CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the June 17, 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 1:00 p.m. Also present: Anthony Sertich for State Controller Betty Yee; Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson; California Department of Housing and Community Development (HCD) Director Gustavo Velasquez, and City Representative Vivian Moreno.

2. Approval of the Minutes of the May 20, 2020 Meeting.

Executive Director Judith Blackwell stated that there were no edits to the May 20, 2020 Meeting Minutes.

MOTION: Mr. Sertich moved to approve the May 20, 2020 Meeting Minutes. Treasurer Ma seconded and the motion passed unanimously via a roll call vote.

3. Executive Director's Report.

Ms. Blackwell thanked everyone who helped staff develop both the Opportunity Maps and FCAA Disaster Credits (Disaster Credits), including Congressman Thompson and Treasurer Ma, as well as Anthony Zeto and Gina Ferguson of the CTCAC staff who are the go-to experts in the details of the regulations. She also thanked the 13 fire devastated communities for their input during the two public comment periods, conference calls and working group meetings. As a result, staff has come up with a good set of regulations that she believes is a good compromise and is in the best interest of the program. Ms. Blackwell stated that staff has received public comments even after the public comment period concluded that are not reflected in those published on the CTCAC website.

Ms. Blackwell noted the following changes in reference to the FCAA Disaster Credits:

1. At the conclusion of the last round, an adjustment was made to spread the credits through the disaster communities in order of the county most affected by disaster to the county least affected by disaster with unfunded projects in rank order.

Ms. Blackwell believes this will address some of the concerns raised by stakeholders that the highest impacted communities get the greatest share of the credits while ensuring that each community gets something.

2. Staff proposed to exempt projects within a FCAA fire disaster perimeter from the zoning threshold requirement at the time of application. These projects will be required to meet that requirement at a later date.

Ms. Blackwell stated that this change would ensure that projects are exactly within the fire disaster perimeter where the damage occurred. Although they were small changes, she believes they were well received.

Mr. Sertich stated that the State Controller is always concerned about spending money as efficiently as possible and inquired about the strategic planning contract, specifically how much has been spent and the results.

Ms. Blackwell stated that she did not have the figures in front of her but moving forward, staff has decided to pull that project in-house.

Treasurer Ma stated that since the agency has been moving so fast, it has made this difficult for the consultant to follow. She reiterated that the contract is on hold and pulled in-house, but that they will get how much was spent thus far.

- End of Executive Director's Report

4. Discussion and Consideration of a Resolution to Adopt a Proposed TCAC/HCD Opportunity Area Maps for 2020.

Ms. Blackwell stated that although not required, CTCAC distributed the Opportunity Maps (Maps) for two public comment periods. She explained that there were no major changes from the Maps used in 2019 other than a change in rural areas to utilize the smaller census block groups rather than census tracts in determining opportunity areas. The rural communities, which had concern that the existing methodology included analysis of too large of areas, requested the change.

Ms. Blackwell stated that the other change was in response to a comment. She noted the comment was to eliminate areas with military bases from the analysis for the Maps. Ms. Blackwell explained the difficulty in developing affordable housing on or near military bases and give the false positive, thereby taking away high or highest opportunity designation from other areas.

Mr. Sertich thanked staff for working on the changes and believes they will be helpful and necessary moving forward.

Mr. Velasquez stated that before he came to HCD, he had done a lot of fair housing work and noticed that tax credits were allocated to mostly high poverty areas. During his time, he worked on various mapping tools to help jurisdictions make smart investment choices. He commended both the HCD and CTCAC for putting in the work to develop a similar mapping tool, distinguishing high opportunity and high resource areas in California.

Treasurer Ma thanked Mr. Velasquez for his comments and welcomed him to the Committee.

MOTION: Mr. Sertich moved approval of the resolution adopting the 2020 Opportunity Maps, Ms. Boatman Patterson seconded, and the motion passed unanimously via a roll call vote.

5. **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 received $98 million in Disaster Credits that will be available in 2020 and 2021 to communities affected by wildfires in 2017 and 2018. She explained that these will be 9% credits running alongside the regular 9% program. Ms. Blackwell added that these projects will be designated as DDAs and receive a 30% basis boost in lieu of receiving state tax credits. She added that these credits will be available to new construction projects, adaptive reuse projects, and reconstruction/rehabilitation projects directly damaged by the fire. Staff received a number of comments to slow the program down in order to pair the Disaster Credits with the CDBG-DR funds administered by HCD. Instead, staff found an alternative way to work with HCD to now accept a CDBG-DR letter of intent from the community as a commitment to pair with projects applying for Disaster Credits.

