

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the April 3, 2020 Meeting

1. Roll Call.

State Treasurer Fiona Ma chaired the meeting of the California Tax Credit Allocation Committee (CTCAC). Treasurer Ma called the meeting to order at 3:50 p.m. Also present: Anthony Sertich for State Controller Betty Yee; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson; Zachary Olmstead for California Department of Housing and Community Development (HCD) Acting Director Doug McCauley and Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler.

City Representative Vivian Moreno was absent.

The Committee members congratulated Mr. Olmstead on his recent appointment to Chief Deputy Director for HCD.

2. Approval of the Minutes of the January 15, 2020 Meeting.

MOTION: Mr. Sertich moved to approve the Meeting Minutes. Ms. Boatman Patterson seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Executive Director, Judith Blackwell stated that staff is continuing to battle the housing crisis in the State of California, which has now been overlain with a COVID-19 health crisis resulting in uncertainty in the investment markets. She stated that the second half of 2020 would not be as favorable to the sale of tax credits to investors. Many developers are experiencing difficulties in meeting program deadlines since city offices are closed due to the statewide shutdown. Ms. Blackwell stated that she will be recommending changes to the schedule as well as requesting the Committee for flexibility in foregoing penalties and extending deadlines for shovel ready matters. She stated that CTCAC is concerned about staff safety, but is continuing the work of the state via an emergency telework program. Ms. Blackwell stated that CTCAC has suspended compliance audits for 30 days since it is inconsistent with sheltering in place so that staff has been cross training on the 8609 reviews in an effort to eliminate the existing backlog. Ms. Blackwell suggested that the Committee extend the third round of 4% application deadline by 30 days, from April 17 to May 15, and move the meeting date from July 15 to August 19.

- End of Executive Director's Report

Treasurer Ma stated for the record that Ms. Boatman Patterson was leaving the meeting but would be calling back in.

4. Discussion and Consideration of a Resolution to Adopt Proposed Regulations, Title 4 of the California Code of Regulations, Sections 10302 through 10337, Revising Allocation and Other Procedures.

Ms. Blackwell stated staff has been working on a number of regulation changes and decided to bifurcate the process. The FCAA disaster credits and the draft 2020 Opportunity Maps would not be discussed today in the interest of fairness and transparency due to the large number of public comments. Both sets of changes will be re-released for another public comment period. Ms. Blackwell stated that the remaining changes are recommended to the Committee for adoption today.

- 1.) **Tenant Relocation Plan** - Ms. Blackwell stated this was the closing of a loophole with regard to the tenant relocation plan requirement. She explained that with the change, all rehabilitation projects would now be held to the state relocation requirements unless they have federal funding in which case they would be held to the federal relocation requirement. The loophole has been closed and projects with no state or federal funding will now have to comply with state relocation rules. This change was in favor of the public comments that were received.
- 2.) **Reintroduce the SRO Housing Type** – Ms. Blackwell stated that the public comments received on this issue asked staff to incorporate a homeless or supportive housing requirement into the housing type. Staff decided to not include this requirement in order to allow flexibility to accommodate people who are not yet homeless. In other words, this housing type could prevent them from homelessness, but acknowledges the public’s concern.
- 3.) **Reduction in the Performance Deposit for 4% + State Tax Credit Deals** – The reasoning behind this change was that the formula that was originally used inadvertently created a performance deposit that was much higher than traditionally seen for the 9% program. Ms. Blackwell explained the formula for the fee, as well as the additional cap of \$100,000 in response to comments, which is in line with the maximum for the 9% program.

Ms. Blackwell respectfully requested that the Committee approve the recommended changes above.

Mr. Sertich expressed support for two of the three regulation changes but showed some concern regarding the SRO housing type stating that it would allow these projects to gain equal footing against other projects, which could create unwanted competition so he was not supportive of the change.

Ms. Miller stated she was in agreement with Mr. Sertich on his comment with regard to opposing the SRO housing type regulation change.

Mr. Olmstead asked Mr. Sertich if he proposing an amendment to the change.

Mr. Sertich stated that he was not, but if the Committee moves forward with the change, he would like to see it restricted at 30% AMI occupants.

There was public comment.

Kursat Misirlioglu stated that he was supportive of all the changes and noted that SRO projects could benefit with the changes. He respectfully asked the Committee to consider the changes.

