Bill
Senator Wiener, Senate District #11, D-San Francisco
Improving Entertainment Zones to Support Economic Recovery

Recommended Position

SPONSOR SUPPORT SUPPORT if amended OPPOSE OTHER & Describe

Summary

In 2023, Governor Newsom signed Senate Bill 76, which empowers San Francisco to establish outdoor "entertainment zones" where bars and restaurants may sell takeout alcoholic beverages to patrons for consumption at street fairs, outdoor festivals, and other events. Prior to the legislation's approval, amendments adopted without discussion in the Assembly Appropriations Committee narrow the effectiveness of entertainment zones and limit the bill to only San Francisco.

Senator Wiener is currently exploring new legislation to improve the entertainment zone language for San Francisco and expand the program statewide. The proposed changes would significantly improve the City's ability to deploy entertainment zones as a tool for economic recovery.

Background/Analysis

After the pandemic's devastating impact on restaurants and bars, entertainment zones will enable these businesses to sell open container beverages for consumption on sidewalks and city streets within the zones. In order to establish a zone, the Board of Supervisors will need to adopt an ordinance designating the zone. This ordinance and additional information about how the zone will operate must be submitted to the Department of Alcoholic Beverage Control.

Where adopted, entertainment zones will enable restaurants and bars to serve drinks in conjunction with outdoor fairs, festivals and neighborhood street closures. They will also incentivize restaurants and bars to create their own outdoor activations to enliven public spaces with arts, entertainment and other activities that will attract patrons and support our economic recovery.

Challenge

Prior to its adoption, the Assembly Appropriations Committee amended SB 76 to limit the bill to only the City and County of San Francisco and specify that entertainment zones may only operate "adjacent to and during a special event permitted or licensed by the [Department of

Alcoholic Beverage Control.” This language needlessly limits entertainment zones to only operating while someone maintains an ABC permit for alcohol sales in conjunction with a one-time event. This approach may require additional points of alcohol sales at activations where stakeholders would prefer for beverages to only be sold within adjacent brick-and-mortar businesses. Additionally, the need to rely on one-day licenses and permits creates potential uncertainty around the days, hours, and footprint within which an entertainment zone will be able to operate.

While we appreciate the work of ABC staff to help San Francisco understand the process to adopt entertainment zones this year, the last-minute amendments to the bill add constraints that are not workable in the long term and will only limit the ability to use this tool to support economic recovery.

Solution/Recommended Proposal

Senator Wiener intends to introduce a bill this year that would remove the narrowing language around entertainment zones that was added during the committee process, so that entertainment zones may operate during times and in areas designated by the Board of Supervisors, regardless of whether there is a special event permit issued by ABC in conjunction with the activity. Expanding flexibility around entertainment zones would improve this critical tool. These reforms would support nightlife businesses, which have been severely challenged by the pandemic, and boost the ability of outdoor activations to support economic recovery.

Additionally, the bill would enable other California jurisdictions to designate entertainment zones, which would have no impact on San Francisco.

Departments Impacted & Why

These reforms would aid in OEWD’s work to support the City’s continued economic recovery and the recovery of our nightlife and entertainment sector. Departments typically involved in street closures may also be impacted by the establishment of entertainment zones in conjunction with these closures, including SFMTA, SFPD, SFFD, and Public Works among others.

Fiscal Impact

No direct fiscal impact. If the Board of Supervisors chooses to adopt any entertainment zones, it is possible that the operation of these zones could require increased public safety staffing or other City resources. However, event operators may be required to pay for additional City services where needed, and potential fiscal impacts would presumably be considered as part of the Board’s deliberations in establishing a zone.

Support / Opposition

Other California cities have not yet formally signed on, but we anticipate support from Sacramento and San Jose for this legislation. We would expect other supporters from SB 76 to also support this legislation, including potentially the Bay Area Council, California Nightlife Association (CALNIGHT), California Restaurant Association, National Independent Venue Association of California (NIVA-CA), Sacramento Metropolitan Chamber of Commerce, and San Francisco Chamber of Commerce. We are not aware of any opposition at present.



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Date Submitted	6/12/2023
Submitting Department	Mayor's Office of Housing and Community Development
Contact Name	Kyra Geithman
Contact Email and Phone Number	kyra.geithman@sfgov.org , 415-234-0271
SLC Meeting Presenter	Kyra Geithman
Reviewed and approved by Department Head?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Reviewed and approved by Commission?	<input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A

AB 578

Assemblymember Berman, Assembly District #23, D-Menlo Park Multifamily Housing Program: No Place Like Home Program

Recommended Position

SPONSOR SUPPORT SUPPORT if amended OPPOSE OTHER & Describe

Summary

AB 578 would update the monitoring fee that the California Department of Housing and Community Development (HCD) charges affordable housing developers, which could unlock over \$20 million dollars in private financing for desperately needed affordable housing, based on awards since 2018. The State Legislation Committee voted to support AB 578 in the 2023 legislative cycle.