Ms. Blackwell stated that projects applying for Disaster Credits could request up to $5 million in annual federal tax credits, which exceeds the existing limit in the existing 9% program. She added that each of the 13 counties would receive a base allocation to ensure each community could do at least one project. Staff originally proposed a base allocation of $3.5 million in annual federal tax credits with the remaining amount spread across the 13 counties based on percentage of lost units. Ms. Blackwell explains that in response to public comment, staff reduced the base allocation to $3 million. She referenced the additional change regarding any remaining Disaster Credits available to the counties with unfunded projects starting with the counties with the greatest percentage of lost units as explained in the Executive Director's Report. Ms. Blackwell stated that staff believed it was important to allow projects to apply to the regular 9% round if unsuccessful in the Disaster Credits competition, provided the requirements of both programs were met. She noted the narrower requirements for the regular 9% program including the $2.5 million per project limit.

Ms. Blackwell stated that staff left $2 million in a supplemental allocation to make project awards exceeding the county allocation in the final round whole.

Mr. Sertich asked staff if the FCAA disaster area fire perimeter was defined anywhere.

Development Section Chief Gina Ferguson stated that FCAA disaster area fire perimeter maps are from the CAL FIRE website.

Treasure Ma recommended that the regulations reference the CAL FIRE website.

Mr. Sertich stated that the regulations require these projects to be new construction or adaptive reuse but there is no CTCAC definition for new construction in the regulations. He asked if staff could incorporate the same definition recently implemented at CDLAC.

Ms. Ferguson stated that staff specifically wanted the Disaster Credits to be focused on new units and believed the CDLAC definition had some flexibility.

Mr. Velasquez asked if staff has considered making all the Disaster Credits available now as opposed to individual rounds.

Ms. Ferguson stated the Disaster Credits were available to each county in the first round.

Deputy Director Anthony Zeto followed up on Mr. Sertich's question regarding new construction. He stated that the intent was to focus the Disaster Credits on new construction projects on vacant land as opposed to CDLAC's new construction definition.

Mr. Sertich stated he was fine with CTCAC's decision but that there should be clarification in the regulations. He also thanked staff for the re-distribution of credits and believes it will be much more helpful in directing the money where it is most needed. Mr. Sertich had a question in regard to the tiebreaker and emphasized the need for an efficiency measure.

Ms. Miller was in support of Mr. Sertich's comment regarding the need for a tiebreaker efficiency measure.

Ms. Boatman Patterson and Mr. Sertich discussed a hypothetical scenario and how the tiebreaker would apply based on the regulations as proposed.

Ms. Miller asked if there would be a way to award extra points to projects affected in the most impacted census tracts.

Ms. Blackwell stated that some of the areas where the damage occurred were not the places people were relocating to. She noted comments received by some counties were not in favor of focusing solely on the impacted areas for that reason. Ms. Blackwell added that some counties wanted the flexibility to build where the housing is needed.

Mr. Sertich stated Ms. Blackwell brought up a valid point and that in some cases the goal is to build where the fires were and, in some cases, to avoid building in certain high-risk fire areas again. He added that the Local Reviewing Agency (LRA) was the first tiebreaker, which will provide the local agency input on where they want their projects.

There was public comment.

William Leach with Kingdom Development stated he was in support of the State Controller's Office request to change the second tiebreaker to an efficiency measure with affordable units over requested resources and feels it is necessary.

Ms. Blackwell added that there was one additional change - the LRA letter of support to outline how the project would contribute to the recovery effort.

Peter Rumble with the Santa Rosa Metro Chamber of Commerce thanked Congressman Thompson and CTCAC staff for responding to their earlier communication regarding the use of the funds. He requested to direct the $2 million in Supplemental Allocation to Sonoma County, as well as any unallocated credits after the July 2021 round to first go to Sonoma County until they reach $21.6 million in total allocation. He added these funds would be critical for this community.