Patrick Sabelhaus with California Coalition for Affordable Housing stated that he was in support of staff re-introducing the SROs as a housing type, explaining that there were more than 15,000 SRO units (fully occupied) that were built in the last 20-25 years that are in desperate need of rehabilitation and would not be eligible. Mr. Sabelhaus stated that a special needs component would require current tenants to be removed and replaced with special needs eligible clients. He explained that the current tenant at these projects serve the lowest income residents in the State of California, averaged at about 40% AMI.

Treasurer Ma announced that Ms. Boatman Patterson returned to the meeting via participation through teleconference.

Andy Madera with Eden Housing stated that he was in support of Mr. Sabelhaus' comment stating that they also inherited an SRO housing type project and noted that it would not meet a 30% AMI requirement. He stated that their project would not work with tax-exempt bonds and would benefit from staff's proposed regulation change.

Treasurer Ma stated that she was supportive of the SRO housing type having lived in San Francisco for more than 30 years. She believes the housing source for many people who are either coming out of homelessness or on the brink of homelessness. Treasurer Ma stated that she supported staff's recommendation.

Mr. Olmstead stated that given the timing of the environment now, where there will be an infusion of federal dollars for recovery. He stated that he does not want to lock staff into a regulation change when there may be other resources available in the future.

Mr. Sertich stated that the timing of the change and given the unknown was also the Controller's concern for not supporting the change.

Mr. Olmstead stated that the state is utilizing many hotel spaces to take the vulnerable population off the streets. He believes there is a likelihood that the state will retain many of these buildings and convert them into housing, which is very similar to the SRO type model. Mr. Olmstead stated that he would like to see it settle down to address it comprehensively and uniformly.

Ms. Miller stated that they do not know the full extent of the issue that the state is dealing with regard to the conversion of hotels and motels, and would like to at least postpone the issue for a future date.

Treasurer Ma clarified that the Committee supports the regulation changes associated with the tenant relocation plan and reduction in performance deposit but was not in support of the re-introduction of the SRO housing type.

Ms. Boatman Patterson asked if the SRO housing type was once a housing type that could be funded with 9% tax credits.

Mr. Zeto responded yes and Ms. Blackwell explained that it was removed in 2017 due to concerns that it would be subsumed by the homelessness section.

Ms. Ma explained to Ms. Boatman Patterson that the rest of the Committee was not ready to vote on any changes in regards to SROs until there is more certainty with what the federal government is going to do.

Ms. Blackwell stated that although the Committee is concerned in regards to the SRO housing type, she explained that it cuts both ways due to all the small businesses shutting down and an increase in people experiencing housing insecurities that are not homeless yet. She stated that this type of housing would prove to be very helpful for them.

Ms. Boatman Patterson asked if staff has heard from the local jurisdictions with regard to a supply of SRO housing and whether this would be beneficial for them.

Ms. Blackwell stated she has not heard from the local jurisdictions and was not aware this was a controversial issue up until this point.

Ms. Miller stated that she would be amenable to discussing this change at the following meeting in order to consider the changes regarding the SRO housing type.

Mr. Sertich stated that the Controller's concern is how the SRO housing type would fit in with the larger scoring system at play and ensuring the right balance of projects. He explained that there was a reason it was removed a few years ago and expressed the need for a larger conversation on why staff proposed to bring it back, including the requirements if brought back.

Treasurer Ma asked staff if the SRO housing type was fully subscribed under the special needs housing category.

Mr. Zeto responded that the special needs were oversubscribed even prior to the change. He also clarified that the propose change is not setting aside credits for the SRO housing type, but rather added it as another housing type for projects such as those in CTCAC's portfolio that cannot satisfy any of the other housing types. He explained that the housing type goal essentially establishes a soft cap and then explained how the housing type goal as first tiebreaker works. Mr. Zeto stated that the SRO housing type captures a population that would not otherwise be captured.

Treasurer Ma stated that given the current series of events, the SRO community at the local level might not be fully tuned into the changes being proposed today due to the shelter in place requirements.

Ms. Blackwell stated staff can delay this change to the April 14 Committee Meeting if the Committee would like to consider it at that point.

Deputy Treasurer Jovan Agee stated he appreciates the comments being made on the issue but that he concurs with Ms. Blackwell recommendation to delay the change until the April 14 Committee Meeting and recommended that staff come back with a geographic analysis from the local jurisdictions of the state on their response to the change.

Treasurer Ma asked that staff do a little more due diligence and delay the change for consideration at the April 14 Committee Meeting.

There were more public comments.

