

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the October 22, 2009 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 1:45 p.m. Also present: Marcy Jo Mandel for John Chiang, State Controller; Thomas Sheehy for Michael Genest, Director of the Department of Finance; Lynn Jacobs, Director of the Department of Housing and Community Development; Steven Spears, Acting Executive Director of the California Housing Finance Agency; and County Representative, David Rutledge.

City Representative, Christopher Armenta intended to join the meeting by telephone but was not permitted to because the TCAC agenda did not disclose his teleconference location.

State Controller, John Chiang entered the meeting at 2:05 p.m.

2. Approval of the minutes of the September 10, 2009 Committee meeting.

MOTION: Mr. Sheehy moved to adopt the minutes of the September 10, 2009 meeting. Ms. Redway seconded and the motion passed.

3. Approval of the minutes of the September 23, 2009 Committee meeting.

MOTION: Mr. Sheehy moved to adopt the minutes of the September 23, 2009 meeting. Ms. Redway seconded and the motion passed.

4. Executive Director's Report.

Mr. Pavão reported that staff has been monitoring federal legislation that may extend the 9% Section 1602 exchange program. The legislation might also permit the exchange of 4% tax credits for cash and a carry back of up to five years for investors receiving tax credits. Mr. Pavão stated that the proposed legislation could induce additional corporations to apply for tax credits as investments. He advised the Committee that staff would continue to monitor the legislation.

Mr. Pavão announced that staff was considering changes to the TCAC regulations for 2010. He stressed that it was a volatile time for stakeholders and staff would not request any drastic policy changes. He reminded the Committee that some stakeholders protested the tie breaker policy at the last Committee meeting. Mr. Pavão explained that the first tie breaker de-selected some special needs and SRO projects. He stated that 2009 was the first year staff used the final tie breaker system and they were still analyzing the results. He predicted that staff would likely suggest changes for 2010. He and the staff were also considering limiting the number of applications a sponsor could submit to TCAC in a single round.

Mr. Pavão announced that that staff would publish a draft of the proposed regulations for public review and comment by Nov. 20<sup>th</sup>. He stated that the final recommendation would be brought to the Committee for adoption at the January meeting.

Mr. Pavão advised the Committee that the 2010 TCAC Meeting schedule was posted on the TCAC website. He stated that TCAC would hold two funding rounds in 2010. First round applications were due date in late March and would be awarded in early June. Second Round applications were due in early July and would be awarded in late September.

Mr. Rutledge asked Mr. Pavão to when TCAC would start mailing out ARRA loan agreements.

Mr. Pavão reported that some loan agreements were mailed out to ARRA applicants. He stated that staff made changes to the language of the ARRA agreement based on feedback from project sponsors and their attorneys. As a result some sponsors would receive a second revised ARRA agreement. He predicted that all 120 ARRA applicants would receive their loan agreement in the next few weeks.

Mr. Rutledge asked Mr. Pavão how staff was progressing with NEPA reviews.

Ms. Vergolini stated that TCAC received 27 NEPA packages to date.

Mr. Pavão reminded the Committee that TCAC was responsible for ensuring applicants met the federal NEPA requirements associated with ARRA funding. He explained that TCAC contracted an environmental consultant to help with NEPA reviews. He noted that a small number of the NEPA packages received were prepared by the contracted consultant. He stated that NEPA packages prepared by the consultant would be reviewed internally by TCAC staff.

Mr. Pavão reported that most ARRA applicants submitted a NEPA package to a local housing agency before submitting one to TCAC. He stated that many of the NEPA packages reviewed and approved at the local level were returned by TCAC staff because the reviews were incomplete by federal standards. Mr. Pavão reported that some applicants did not understand why TCAC would not accept the same NEPA package that was previously approved by the local housing authority. He stated that staff has responded to applicants by explaining the federal procedures for NEPA reviews.

5. Discussion and Consideration of a Resolution to Adopt Proposed Regulations, Title 4 of the California Code of Regulations, Sections 10300 through 10337, Revising Allocation and Other Procedures.