Marie Demers with the City of Chico thanked the Committee for their hard work as well as for the change associated with the land entitlement requirements, which she supports. She explains that there has been an influx of market rate projects pivoting to "affordable" projects and expressed concern over how feasible they truly will be. Ms. Demers believed the efficiency tiebreaker perhaps may help with this, but asked if there would be a deadline for submitting financing commitment letters, and in the event a project is not financially feasible, whether any awarded credits could be returned and be re-allocated in a subsequent round.

Mr. Zeto stated these projects are exempt from the readiness requirement following conversations with the local communities.

Treasurer Ma asked if there would be penalties for projects that fail to use their reservation within a given period.

Mr. Zeto explained that the readiness to proceed point category, which they are exempt from, establishes specific deadlines be met. He stated that the Committee could choose to incorporate a closing deadline if they wished with additional time.

Ms. Ferguson stated that issuance of negative points could be assessed for failure to use their reservation. She added that there are non-refundable fees required when accepting a reservation in addition to a federal placed in service deadline associated with these credits.

Mr. Sertich stated that negative points do not affect one-time users of the program. He added that the placed in-service deadline if after the timeframe in which the credits could be re-allocated. Mr. Sertich suggested the idea of adding a stricter rule in place for retrieving the unused credits and re-allocating them sooner rather than later.

Casey Hatcher with the Butte County Administrator thanked Congressman Thompson and CTCAC staff for putting the Disaster Credit program together and responding to comments made. She echoed Ms. Demer's comments with concern towards projects that may not be feasible and agreed with an efficiency measure second tiebreaker. She stated that unallocated credits should go to Butte County instead of Sonoma County since they had the most disaster damage.

Jen Klose with Generation Housing in Sonoma County thanked Congressman Thompson and CTCAC staff for their efforts in listening to the community and making adjustments. She urged the Committee to implement a mechanism that would ensure that Sonoma County gets the amount of tax credits proportional to its losses due to the wildfires. She echoed Mr. Rumble's comments and reminded the Committee that Sonoma County has suffered a series of natural disasters since 2017, is in desperate need of housing and requested that the county get its fair share of tax credits.

Dale Flowers with First Presbyterian Church of Santa Rosa stated 62 households of their congregation lost their homes due to the wildfires. He explained that the destruction of housing has created a crisis in both the availability and affordability of housing in the area. Those able to find housing find that the high cost creates financial hardship and strain on their overall budget. Mr. Flowers expressed the need for Santa Rosa to receive its fair share of funding.

Laurie Fong with the Santa Rosa City School Board of Education stated that about 800 of their students were impacted by the wildfires. She wanted the Committee to keep in mind that students are a vulnerable population due to academic and social disruptions. Ms. Fong expressed the need for Santa Rosa to receive its fair share of funding.

Tom Schwedhelm, the Mayor of the City of Santa Rosa thanked Congressman Mike Thompson for leading the federal funding effort. He stated that Santa Rosa lost about 5,300 homes in the wildfires, which accounted for 5% of their housing stock. Mayor Schwedhelm requested that the Committee allocate the unallocated amount of $2 million in Supplemental Allocation to Sonoma County for $17.5 million in total federal credits. He also requested the Committee to allocate any unused Disaster Credits to Sonoma County, until they reach their actual total damage estimate of $21.62 million in today's dollars. Mayor Schwedhelm advised that staff could contact him if they have any questions on his request.

Larry Florin, CEO of Burbank Housing stated that while he appreciates that CTCAC guidelines have come a long way and appreciated the work of staff, the Disaster Credits were not quite there yet. He noted that the only zip code in Napa County designated as a major disaster area was 94558 and included most of the City of Napa. Mr. Florin asked the Committee to give preference to projects located in the designated zip code for Napa County. He stated this would align both the Disaster Credit with the CBDG-DR program in HCD. Mr. Florin supported relaxing the entitlement requirements but unfortunately, it was too broad, and the language needed to be narrower to require explanation from the local agency as to why they were unable to get the local entitlements. He did not believe the entitlement requirement exemption should apply to the entire county.

Mr. Zeto clarified that the exemption only applied to projects located in the FCAA disaster area fire perimeter, not the entire county.

Mr. Sertich stated that "fire perimeter" was the additional change proposed in the regulations, which addresses the area that burned.

