

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the May 15, 2019 Meeting

1. Roll Call.

Jovan Agee for State Treasurer Fiona Ma chaired the meeting of the California Tax Credit Allocation Committee (CTCAC). Mr. Agee called the meeting to order at 2:03 p.m. Also present: Anthony Sertich for State Controller Betty Yee; Jolie Onodera for Department of Finance (DOF) Director Keely Martin Bosler; Mark Stivers 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 was absent.

2. Approval of the Minutes of the March 20, 2019 Meeting.

Deputy Director Anthony Zeto stated that a few minor edits were made to the Meeting Minutes and the revised Meeting Minutes are recommended to the Committee for approval.

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

3. Executive Director's Report.

Acting Executive Director, Vince Brown stated that CTCAC is actively recruiting for an Executive Director and staff is expecting a hire to occur very soon.

Mr. Brown also stated that for the first round of competitive potential awards, staff is likely to recommend approximately 29 applications for the 9% credits, totaling 1,823 units and 2 applications for 4% credits with state credits, totaling 169 units. Mr. Brown stated the conversation in regards to CTCAC's strategic plan will be further discussed in Agenda Item 5.

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

Development Section Chief, Gina Ferguson stated staff has reviewed and is recommending 16 projects for approval. Ms. Ferguson stated agenda was revised because two projects withdrew after the agenda was distributed. She noted that Breezewood Apartments and Salinas Pointe Apartments will reapply for credits at a later date.

Ms. Patterson commented on project CA-19-459 and that the construction contingency on this particular project was extraordinarily high at 36% of the construction contract. She

added that the typical range for a rehabilitation project is 10% to 15%. Ms. Patterson stated the project was only 16 years old and should not warrant the amount of rehabilitation being proposed. Ms. Patterson noted that the developer did reply to staff to discuss some of the high cost issues but reaffirmed the cost was particularly high. Going forward, Ms. Patterson suggested that staff use analyze the costs at application with the costs in the final cost certifications at the back end to understand the factors to high costs. She concluded by stating that this aligns with the vision of the State Treasurer, State Controller and Governor with regards to administering the housing programs as efficiently as possible.

MOTION: Mr. Sertich moved the approval of the staff recommendation, Ms. Onodera seconded and the motion passed unanimously by a roll call vote.

5. California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) Strategic Plan Consulting Services—Housing and Economic Development/Small Business Option Solicitation.

Mr. Brown stated that Ms. Patterson is accurate in regards to what the Treasurer is trying to accomplish with CTCAC/CDLAC's strategic plan, reviewing various issues such as cost effectiveness, readiness, etc. He stated these issues are difficult to tackle especially with the urgency to get more housing built, but noted that a balance is necessary when weighing the risk of proceeding with certain projects. Mr. Brown also stated that the hired consultant will work closely with the members of the Committee to implement the strategic plan over the next several months.

Mr. Sertich questioned staff's readiness to implement the new programs and asked whether staff will be distributing the additional tax credits competitively or over the counter.

Mr. Zeto noted that the proposed language of the bill stated that for the first year it would be on a first come first serve basis. He stated that staff currently does not have anything in place but is open to continued conversation on the topic.

Ms. Onodera stated that the trailer bill on the expanded tax credit program was removed from DOF's website. She explained that the language is still being reviewed for balance, if it makes sense, and defensible. Ms. Onodera stated that she expects the language to be on DOF's website shortly.

Mr. Stivers asked whether CTCAC staff will be issuing some sort of emergency regulations to implement the state tax credits or whether it will be done under statute. He stated that the current state credits have a competitive nature to them so if the credits are to be issued over the counter, staff could review the threshold requirements without necessarily applying the competitive scoring factors, although they could be made into threshold ones if the committee so desired.

Mr. Brown stated staff has begun discussions with the Chair on how they would proceed given the facts revealed by the trailer bill and the direction of the Governor with the \$500

million tax credits. He stated that initial discussions with the Chair revealed that once the budget and trailer bill passes, staff will gather additional information from stakeholders and others to come up with the best approach for proper implementation. Mr. Brown added that the trailer bill language will be the guiding force in regards to making regulatory changes. He stated staff could proceed with the Committee making decisions in regards to emergency regulations without having to go through the OAL process so that staff can act more expeditiously if emergency regulations are necessary. Mr. Brown stated that currently staff is in a position where things are changing with the final outcome to be determined. He added that staff should have better information to act upon by the next committee meeting on June 12, 2019.

Regardless of the process, Mr. Stivers asked if the credits would become available on January 2020 or some time before.

Ms. Patterson stated that based on the way the bill was written, the intent is that the credits would be available beginning in 2020.

Mr. Sertich asked whether staff had plans to do any changes to the 9% program regulations this year.

Mr. Brown stated staff just started conversations with the Treasurer and no definitive decision has been made, but they are being discussed.

Mr. Sertich added that the State Controller is also highly interested in developing more cost containment factors in the program through the competitive process and that they look forward to working together.

Mr. Agee stated that the Treasurer has been deeply appreciative of the work both Mr. Stivers and Ms. Patterson has done. Mr. Agee also stated the Treasurer is looking for specifics in regards to the goals that are being proposed. He stated this will be helpful for the Treasurer as she moves forward with the strategic plan to know very definitively the measures pertaining to cost containment.

6. Public Comment.

None.

7. Adjournment.

Mr. Agee adjourned the meeting at 2:18 p.m.