Mr. Sabelhaus stated this was a dilemma because he doesn't believe there was a rational associated with removing the SRO housing type. He provided an example using one of his existing projects in dire need of rehabilitation and explained that if there is no SRO housing type, there is no existing alternative funding sources.

William Leach with Kingdom Development shared some historical context in regards to the CTCAC program about why the SRO housing type was removed as a housing type and how it was incorporated into the special needs category. He explained that it was a part of a package of changes, which took aim at increasing the supply of special needs housing in the state.

Treasurer Ma asked staff if there is a high influx of special needs projects.

Mr. Zeto stated they have always had a high demand for special needs projects but was not sure if staff had routinely met the 30% goal for a given round.

Ms. Boatman Patterson stated that eliminating the SRO housing type in 2017 as a housing type was an unintended consequence and does see the need for SROs as last resort housing for poor people. She agreed that the item be postponed until the April 14 Committee Meeting so that staff can buy time to conduct some outreach to the local jurisdictions with regard to the need for SRO housing.

The Committee members agreed with Ms. Boatman Patterson's comments.

MOTION: Ms. Miller moved the approved of the regulation changes associated with the tenant relocation plan and reduction in performance fee deposit. Ms. Boatman Patterson seconded and the motion passed unanimously via a roll call vote. Staff will bring back the regulation change associated with the SRO housing type to the April 14 Committee Meeting.

5. Discussion and consideration of extending TCAC deadlines.

Ms. Blackwell stated that staff is requesting to extend the readiness deadline for 2019 second round applications by ninety (90) days in light of COVID-19 and provide staff the right to not rescind credits or assess negative points as a result. Staff believes that COVID-19 related issues that projects are experiencing were unforeseen.

The other deadline change being requested by staff was the April 17 four percent (4%) application-filing deadline be extended by a month to May 15.

Ms. Miller was in support of the changes and encouraged the Committee to grant Ms. Blackwell flexibility to extend deadlines on short notice due to COVID-19. She stated that she wanted to make sure the deadlines for CTCAC and CDLAC remained consistent.

Mr. Sertich agreed with Ms. Miller that delegating as much to the Executive Director to extend deadlines is appropriate given the constant changes.

Treasurer Ma asked for clarification with regard to the deadline and the right for the Executive Director to not rescind the credits or assess negative points if the deadline is not met.

Ms. Blackwell clarified that the request is that she not be required to rescind the credits or assess negative points if the deadline is not met.

There was public comment.

A commenter stated that they own a number of SRO projects and was supportive of the SRO housing type because a lot of the tenants in those projects are not special needs.

Chris Dart with Danco Communities stated he had two projects that were awarded in the second round with different readiness deadlines because they were still in an appeal process. Mr. Dart asked for clarification surrounding the deadlines.

Ms. Blackwell clarified that staff will extend the readiness deadline for any of the 2019 second round projects including the waiting list projects.

Mr. Madeira stated he was supportive of extending the readiness deadlines and suggested that staff also consider extending the placed in service deadlines for these projects. He noted that the IRS made it clear that it is within the allocating agency's authority.

Ms. Blackwell stated she was also in favor of extending the placed in service deadlines and will investigate the matter with the IRS.

Michael Hopkins with People's Self-Help Housing asked if staff anticipates delaying the second round application deadline due to COVID-19 related concerns.

Treasurer Ma stated that the Committee is authorizing the Executive Director to delay the application round by up to 30 days, which can be extended even further depending on how long the COVID-19 related shelter in place order is in place.

MOTION: Mr. Sertich moved to adopt the readiness deadline and application filing deadline changes as well as delegate to the Executive Director changes to make further extensions between meetings if necessary, as well as the ability to waive any penalties associated with the deadline. Ms. Miller seconded and the motion passed unanimously via a roll call vote.

6. Public Comment.

Mr. Sabelhaus asked Ms. Blackwell if she was going to be able to grant extensions under CDLAC regulations for his projects, which are experiencing similar closing issues due to closed public offices in response to COVID-19.

Ms. Blackwell stated that the CDLAC Committee gave her the ability to grant those extensions today and thanked Mr. Sabelhaus for following up on the topic.

Mr. Olmstead asked for clarification as to whether an updated agenda with today's changes will be issued ahead of the April 14 Committee Meeting date.

Ms. Blackwell stated the agenda would be updated shortly after this meeting.

7. Adjournment

Treasurer Ma adjourned the meeting at 4:50 p.m.