

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the May 15, 2013 Meeting

1. Roll Call.

Bettina Redway for State Treasurer Bill Lockyer chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 11:39 a.m. Also present: Ruth Holton-Hodson for State Controller John Chiang; Jennifer Rockwell for the Department of Finance Director Ana Matosantos; California Housing Finance Agency Executive Director Claudia Cappio; and Department of Housing and Community Development Representative Laura Whittall-Scherfee.

County Representative Lois Starr was absent.

2. Approval of the minutes of the March 13, 2013 Committee meeting.

MOTION: Ms. Rockwell moved to adopt the minutes of the March 13, 2013 meeting. Ms. Holton-Hodson seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão reported that staff was almost finished reviewing applications for the 2013 First Round competitive awards and generating a preliminary list of recommendations. He advised the Committee that the list would be posted for public view before the competitive awards meeting schedule for June 12th.

He predicted that staff would recommend 41 of the 90 applications received for 9% credits. In addition, staff would likely recommend awarding all 5 applicants who requested 4% plus state credit awards.

Ms. Rockwell asked Mr. Pavão if he remembered the percentage of awards that were made in "the bad old days".

Mr. Pavão stated that during his tenure the percentages varied. At times the ratio was 3:1 and other times it was well over 3:1 with credits oversubscribed. Mr. Pavão stated that over the years the ratio has gotten closer to 2:1 or slightly higher. He concluded that the percentages had improved in terms of credits being oversubscribed.

4. Discussion and consideration of a resolution to adopt proposed regulations, Title 4 of the California Code of Regulations, Sections 10322 (i)(2)(B), 10325(f)(1)(B), 10326(g)(1) revising allocation and other procedures.

Mr. Pavão stated that earlier that year staff recommended a full set of regulation amendments. At the meeting where the Committee adopted the regulations, they adopted a provision effecting certified public accountants (CPAs) who perform final cost audits for TCAC projects. Mr. Pavão explained that the Committee agreed to make the provision related to CPAs effective on July 1 in order to give staff time to revise any ambiguous language in regulations. He stated that staff conferred with the State Controller's Office (SCO) and practitioners in the field of accounting and

subsequently posted amendments to the CPA provision for public review. Mr. Pavão reported that staff received 2 formal comments, both of which endorsed the amended provision. He explained that the current version of the CPA provision incorporated industry standards that regulated independence of CPAs. Specifically, the provision referenced the American Institute of Certified Public Accountants standards and the Securities and Exchange Commission standards that define independence with regard to auditors. Mr. Pavão explained that the provision gave some examples of practices that could jeopardize independence. He commented that the changes to the CPA provision improved clarity for stakeholders and furthered the Committee's interest in assuring true independence among cost auditors. Mr. Pavão noted that the provision required CPAs to certify that they were independent under the standards referenced in the regulations.

Mr. Pavão reported that staff recommended a regulation change related to market studies. He explained that TCAC had rigorous standards to ensure market analysts provided sufficient proof that a market existed for their project. He noted that in some cases the full market study was unnecessary. Mr. Pavão reported that staff made edits to the regulations to make the market study requirements for 9% and 4% applicants more consistent. Staff also made edits to make the regulations more consistent with the California Debt Limit Allocation Committee (CDLAC) standards for establishing markets for projects with scattered sites.

Mr. Pavão reported that staff made minor edits to the regulations to reduce the market study requirements for pre-existing tax credits projects that received federal assistance, such as Section 8. He explained that applicants could easily demonstrate a market for preexisting projects that received federal assistance and therefore did not need to conduct a full market study.

MOTION: Ms. Rockwell moved to adopt staff recommendations. Ms. Holton-Hodson seconded and the motion passed unanimously.

5. Discussion and Consideration of the 2013 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Mr. Pavão brought the Committee's attention to 3 sets of 2 golden rod staff reports given to them at the beginning of the meeting. He explained that each set contained a strikeout and underlined version of the staff report and a clean version.

Development manager, Anthony Zeto, explained that the golden rod report for Jasmine Heights (CA-13-840) was revised because the applicant did not include a sustainable workbook for energy efficiency document. He stated that staff included a condition in the special issues section of the report requiring the applicant to submit the required documents to TCAC within 30 days of the credit reservation date. Mr. Zeto reported that the same condition was included in the staff report for Auburn Heights (CA-13-841).

Mr. Zeto reported that the staff report for Plaza Mendoza Apartments (CA-13-844) was revised because some of the lines on page 2 did not show in the first set of reports staff distributed. In addition, staff added a line to page 3, which referenced the project as a re-syndication of an existing TCAC project. Mr. Zeto reported that

staff also edited a section on page 5, which described the sustainable item the project applied under. The change was made so TCAC requirements in that section would conform to CDLAC requirements.

MOTION: Ms. Redway moved to adopt staff recommendations regarding only MacArthur Transit Village Apartments (CA-13-822). Ms. Rockwell abstained from the vote. Ms. Holton-Hodson seconded and the motion passed.

MOTION: Ms. Holton-Hodson moved to adopt staff recommendations, excluding MacArthur Transit Village Apartments (CA-13-822). Ms. Rockwell seconded and the motion passed unanimously.

6. Discussion and consideration of a resolution authorizing the Executive Director to execute a second amendment to the interagency agreement with the California State Controller's Office (SCO) for an additional amount up to \$100,000 and extension to June 30, 2014 for audit review services.

Mr. Pavão reminded the Committee that about 2 years ago, revelations of impropriety were brought to staff's attention regarding a developer of tax credit housing projects. He explained that at the time the revelations came to light, the developer had 8 projects that were either complete or near completion; however they had not received their final tax credit documents from TCAC. Mr. Pavão explained that TCAC brought in auditors from SCO to review the documentation of costs incurred by the 8 projects. He reported that 2 of the 8 projects had since been awarded tax credits. In addition, SCO provided feedback regarding TCAC's internal systems. Mr. Pavão summarized that the Interagency Agreement (IA) between SCO and TCAC was close to expiration and there still more work to be done. He explained that TCAC requested an extension of the IA to June of 2014 and to augment the IA by \$100,000. Mr. Pavão reported that 1 of the remaining 6 projects was close to receiving the final tax credit forms, while the others were works in progress.

MOTION: Ms. Holton-Hodson moved to adopt staff recommendations. Ms. Rockwell seconded and the motion passed unanimously.

7. Public Comment.

No public comments.

8. Closed Session – Litigation (Government Code Section 11126(e)(2)(c))
Discussion with Legal Counsel Regarding Pending Litigation – UHC 00402 Reseda, L.P. v. CTCAC, Sacramento Superior Court Case No. 34-2012-80001337, Filed 12/17/12.

Ms. Redway reported that there were no updates regarding the litigation, so there was no need for a closed session.

9. Adjournment

The meeting adjourned at 11:55am.