Mr. Florin thanked the Committee for the language change and pulled back his comments regarding the entitlement requirements. He closed by stating that he believes Sonoma County should, at a minimum, receive $21 million in Disaster Credits due to the sheer number of projects coming down the pipeline.

Ms. Boatman Patterson stated she understands the issue associated with Sonoma County and asked the Committee to grow the pot of money by taking $2 million from the 2021 9% Disaster Credit pot and make it available to Sonoma County.

Ms. Blackwell stated the proposal would be a hard sell to the developers and suggested the idea of a reimbursing the 9% program. She added that Sonoma County may exceed the number they are asking for based on the proposed regulation changes recommended.

Mr. Sertich suggested the idea of lowering the base allocation from $3 million to $2.5 million to free up more Disaster Credits for both Sonoma and Butte Counties.

The Committee decided to continue moving with public comments regarding possibly reducing the base allocation amount.

Elsa Brown with the City of Oxnard thanked CTCAC staff and asked clarification on how new units are defined when referring to new construction. She provided the Committee with a hypothetical scenario to gain further clarity. Ms. Brown stated the property included abandoned units that would be demolished and reconstructed and were not directly damaged or vacated due to the fires.

Mr. Zeto stated in order to be classified as rehabilitation or reconstruction, the project would have to have been damaged by the fire pursuant to the proposed regulation changes. He added that the intent was for the credits to go to projects directly damaged by the fires or new construction on vacant land.

Ms. Boatman Patterson stated that CTCAC was being a bit too limiting with vacant land and noted that if a project has more housing density with new net units, they would be new construction since those units were never there.

Ms. Blackwell stated if the Committee were to recommend CTCAC take this action, staff would not have any issues with it.

Darren Bobrowsky with USA Properties Fund asked a few questions with the first one regarding entitlements. He suggested giving a tiebreaker or additional points to projects which do have entitlements in place at the time of application. Mr. Bobrowsky added that this would prevent a developer from quickly switching a market rate project to an affordable project. He echoed the need for a measure of tax credits per low income unit in the tiebreaker.

Ali Gaylord with MidPen Housing thanked CTCAC for their hard work surrounding the Disaster Credits and appreciated the efforts to respond to the comments. She noted that they were widely in support of the changes, such as the entitlements requirement, but requested the elimination of the base allocation for the counties. She referenced a letter sent to CTCAC staff, detailing a better alternative to the base allocation method, which would bring the Sonoma County allocation to $20.8 million. She also proposed to adjust the tiebreaker by adding a second readiness tiebreaker to provide an immediate impact to the fire damaged communities. Ms. Gaylord stated this tiebreaker would address issues related to infeasibility and re-allocation of credits if a developer fails to secure financing as previously stated.

Jimmy Silverwood with Affirmed Housing stated he agreed with the previous commenters stating there needs to be an efficiency measure with credits per unit in the tiebreaker, which can follow the LRA tiebreaker. He also requested that there be consistency on the definition for new construction between both CTCAC and CDLAC, and for CTCAC to adopt the new construction pool definition that was recently approved by CDLAC in order to better align the two programs.

Laurie Doyle with Affordable Housing Development Corporation echoed the comments made by the previous commenters and advocated the need for a second or third tiebreaker to fully entitled projects. She explained that projects without their entitlements could encounter feasibility issues. Ms. Doyle supported the guidance on the letter of support tiebreaker, and suggested a readiness tiebreaker, followed by the currently proposed greatest number of units tiebreaker. She asked CTCAC to provide greater guidance with regard to the FCAA fire maps, which she requested be incorporated into CTCAC's regulations.

Bob Havlicek, Executive Director with the Housing Authority of the County of Santa Barbara, expressed concern over the definition for new construction and asked if the Committee would consider a tiebreaker with a hybrid type structure to maximize unit production. In terms of efficiency for unit production, he asked if the total number of bedrooms may be considered by the Committee to maximize the people who will be housed. Mr. Havlicek agreed that entitled projects should be given first priority.

Michelle Whitman, Executive Director with the Renewal Energy District, thanked staff and Committee for all their hard work and responding to comments. She echoed other comments of local officials and advocated the need for Sonoma County to receive at a minimum $21.6 million in Disaster Credits, which is in proportion to their losses from the wildfires. Ms. Whitman suggested reducing the minimum amounts and making unallocated amounts in 2021 available first to the most impacted counties for unfunded projects.