Mr. Pavão handed out a revised photocopy of the proposed regulations. He stated that the term "federal" was deleted in one of the lines in Section 10323(c)(3). He explained that changing the language provided TCAC authority to augment

ARRA awards when the awards invoked federal or state prevailing wage requirements.

Mr. Pavão summarized a paragraph in the regulations, which allowed TCAC to award 25 points to projects containing a significant number of units with project based rental assistance. He explained that the rental assistance has to be committed under contract for a minimum of 15 years in order for the applicant to get the additional 25 points. Mr. Pavão proposed to modify the paragraph by including language that states the rental assistance must be committed to the extent permitted by the relevant program funding source. He reported that staff identified two federal funding sources that provided rental assistance, which did not provide a 15-year commitment of that assistance. One source was the Shelter Plus Care Program, which provided assistance in 5-year commitments. The other source was the Federal Mod-Rehab Program, which received assistance on an annual basis.

MOTION: Mr. Chiang moved to adopt staff recommendations. Mr. Sheehy seconded and the motion passed unanimously.

6. Discussion of and Action on two 9% Applications for HCD backfill loans.

Mr. Pavão explained that TCAC set aside \$100 million of its ARRA funds to provide assistance to projects that received HCD loan assistance in the form of take out financing. He stated that construction lenders were unwilling to lend during the construction term as they were reliant upon HCD assistance. Mr. Pavão explained that TCAC would use ARRA funds to guarantee the HCD loans. He stated that 5 projects approved by the Committee on September 10<sup>th</sup> had HCD loan assistance. Mr. Pavão proposed to award HCD backfill loans to the two most qualified projects.

MOTION: Mr. Sheehy moved to adopt staff recommendations. Mr. Chiang seconded and the motion passed unanimously.

7. Discussion and Consideration of a Resolution establishing a Waiting List from 9% Single Round Applications, provided that Credit become available and such Applications are complete, eligible, and financially feasible.

Mr. Pavão explained that the waiting was intentionally short because staff did not expect to receive a large amount of surplus returned credits. He stated that he expected a lot of 9% credit returned to TCAC on November 10<sup>th</sup>. He explained that if TCAC received 40% of the 2009 credits back they would exchange the entire 40% for cash with the U.S. Treasury. Mr. Pavão estimated the exchange would yield approximately \$287 million in cash, which applicants returning their credit could compete for. He stated that if TCAC got more credits back than were exchanged at the federal level those credits would be used to reimburse forward committed 2010 credits. Mr. Pavão reported that TCAC had forward reserved approximately \$7.4 million in 2010 9% credits to date.

MOTION: Mr. Sheehy moved to adopt staff recommendations. Mr. Chiang seconded and the motion passed unanimously.

8. Discussion and Consideration to authorize the Executive Director to augment approved Section 1602 Projects ARRA Award by up to 15 percent (15%) of their original application's structure and site work line items. This augmentation is due to the requirement to now pay state prevailing wages per TCAC Regulation Section 10320(c)(3).

Mr. Pavão stated that the Regulations approved under Agenda Item 5 allowed TCAC to augment the ARRA awards for applicants that did not anticipate paying prevailing wages as a result of receiving Section 1602 grant funds. He proposed to augment the ARRA awards to assist applicants that incurred the additional prevailing wage costs.

MOTION: Mr. Sheehy moved to adopt staff recommendations. Ms. Redway seconded and the motion passed.

Mr. Chiang exited the meeting.

9. Discussion of and Action on 2009 Applications for Reservation of Federal Low Income Housing Tax Credit (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão stated that the projects on this agenda item would likely apply for ARRA funds.

Ms. Mandel stated that she would not participate in the discussion of Azahar Place (CA-2009-841). She exited the meeting.

MOTION: Mr. Sheehy moved to adopt staff recommendations regarding Azahar Place (CA-2009-841). Ms. Redway seconded and the motion passed.

Ms. Mandel re-entered the meeting.

MOTION: Mr. Sheehy moved to adopt staff recommendations, excluding Azahar Place (CA-2009-841). Ms. Mandel seconded and the motion passed unanimously.

10. Public Comment.

There were no public comments.

11. Adjournment.

The meeting adjourned at 2:16 p.m.