

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the January 16, 2019 Meeting

1. Roll Call.

State Treasurer Fiona Ma, CPA chaired the meeting of the California Tax Credit Allocation Committee (CTCAC). Treasurer Ma called the meeting to order at 11:25 a.m. Also present: Alan LoFaso for State Controller Betty Yee; Jolie Onodera for Department of Finance Director Keely Martin Bosler; Lisa Bates for California Department of Housing and Community Development (HCD) Director Ben Metcalf and California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson.

County Representative Santos Kreimann and City Representative Ray Mueller were absent.

2. Approval of the Minutes of the December 12, 2018 Meeting.

Treasurer Ma stated she was not at the December 12, 2018 meeting but noted she spoke to Steve Juarez who chaired that meeting and he approved the minutes.

MOTION: Mr. LoFaso moved the approval of the Meeting Minutes. Ms. Onodera seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Deputy Executive Director Anthony Zeto welcomed Treasurer Ma and stated Vincent P. Brown will be serving as CTCAC's acting Executive Director until a permanent Executive Director is appointed. Mr. Zeto stated Mr. Brown was unable to attend the meeting and stated he will deliver the Executive Director's Report.

Mr. Zeto stated staff will be publishing the credit estimates for 2019 at the beginning of February and anticipate \$110 million in annual federal credits to be available for the 9% rounds. He noted the calculation was similar to the calculation used by the California Debt Limit Allocation Committee (CDLAC) with the per capita rate at about \$2.76 multiplied times the State's population.

Mr. Zeto stated that five CTCAC application workshops will be held throughout the State over the next week and a half. He noted the workshops provide guidance to assist applicants as they prepare their applications as well as provide updates to the rules and regulations.

Mr. Zeto provided an update in CTCAC's compliance section. He stated staff begin their group inspections in February. CTCAC inspected in excess of 1,000 properties last year and expect to exceed that number again this year as the number of properties continue to grow.

Treasurer Ma introduced Vincent P. Brown as the acting Executive Director until a new Executive Director is found.

4. Discussion and Consideration of the 2019 Applications for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits for Tax-Exempt Bond Financed Projects.

Development Section Chief Gina Ferguson stated the original agenda had three projects that were being delayed to the March meeting; they were CA-19-403 (Colden Oaks Apartments), CA-19-406 (Figueroa Oaks Apartments) and CA-19-421 (Ashley Willowbrook). She referenced the updated golden rod meeting notice and stated staff has reviewed the 14 projects for compliance with program requirements and recommended them to the Committee for approval.

Ms. Boatman-Patterson stated CalHFA staff identified a couple of high total development cost projects. She added that part of her job is to identify trends in total development costs. She stated project CA-19-412 (Abel Gonzales Apartments) showed a total development cost of \$818,000 per unit. Ms. Boatman-Patterson stated she wants to be able to compare initial data to cost certifications which show increases in construction costs. She added these increased costs are an ongoing issue that she wants to continue to work on with CTCAC staff to understand which costs are contributing to the high cost per unit.

Treasurer Ma stated she plans to work closer with CalHFA and HCD on various housing issues.

Mr. LoFaso asked if the high costs were due to public housing conversions similar to the very expensive ones in San Francisco.

Mr. Zeto stated Able Gonzales Apartments is an acquisition/rehab project in San Francisco.

Mr. Zeto stated there is a section in the CTCAC staff reports that address high costs. For this particular project, it was due to real estate, RDA requirements, construction materials and city regulations. He also stated the project has a Section 8 project-based rental assistance contract in place.

Ms. Ferguson stated the staff report does not highlight Abel Gonzales Apartments as a Rental Assistance Demonstration (RAD) project but all of the units are covered by Section 8 so it is a form of existing public housing.

Mr. LoFaso stated staff had innovated an idea about paper cost and true cost and most cases they are minor, but in this case it was \$800,000 versus \$500,000 per unit. He asked if staff can elaborate on what the difference was due to.