Linda Hopkins, with the Sonoma County Board of Supervisors, stated she appreciates the Committee and Treasurer Ma in responding to Sonoma's request but stated that the credits are still not proportionately to the losses for each county. She expressed support for Butte County, but provided some statistics on the impacts the 2017 wildfires had on Sonoma

County. Ms. Hopkins echoed Mayor Schwedhelm's previous comments and expressed deep support for the reduction in base allocation per county to lead to more equity to Butte and Sonoma counties.

Gus Becerra with the Regional Housing Authority echoed support for revising the readiness requirement and not relaxing that process of entitlements. He also expressed opposition to potentially lowering the county allocations to $2.5 million since it would make shovel ready projects in his county now infeasible.

Andrea Krout with the Sonoma County District Supervisor thanked staff and Congressman Thompson for implementing the new Disaster Credit program. She echoed the comments of Ms. Hopkins as well as Mayor Schwedhelm and stated that under funding Sonoma County would not be suitable and not consistent with the intent of the appropriation. Ms. Krout requested that Sonoma County receive at least $21.62 million in disaster credits, proportional to their losses. She also requested that any unfunded credits after the July 2021 round go to the most impacted county.

Mike Dent from Nevada County echoed the support for the changes related to readiness, but opposed dropping below $3 million as the base allocation per county since it has already dropped from $3.5 million and any figure below $3 million would result in serious issues getting projects to pencil out.

Mr. Sertich stated he finds it interesting that $2.5 million would not be enough to finance a project although it is the ceiling on the 9% program.

Ms. Blackwell responded, stating that the availability of local funding in these counties might not be what it would be in a regular 9% round. Thus, projects would be more heavily relying on tax credits.

Victoria Fleming with the City of Santa Rosa thanked Treasurer Ma, Ms. Blackwell and Congressman Thompson for all of their work. She echoed the comments of Ms. Hopkins as well as Mayor Schwedhelm. Ms. Fleming advocated reducing the baseline allocation at $2.5 million consistent with Congressman Thompson's original plan.

Ms. Hatcher, with Butte County, reiterated that in her previously submitted comments, she requested that CTCAC lower and/or remove the baseline allocation for the Disaster Credits as a way to help fund the discrepancies between the need and funding for both Butte and Sonoma counties.

Rich Wallach, with Burbank Housing, echoed Mr. Florin's comments related to Sonoma County and requested CTCAC consider restricting Napa County's allocation funding to the projects located in the 94558 zip code, the most heavily affected zip code. He stated he has a few projects that will be applying in the round to help alleviate the tight housing market in Napa by replacing units within the same zip code. Mr. Wallach closed by requesting that CTCAC limit the allocation for projects within the zip code affected and damaged by wildfires.

Brian Ling, Executive Director of the Sonoma County Alliance, expressed support for increasing the allocation for Sonoma County and requested that any leftover credit allocation go to Sonoma County.

John Polansky, Director of Housing Development with the Housing Authority of the County of Santa Barbara, requested that the Committee maintain the $3.5 million base allocation so that Santa Barbara could receive its fair share of credits. He was in support of the credit efficiency tiebreaker, but recommended it be based upon the number of bedrooms as opposed to the number of units. Mr. Polansky supported using the CDLAC definition of new construction to better align CDLAC and CTCAC. He reminded the Committee that the intent of the Disaster Credits was to benefit all 13 counties that suffered disasters.

Jesus Guzman, with Generation Housing in Sonoma County, thanked the Committee, Treasurer Ma, and Congressman Thompson. He reminded the Committee that the purpose of the credits was for wildfire relief, specifically Butte and Sonoma Counties, totaling about 80% of the housing losses in 2017. Mr. Guzman recommended to group the lower allocation counties and allow them to compete for the credits. He requested that the Committee reduce the base amount to the $2.5 million per county in order to move to a more fair and equitable allocation proportionately to the total losses suffered by each county.

Marco Cruz with Building Better Partnerships stated he has a project ready to apply for the Disaster Credits and expressed support for the entitlement change. He also stated that a base allocation below $3 million would make these projects infeasible.

Ms. Demers stated that there is a high need for small units in Chico and therefore an efficiency measure with units needs to be taken into consideration.

End of public comment.