Background/Analysis

The Department of Housing and Community Development (HCD) monitors affordable housing developments that receive funding from State loan programs, specifically the Multifamily Housing Program (MHP), the No Place Like Home (NPLH) program, the Veterans Housing and Homelessness Program (VHHP), the Transit Oriented Development program (TOD), and the Affordable Housing and Sustainable Communities program (AHSC). The MHP is the State's main affordable multi-family rental housing program and provides long-term residual receipts loans for new construction, rehabilitation, and preservation of permanent and transitional housing for lower-income households. The NPLH program, via the sale of revenue bonds and a portion of Proposition 63 taxes, invests in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The principal and interest on the loans is not required to be repaid unless there is excess cash flow from the project, which allows these loans to subsidize the affordable housing construction and rehabilitation.

Developments pay a flat fee of 0.42% of the total loan amount to support the cost of HCD's monitoring. HCD collects close to \$3 million in monitoring fees each year. Additionally, the California Housing Finance Agency (CalHFA), a sister state agency to HCD which also makes loans to affordable housing developments, charges a flat monitoring fee of \$7,500 regardless of the number of units in the development.

Challenge

Twenty years ago, the amounts of awarded loans were much smaller because the costs of housing developments were cheaper. While charging 0.42% was appropriate when loans were smaller, this percentage now could result in a fee as high as \$210,000 per year for a single affordable housing development. Despite the fact that the housing landscape and costs to build have drastically changed, this mechanism has not been updated in over 23 years. However, these fees are a critical source of funding for HCD, which relies on this revenue to support important staffing requirements.

Solution/Recommended Proposal

AB 578 proposes creating a threshold for developments to pay the lesser of 0.42% of the total loan amount for a project or \$260 per unit, adjusted for inflation to cover the cost of project monitoring. Data from 71 developments that received funding from HCD's consolidated Notice of Funding Availability (SuperNOFA) demonstrates that cost of project monitoring came out to an average of \$461.15 per unit, nearly 80% higher than the cap that would be implemented with this proposed legislation.

The cost savings associated with implementing this threshold would save an average development over \$35,000 annually based on data from the last round of funding in 2022. This savings could be leveraged to over \$500,000 in permanent debt from private financial institutions, which would ultimately reduce costs incurred by local jurisdictions as well as the State.

The legislation initially implemented a cap of \$150 per unit but was amended to \$260.

Departments Impacted & Why

The Mayor's Office of Housing and Community Development (MOHCD) would see the most direct impact in reduced costs, as this department provides predevelopment and gap financing for 100% affordable housing developments. This cost savings would result in more funding being available for more projects and would help build more affordable housing in San Francisco.

Fiscal Impact

Since 2018 alone, across the 22 projects that received HCD funds, \$6,612,255 was spent by project developers on project monitoring fees alone. A reduction in these costs would reduce the amount that MOHCD has to commit to individual projects and would free these funds to be allocated towards other projects in the City's affordable housing pipeline. Increasing the supply of affordable housing in San Francisco will support lower- and moderate-income families, prevent displacement and homelessness, and reduce reliance on other support services, resulting in an overall reduced fiscal impact for the City.

At the State level, HCD indicates this bill would lead to a significant reduction in fee revenue that HCD uses to fund its project monitoring activities. The 0.42% monitoring fee has historically funded 68% of the Asset Management and Compliance staff positions, related Fiscal Management Office staff positions, Legal Affairs Division staff positions, and overhead such as IT costs, headquarters rent, and administrative staff. These operations currently have 90 positions requiring \$17.1 million annually in funding.

Support / Opposition

AB 578 passed out of the Assembly on third reading with an 80-0 vote. AB 578 also passed the Senate Housing and Appropriations Committees with no votes against.

The California Coalition for Rural Housing and the California Housing Partnership are both co-sponsors of the legislation. Other supporters include Housing California, MidPen Housing Corporation, and Mercy Housing California. There is no opposition currently on file.



