

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the June 6, 2007 Meeting

1. Roll Call.

Bettina Redway for Bill Lockyer, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 1:30 p.m. Also present: Marcy Jo Mandel for John Chiang, State Controller; Fred Klass for Michael Genest, Director of the Department of Finance; Theresa Parker, Executive Director of the California Housing Finance Agency; Elliot Mandel for Lynn Jacobs, Director of the Department of Housing and Community Development; Kathleen Paley, County Representative.

2. Approval of the Minutes of the May 23, 2007 Committee Meeting.

No public comment.

MOTION: Ms. Redway moved to adopt the minutes of the May 23, 2007 meeting. Mr. Klass seconded and the motion was passed unanimously.

3. Executive Director's Report.

Mr. Pavão reported that other than a very busy agenda with a number of projects to address, TCAC is in the middle of a public comment period on a regulation change. This change is fairly minor, and would provide the Committee more administrative latitude when exchanging state credits for federal credits. Details of that change are available on the TCAC website and a public hearing is scheduled for June 13, in the Treasurer's Office, Room 587.

Executive Director's report concludes.

4. Discussion and Consideration of the 2007 First Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão reported that TCAC received 92 applications in this first 9% round requesting a total of \$102.7 million in annual federal credits, with fifteen of those requesting approximately \$59 million in state credits. About \$34 million is available in federal credit in this first round; with about \$39 million available in state credit. One application did withdraw early in the process, leaving TCAC with 91 applications to score. After the initial review, staff conducted the full threshold review on those applications that were the most likely contenders for awards. Upon conclusion of that process, five applications failed threshold review. Disqualifiers include lack of commitment for subsidized funding and failure to meet minimum unit size requirements. At the end of TCAC's scoring process, we are recommending 31 applications for tax credit awards totaling \$34.9 million in federal credits and approximately \$14.4 million in state credits. These awards would make credits available under each of TCAC's six set-asides and apportionments, as well as awards in each geographic region with the

exception of the City and County of San Francisco. Due to the very high level of competition, staff recommends the highest-scoring applications with the vast majority receiving the maximum points available, and in many instances, the decision came down to the third tie-breaker. This is a strong pool of applications for consideration and TCAC recommends them for award.

Mr. Pavão provided an additional note: The Committee binder contains a goldenrod version of the preliminary recommendation list. This list informs the public regarding TCAC staff's scoring and preliminary recommendations. The 31st application, The Mediterranean, was the last one being recommended in the Los Angeles geographic apportionment, while the Goldenrod version lists Orion Gardens Apartments. When TCAC posted the preliminary list on the website, another applicant alerted us to a tie-breaker score that was assigned to Orion Gardens, their LA County application. Upon additional review, we discovered that the third tie-breaker scoring was lower than what should have been assigned. As a result, Orion Gardens has replaced The Mediterranean on this agenda.

Mr. Pavão stated that TCAC staff knows how painful it is to have a project arrive on a preliminary list, only to have it removed. TCAC makes every effort to determine accurate scores, and is working to simplify this process.

No public comment.

MOTION: Ms. Redway requested a motion for approval, and went on to thank TCAC staff for all of their hard work on this first round.

Ms. Mandel motioned for approval on all applications excluding: CA-2007-025, 028, 033, 038, 040, 056, 084; which she is recusing herself from.

Mr. Klass seconded and the motion passed unanimously.

Ms. Mandel, on behalf of the Controller's Office, abstained from the above stated projects due to her stock ownership in AIG. AIG owns SunAmerica, who is identified as a lender, posing a potential financial conflict.

Ms. Mandel then exited the room.

MOTION: Ms. Redway requested a motion on the remaining items. Motion brought by Mr. Klass. Ms. Redway seconded and the motion passed unanimously.

Ms. Mandel then re-entered the room.

5. Discussion and Consideration of the 2007 Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão announced the recommendation of two applications for 4% credits plus state credits. Both of the applications passed TCAC's threshold review, and staff notes that one of the two applications scored remarkably low - 48.5 points out of 124 points available. Staff is recommending both of these projects, but under agenda item 8, TCAC recommends setting minimum point scores in the second round for both 9% credits and the 4% plus state credit competitions.

No public comment.

MOTION: Ms. Redway requested a motion, which was brought by Mr. Klass. Ms. Mandel moved for approval of 2007-828, Fresno Portfolio, excluding 829. Mr. Klass seconded and the motion passed unanimously.

Ms Mandel, on behalf of the Controller's office, abstained from 2007-829, Tulare Portfolio, due to her stock ownership in the identified lender, Washington Mutual.

Ms. Mandel then exited the room.

MOTION: Mr. Klass moved to approve Tulare Portfolio, Ms. Redway seconded and the motion passed unanimously.

Ms. Mandel then re-entered the room.

6. Discussion and Consideration of 2007 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão announced TCAC's recommendation to approve seven 4% credit applications, all of which had been reviewed for threshold compliance and financial feasibility. Ms. Redway asked about the new analysis on Almond Tree (07-831). Mr. Pavão clarified that there is non-substantive stricken language on the 4th page of this project, but TCAC still provides recommendation.

No public comment.

MOTION: Ms. Redway moved for approval on all items, excluding CA-2007-840 (Ardenaire Apartments.) Mr. Klass seconded and the motion passed unanimously.

Ms. Mandel, on behalf of the Controller's Office, abstained from the above listed project due to her stock ownership in Wells Fargo, which is a potential source of income for the State Controller.

Ms. Mandel then exited the room.

Mr. Klass moved to approve Ardenaire. Ms. Redway seconded and the motion passed unanimously.

7. Discussion and Consideration of a Resolution to Adopt Proposed Emergency Regulations, Title 4 of the California Code of Regulations, Sections 10300 through 10337.

Mr. Pavão announced that TCAC operates under emergency regulations that lapse by their nature, and must be periodically readopted. At this time, there are no changes to the regulations, and re-adoption is now required.

No public comment.

MOTION: Ms. Redway moved for approval. Mr. Klass seconded and the motion passed unanimously.

8. Discussion and Consideration of Setting a Minimum Point Requirement for Competitive 9% and 4% Second Round Applications.

Mr. Pavão explained that these are point minimums for the second round of applications for the 9% credits as well as second round applications for 4% federal credits with state credits. Staff recommended that the Committee establish the same minimum point scores that were established in the first round. The same 9% scoring minimums, as the first round – 130 points, except for rural applications where staff recommended 121 points as a minimum score. Staff also recommended a minimum point score be established for 4% applications that are also competing for state credits. That recommended minimum point score was 70 out of an available 124. If applications score less than that, TCAC begins to forego many state and policy objectives as reflected in our scoring that it would be more efficient to take those state credits and swap them for federal 9% credits that would enable us to fund another project. TCAC staff is confident that enough qualified applications will exhaust both federal and state credit in the second round with these established point minimums.

There is no distinction between rural and non-rural projects and the 70 points would apply to both within the 4% plus state credit competition.

No public comment.

MOTION: Ms. Redway requested a motion, which was moved by Mr. Klass. The motion was seconded and passed unanimously.

No further public comment.

Meeting adjourned at 1:50 pm.