Mr. Velasquez asked the Committee whether there was a way to please the public interest nature of the tiebreaker while balancing out the affordability of units. He was in support of decreasing the base allocation to $2.5 million per county.

Ms. Boatman Patterson asked CTCAC staff if there was a way of accessing the fire perimeter maps.

Ms. Ferguson stated the CAL FIRE website has the fire perimeter maps and that the public can access the maps. She added that the zip code designation was specific to HCD's CDBG-DR 2017 funding only, as opposed to the Disaster Credits, allocated by federal statute based on county for wildfires from 2017 and 2018. Ms. Ferguson stated that Napa was one of five counties who had a single zip code from 2017. She reiterated that the Disaster Credits were based on damages sustained as a direct result of the 2017 and 2018 wildfires.

Ms. Blackwell reiterated that even though the damage was in a particular area, not all of the developments were targeted for those areas.

Ms. Boatman Patterson asked the Committee if these issues could be addressed in the LRA.

Treasurer Ma stated that the purpose of the legislation was to replace housing in those disaster counties.

Mr. Sertich stated his concern was that the local review in some of the counties is large and the local support letter could come from the city level, which may be for a project not close to the fire area. He suggested that the Committee could make the second tiebreaker based on projects located in the fire perimeter area.

Ms. Blackwell stated she would prefer to keep the scoring separate from the LRA since it could make selecting projects more difficult.

Mr. Velasquez asked if the letter from the LRA is the same letter that is required for the CDBG-DR funding.

Ms. Blackwell stated it was a different letter where the LRA supports the specific project.

Mr. Sertich stated it would be smarter to use the LRA letter as the second or third tiebreaker instead of the first.

Ms. Blackwell mentioned that due to the disasters, staff acknowledged the challenges with readiness such as site remediation. She added that if the projects were not ready to proceed by June 1, 2020, the credits would need to be returned prior to the July 1, 2021 round.

The Committee had a discussion regarding FCAA application deadlines and meeting dates and how any returned Disaster Credits prior to June 1, 2021 could be re-allocated in the third round on July 1, 2021, in advance of the end of 2021, when these credits would expire. The Committee also discussed reducing the base allocation to \$2.5 million, adopting the CDLAC definition of new construction, footnoting the fire perimeter maps, adding a credit efficiency tiebreaker, and the requirements of the LRA letter of support.

Ms. Boatman Patterson asked if Sonoma County could provide the LRA.

Mr. Zeto stated that only in the event Sonoma County was the LRA for that project. He explained that the LRA is an agency designated by the local government as having jurisdiction.

Mr. Sertich stated that the Committee could consider having the County provide the letter of support.

William Leach with Kingdom Development stated the Committee could consider having less tranches of tiebreakers but rather a tiebreaker that consists of boosts for meeting specific criteria and provided examples.

Ms. Boatman Patterson clarified to Mr. Velasquez's previous statement that deeper levels of affordability provide higher points in CTCAC's current scoring system, separate to the tiebreaker.

Ms. Blackwell stated that the tiebreaker may not be used in every case, as some counties may have only one project. She reminded the Committee that if the regulations are adopted as proposed with a few minor changes, they can be revisited following the first round if needed.

MOTION: Ms. Boatman Patterson moved approval of staff's proposed recommendations with the following amendments: (1) Adopt the CDLAC definition of new construction, (2) Reduce the county base allocation amount to $2.5 million in annual federal credits, (3) Specifically note the fire perimeter maps and where they can be located, (4) Add a credit efficiency component to the tiebreaker with Tax Credit Units, and (5) LRA letter of support be part of the tiebreaker (submitted in the application or within two weeks after the application deadline). Mr. Sertich seconded, and the motion passed unanimously via a roll call vote.

6. **Discussion and Consideration of a 2020 Application for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.**

   Ms. Blackwell stated that the AJ (fka Revolve) project (CA-20-909), located in Sacramento, was the only project on this agenda item, and it received a bond allocation from CDLAC at a previous meeting. She explained that the project is a mixed income project with 345 total units (69 of which are low-income units). Ms. Blackwell added that CalHFA is acting as a conduit for the project with financing from Citibank.

   MOTION: Ms. Boatman Patterson moved to approve the project, Mr. Sertich seconded, and the motion passed unanimously via roll call vote.