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Date Submitted	1/4/2024
Submitting Department	Mayor's Office of Housing and Community Development
Contact Name	Kyra Geithman
Contact Email and Phone Number	kyra.geithman@sfgov.org (628) 652-5835
SLC Meeting Presenter	Kyra Geithman
Reviewed and approved by Department Head?	X YES <input type="checkbox"/> NO
Reviewed and approved by Commission?	<input type="checkbox"/> YES <input type="checkbox"/> NO X N/A

AB 1053

Assemblymember Gabriel, Assembly District #46, D-Encino Affordable Housing Construction Loans

Recommended Position

SPONSOR SUPPORT SUPPORT if amended OPPOSE OTHER & Describe

Summary

AB 1053 would allow for loans from the State Department of Housing and Community Development (HCD) to be issued during construction instead of waiting until permanent conversion for funds to come in. This will save on construction loan interest and origination fees for affordable housing projects in San Francisco. The State Legislation Committee voted to support this bill during the first year of the 2023-2024 legislative cycle.

Background/Analysis

In San Francisco, more than half of funding for affordable housing construction comes from State funding programs, including multiple programs administered by the State Department of Housing and Community Development (HCD) that provide loans to developers to rehabilitate, preserve, or construct affordable rental housing that are structured as permanent financing. Developers receive an award of funding based on a proposed project and use that commitment to secure a construction loan to start construction.

State law is silent on whether HCD makes its loan funds available during the construction phase of a project or only during conversion to permanent financing. As a matter of practice, HCD has chosen the latter.

Challenge

A significant obstacle in delivering affordable housing is the high costs incurred throughout the process. This includes the amount of interest owed by a project sponsor as a project waits to begin construction. Rising interest rates have meant that project sponsors are owing more, and these costs are more often than not being carried by local governments. The longer that a project has to wait to begin construction, the more that is owed in interest. This often results in increased costs of hundreds of thousands of dollars per project and as high as \$14 million in one project, meaning cities like San Francisco have to commit millions each year to support multiple projects facing this challenge.

In a time of high and/or rising interest rates, like the current period, these expenses can create serious financing challenges or even jeopardize the ability of developers to complete projects without additional subsidies, which add time and cost to affordable projects.

Solution/Recommended Proposal

This bill, by allowing developers to receive HCD loan funds during the construction period, potentially reduces construction period interest expenses. The state has been working in recent years to align its housing programs, and this bill would further that work.

The California Housing Partnership has calculated this bill will result in the construction of an additional 500 affordable homes over the next ten years within existing funding. The impact will be even greater at higher levels of state investment and could lead to hundreds of millions of dollars in additional resources, as each unit of housing requires considerable subsidy. Developers would have the discretion to request either a construction loan, permanent financing, or a combination of both. This bill would further HCD's efforts to modernize and improve the impact of the state's investment in affordable housing.

Departments Impacted & Why

The Mayor's Office of Housing and Community Development (MOHCD) would see the greatest impact. MOHCD supports developers as they apply for various funding sources for affordable housing projects, and also provides financing that closes the gap between what funding has been secured through State programs and what funding is needed for the project to be completed.

Fiscal Impact

San Francisco allocated nearly \$184 million in funding through multifamily housing loans and grants for affordable housing construction and rehabilitation in FY 2021-2022 budget. Through AB 1053, construction costs would decrease; current estimates project that developers incur over \$1 million on average per project in unnecessary construction loan interest costs. This would result in reduced local costs for the City to spend on gap loan funding to ensure projects can close on time.

Support / Opposition

In the 2023 legislative cycle, AB 1053 passed out of the Assembly with an 80-0 vote, and passed out of the Senate Housing and Appropriations Committees with no votes against.

The California Housing Partnership Corporation and the California Coalition for Rural Housing are co-sponsors of AB 1053. A broad range of affordable housing advocates have registered support for AB 1053, including the San Francisco Housing Accelerator Fund, All Home CA, and MidPen Housing Corporation, which have both partnered with the City to develop multiple affordable housing construction and rehabilitation/renovation projects.

There is no formal opposition on file as of September 2023, when the file was held under submission. However, in 2021, a similar bill (AB 1423, Daly) was nearly identical to AB 1053 and was vetoed by the Governor who cited legal questions and concerns with placing HCD, and therefore taxpayer dollars, in a subordinate position to a private lender. San Francisco did not issue any letters of support or opposition regarding AB 1423 in 2021.

Additionally, HCD estimates ongoing General Fund costs of approximately \$6.02 million annually for additional staff funding operations and to administer a process that allows applicants to use

funds for construction financing, although actual costs would depend upon implementation structure, the number of funding recipients who elect to receive construction financing, complexity of loan closing negotiations, and participation of first lenders. Ongoing costs would also fluctuate depending on demand for construction financing.