

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the March 21, 2018 Meeting

1. Roll Call.

Vincent Brown for State Treasurer John Chiang chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Brown called the meeting to order at 2:10 pm. Also present: Alan LoFaso for State Controller Betty Yee; Jacqueline Wong-Hernandez for Department of Finance Director Michael Cohen; Michael Carroll for California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson; Department of Housing and Community Development (HCD) Director Ben Metcalf and City Representative Ray Mueller.

County Representative Santos Kreimann was absent.

2. Approval of the Minutes of the January 17, 2018 and February 14, 2018 Meetings.

There were no corrections or edits to the meeting minutes.

MOTION: Ms. Wong-Hernandez moved approval of the January 17, 2018 and February 14, 2018 minutes. Mr. LoFaso seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Mr. Stivers noted four items he wanted to report on.

The first being that the committee was very pleased to announce the posting of the joint application with the California Debt Limit Allocation Committee (CDLAC) on the TCAC website. Mr. Stivers stated that this joint application was for projects seeking both tax-exempt bonds and 4% tax credits. Historically, separate applications for the same project were submitted to CDLAC and TCAC. Mr. Stivers stated that staff from both committees would review the same application moving forward. Mr. Stivers also noted that they will continue to bring the projects before the Committee separately. From the applicant's perspective, it will be a single streamlined application. Mr. Stivers thanked the various staff who put time and effort into developing the application, particularly Gina Ferguson from TCAC, the CDLAC staff and the IT department. Mr. Stivers noted that the single joint application was available for immediate use but applicants may still use the two application method. He also mentioned that at some point in the future, applicants will be required to use only the single joint application.

Secondly, Mr. Stivers stated that TCAC received a total of 61 first round competitive applications for 9% tax credits and that based on their self-scores, about 30 of those applications would be funded. He noted that this number could change following review of the applications. Mr. Stivers also stated that TCAC received 8 first round applications for 4% tax credit projects seeking competitive state low income housing tax credits and that based on self-scores, about 5 of those applications would receive funding. Mr. Stivers noted

that TCAC is reviewing these applications and will bring recommendations before the committee at the June 2018 meeting.

Thirdly, Mr. Stivers reminded the committee that a year ago, TCAC had adopted a schedule of fines. He noted that the idea was that for projects in the 15-year federal compliance period, TCAC would rely on the Internal Revenue Service (IRS) to enforce most program rules. For projects in the 16th through 55th year of their compliance period, TCAC is the sole enforcement entity. Mr. Stivers noted that TCAC's enforcement tools in the past have primarily been negative points or legal action. Mr. Stivers stated negative points are only effective if those applicants are submitting applications in the near future. Mr. Stivers also noted that the fine schedule is supposed to be another enforcement tool for projects in the 15-year compliance period but was mainly meant for projects in the 16-55 year extended use period. Mr. Stivers reported that TCAC has had great compliance and has not had to issue any fines in the first year. Mr. Stivers noted that the authority to issue fines is a great deterrent effect but yet to come into play.

Lastly, Mr. Stivers announced that Zhuo "Jewel" Chen from TCAC's Development Section would be leaving the agency and transferring over to CalPERS. Mr. Stivers noted that Ms. Chen has been a valued employee at TCAC and he wished her all the best in her future endeavors.

At the conclusion of the Executive Director's Report, Mr. Metcalf brought to the attention of the Committee a disposition of a bill known as the Consolidated Appropriations Act of 2018 that was being negotiated. Mr. Metcalf stated that this bill would provide for a temporary 12.5% increase to the 9% credit amount for 4 years and that according to an estimate, this increase would provide for approximately 125 million dollars in additional funding for the State of California during the 4 year period. Mr. Metcalf also noted that there was no fix to the 4% credit rate which would have made a much larger impact on California. Mr. Metcalf also noted an income averaging provision in the bill that would give TCAC the flexibility to allow rents up to 80% of AMI in certain circumstances for deals serving lower income housing.

Mr. Sabelhaus noted that he was aware of the bill but had not yet seen the text itself. He also stated that he had heard through a variety of sources, including Bob Moss from CohnReznick and David Gasson from Boston Capital that the 4% credit rate lock would be in the bill. Mr. Sabelhaus also noted that from the perspective of everyone in the room, this portion of the bill was the big hitter and that everyone was hoping for the 4% credit rate lock. Mr. Sabelhaus stated that in terms of the tax exempt bond program, the 4% credit rate lock would have made the biggest impact in terms of making projects financially feasible that otherwise would have a gap.

Mr. Metcalf stated that the federal tax reform last December cost the State of California \$540 million per year and that the 4% credit rate fix would have benefited the State back almost the same amount. But instead, Mr. Metcalf noted that the 12.5% increase would only benefit the State back a little less than 1/4 of the loss back in December. Mr. Metcalf also

noted that while the 12.5% increase would be better than nothing, it is not nearly enough to get the State out of the hole it is in.

Mr. LoFaso asked Mr. Metcalf how he came up with his \$540 million figure and whether it was per year.

Mr. Stivers noted that Mr. Metcalf's \$540 million figure was per year.

Mr. LoFaso then asked Mr. Metcalf how \$125 million replaces \$540 million if it's annual to annual.

Mr. Metcalf clarified that it did not replace the \$540 million and that the current plan in Congress would only fix about ¼ of California's problem created back in December 2018.

Mr. Brown noted that Ms. Glasser-Hedrick would not be returning to the State Treasurer's Office and has elected to be a full time mom to her newly adopted child. Mr. Brown noted that moving forward, he will be the one chairing both the TCAC and CDLAC meetings which would now take place in the afternoons.

4. Discussion and Consideration of the 2018 Applications for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Ms. Ferguson stated that TCAC staff has reviewed 13 applications; 7 new construction projects and 6 rehabilitation projects. She also noted that all the projects meet program requirements and have been recommended for approval.

MOTION: Mr. LoFaso moved the approval of the 13 projects. Ms. Wong-Hernandez seconded and the motion passed unanimously by a roll call vote.

5. Public Comment.

None.

6. Adjournment.

Mr. Brown stated that the meeting was adjourned at 2:30pm.