7. **Discussion and Consideration of appeals if filed under TCAC Regulation Section 10330(b)(1), and if appeal is granted in its entirety, a 2020 First Round Reservation of Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs). See Exhibit A for a list of the appealing projects.**

   Mr. Zeto stated staff did not appeals to the Committee level by the deadline but that specific scenarios were outlined with the agenda as Exhibit A.

   Ms. Blackwell stated that staff granted the appeal for 11604 Vanowen Apartments (CA-20-015) at the Executive Director level and did not receive Committee appeals for Parkside Phase 1 (CA-20-037) or Barstow Commons (CA-20-038).

Mr. Zeto stated that due to the granting of the appeal for 11604 Vanowen Apartments (CA-20-015), staff now recommends the project for reservation of 9% LIHTCs from the Special Needs set aside. He added that staff now recommends Airport Inn Apartments (CA-20-030) for a reservation of 9% LIHTCs in Orange County. Mr. Zeto also explained that in the Orange County region, the Fountain Valley Apartments (CA-20-026) project was not on the agenda because at the time the agenda was published, the review of the application was not complete. As result, the project will be recommended for a reservation of 9% credits at the next Committee Meeting.

Mr. Zeto explained that since no appeal was received for Parkside Phase 1 (CA-20-037), staff now recommends Coastal Meadows (CA-20-050) for a reservation of 9% LIHTCs in the Central Coast Region. He stated that staff recommended the Barstow Commons (CA-20-038) for 9% LIHTCs in the Central Valley region with the reduced credit amount, as noted on the preliminary list.

MOTION: Mr. Sertich moved to approve 11604 Vanowen Apartments (CA-20-015), Airport Inn Apartments (CA-20-030), and Coastal Meadows (CA-20-050) for a reservation of 9% LIHTCs, Ms. Boatman Patterson seconded, and the motion passed unanimously via a roll call vote.

8. Discussion and Consideration of the 2020 First Round Applications for Reservation of Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs).

Ms. Blackwell stated there were 31 9% projects that staff were recommending for approval, the awards totaling about $47 million in annual federal credits and $60 million in state credits. Ms. Blackwell stated that 24 of the projects are new construction and seven are rehabilitation resulting in 1758 total housing units, 1727 of which are low-income units.

There was public comment.

Paul Patierno with Highland Development Company stated that he had concerns surrounding the Kernwood Terrace project (CA-20-060) being recommended in the At-Risk set-aside. He stated that when this property was originally marketed to buyers, the property was known as not being at-risk. Mr. Patierno explained that it had an expiring Section 8 contract and a loan from the County of Los Angeles that contained a restricted covenant requiring 100% of the units to be restricted to 50% and 80% AMI households through 2043. He stated the covenant requires the restrictions be in place even if the loan is paid in full prior to the maturity date and will be binding on the owner or any successor of interest. Mr. Patierno stated the application that was submitted to CTCAC did not reflect the buyer's intent to acquire the loan, but regardless, the covenant remains on the application as of this date. He stated that his organization's offer to purchase the property was structured around the property not qualifying for the at-risk set aside. Mr. Patierno explained that if his company was selected as the buyer, their intent was to apply for 9% credits in the Balance of Los Angeles County with a Seniors housing type, since the property would not qualify in the At-Risk set aside or housing type. He stated this occurred twice in recent years and each time he communicated it to CTCAC staff, the property was disqualified from competing as At-Risk. Mr. Patierno stated that he made the same communication to CTCAC concerning Kernwood Terrace via email, but no response was received so he awaited preliminary recommendation list posted on the CTCAC website which included the project. He stated that a response was received from CTCAC stating the regulation language was "ambiguous" despite having been in place for at least 18 years unchanged. Mr. Patierno stated that he felt it necessary to make his statement in order to protect the integrity of the At-Risk set aside.

Ms. Blackwell thanked Mr. Patierno for his comments but stated that staff found an additional regulatory agreement on the property, which leaves the property At-Risk but with less deep income requirement. Ms. Blackwell explained that staff conferred with General Counsel for further guidance in regard to the ineligibility as At-Risk due to the loophole and the response was no, but that staff should immediately work on amending the regulations to close the loophole to avoid this issue in the future. She stated that staff ultimately did not have a legal way around the issue.