Mr. Zeto stated the difference is due to a seller carryback loan of \$7.3 million. The difference of the two cost per unit figures is attributable to the \$7.3M being excluded.

Ms. Boatman-Patterson stated Abel Gonzales Apartments is not a form of public housing and corrected the record. She stated it is privately owned with a project-based Section 8. Ms. Boatman-Patterson added that long term rental subsidy contracts make projects much more valuable. As a result, the long term rental subsidy is what is increasing the value/cost. She stated the public policy question to consider is if this is appropriate, which is what she would like to continue to work more closely with CTCAC staff on.

Ms. Boatman-Patterson stated there was a new construction project located in San Pablo that came in at \$688,000 per unit in construction costs, which includes labor and building materials. She stated the high costs on this project is attributable to more demand due to the disasters in Northern California last year and fewer construction workers to work on projects. Ms. Boatman-Patterson stated that certain projects had high total development costs due to high construction costs and acquisition/rehabilitation projects with where the total development costs were not due to high construction costs. She noted these for the policy makers on the board so they understand the construction trends and the direction in which they are moving.

Mr. LoFaso and Ms. Ferguson both thanked Ms. Boatman-Patterson for her input.

There was a public comment by Somaya Abdelgany with Satellite Affordable Housing Associates (SAHA). She introduced herself as the project manager for Abel Gonzales Apartments. She stated that Ms. Boatman-Paterson summarized the concerns surrounding the construction costs for the project accurately. She noted the total development cost for this project was \$688,000 per unit with a hard construction cost of \$423,000 per unit. Ms. Abdelgany stated their last project in Oakland had a construction cost of \$421,000. She added that since the projects are in such close proximity to San Francisco, they have to pull from the same labor force to construct the project, which increases the construction costs. Ms. Abdelgany also stated the City of Oakland had a 50% local and small local business requirement for all trades and an additional 50% for local employment of Oakland residents resulting in subcontractors having to scramble to find Oakland based businesses charging a local higher premium for working in Oakland, further exacerbating the already impacted markets. She stated the ongoing trends in hard constructions costs are due to the existing markets, rules and regulations.

Ms. Boatman-Patterson asked Ms. Abdelgany if she had a percentage of how much extra the 50% requirement costs.

Ms. Abdelgany stated she reviewed the hard costs with her local contractor and noted the local requirement is adding an additional 5% to the cost. She thanked the Committee for their time.

MOTION: Mr. LoFaso moved the approval of the 14 projects. Ms. Onodera seconded and the motion passed unanimously by a roll call vote.

5. Discussion and Consideration of establishing a minimum point requirement for the competitive 2019 application.

Mr. Zeto stated this action item is brought to the Committee in January annually. He stated it establishes the minimum scores projects would need in the competitive rounds in order to receive an award. The minimum point requirement was originally established because in the past, projects with low credit requests would be successful with a very low point score. While projects need to score maximum points in most cases in order to receive an award, the low scoring projects are not as big of an issue now. Mr. Zeto noted staff does review projects from single jurisdiction regions where there are projects not competing with other applications. By establishing the minimum point requirement, this would assure that all projects are meeting CTCAC's public policy objectives in order to receive an award. Mr. Zeto stated the minimum score requirements are the same as the previous year and represent approximately 85% of the maximum score.

Treasurer Ma stated she was not here for the discussion last year and deferred to the other board members in regards to the recommendation.

MOTION: Mr. LoFaso moved the approval to establish a minimum point requirement for the competitive 2019 applications. Ms. Onodera seconded and the motion passed unanimously by a roll call vote.

6. Public Comment.

Mr. LoFaso stated this will be his last meeting representing the State Controller's Office at the CTCAC's committee meetings and noted he enjoyed working with the State Treasurer's Office.

Treasurer Ma stated she enjoyed working with Mr. LoFaso as well and thanked him for his public service.

7. Adjournment.

Treasurer Ma adjourned the meeting at 11:45 a.m.