General Counsel Spencer Walker stated that at-risk of losing affordability is not defined in the CTCAC regulations, it is vague, and the language needs to be tightened up and because of that, the project could not legally be turned down. He stated that staff would work to tighten the regulation language since it has been in place for so long.

Doug Shoemaker with Mercy Housing stated that the Committee has the power to dismiss the project because the applicant failed to produce the deed restriction document, which implies they are hiding something. He also added that Mr. Walker's interpretation of the regulation is not consistent with his 25 years of practice in the industry since a tax credit award does nothing to preserve Section 8 vouchers nor deeper affordability. He has been practicing since 1995 and has never heard such an interpretation from the General Counsel before.

Ms. Blackwell stated that the Committee could overturn this issue, but believed it was not possible at the staff level.

Mr. Sertich stated that if you have a project with a Section 8 contract, the tenants get tenant-based vouchers, which they can take with them. As a result, you are not losing affordability for those tenants. The project itself could potentially lose affordability, but the tenants will maintain their affordability and the CTCAC affordability will remain as well.

Ms. Ferguson stated that this is the opinion of most At-Risk projects with expiring Section 8 vouchers so staff will need clarification from the Committee if they choose to change this moving forward.

Mr. Patierno stated that he is not going to fight City Hall but noted that the applicant should know better.

Ms. Boatman Patterson asked how the project would have competed if it did not apply in the At-Risk set aside.

Ms. Ferguson stated that the two projects in the Balance of Los Angeles County being recommended had tiebreaker scores of 72% and 50%, whereas the Kernwood Terrace project had a tiebreaker of 29% and therefore would not have been competitive for an award.

Ms. Boatman Patterson stated she does not like the lack of integrity on the applicant's behalf and that the applicant could be disqualified for submitting an incomplete application as well.

Ms. Blackwell stated the restriction appeared as a linked attachment in the title report, so it was technically in the application, but staff had to dig deep to find it.

There was public comment.

Anand Kannan with Preservation Partners, the developer for Kernwood Terrace defended his project by stating why he believes the project qualifies to compete in the At-Risk set aside. He spoke with the County of Los Angeles and they stated there was discretion on their end to amend the income restrictions upon prepayment of the loan in order to facilitate the rehabilitation of the project and preserve the units for the seniors residing there. Mr. Kannan also stated that the At-Risk eligibility section of the application was reliant on a legal opinion after reviewing the supporting documents. The applicant is relying on the legal opinion because the county is allowing the project to lose affordability upon prepayment of the loan to facilitate rehabilitation and preservation of the existing senior tenants. Mr. Kannan stated that it was not their intent to deceive or mislead the Committee by applying At-Risk. He believes that through discussions with the county, CTCAC staff and General Counsel, they believed they met the requirements set forth in the regulations. Mr. Kannan stated that the project is not competing with other projects in the At-Risk set aside.

Ms. Boatman Patterson stated that the applicant may appeal and including supporting documents from the county verifying their claim.

Jon LaLanne, with Elom LLC, stated that he lost an appeal to CTCAC several years ago on a similar issue but with a slightly different reason. Due to that appeal, the 50% affordability requirement was added to the regulations a few months later. He pointed out that if CTCAC tried to interpret the clause, it would be a slippery slope for staff. He does not want to see rural preservation deals be eliminated because of staff interpreting a rural deal where someone can terminate a section 8 contract or the rural assistance equivalent.

Mr. Sertich agreed with Ms. Boatman Patterson and stated they did not have all the information they needed to make a decision on the application at this time. He advised the applicant to appeal and noted they would have a fair hearing at a future meeting once the supporting documentation was presented.

MOTION: Ms. Boatman Patterson moved staff's recommendation minus Kernwood Terrace, Mr. Sertich seconded, and the motion passed unanimously via a roll call vote.

9. Discussion and Consideration of the 2020 First Round Applications for Reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Ms. Blackwell stated there was one project up for consideration, Juniper Grove Apartments (CA-20-907) located in Palmdale. She stated that the project is a special needs homeless, large family project with 101 total housing units, 99 of which are low-income units.

MOTION: Mr. Sertich moved to approve Juniper Grove Apartments for a reservation of 4% federal and state LIHTCs, Ms. Boatman Patterson seconded, and the motion passed unanimously via a roll call vote.

10. Public Comment

None.

11. Adjournment

Treasurer Ma adjourned the meeting at 3:40 p.m.