

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the September 16, 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 2:30 p.m. Also, present Anthony Sertich for State Controller Betty Yee; Erika Li for Department of Finance (DOF) Director Keely Martin Bosler; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman Patterson and California Department of Housing and Community Development (HCD) Director Gustavo Velasquez

City Representative Vivian Moreno was absent.

Deputy Director, Anthony Zeto stated that there was a revised meeting agenda due to the removal of some projects, which staff will address later in the meeting. The revised notice has been posted on the CTCAC website.

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

MOTION: Mr. Sertich moved to approve the July 15, 2020 Meeting Minutes. Ms. Li seconded, and the motion passed unanimously via a roll call vote.

3. Executive Director's Report.

Mr. Zeto stated staff has been working on both 4% and 9% applications concurrently, which total about 225 applications. He added that these applications include disaster credit applications. Mr. Zeto stated that staff received applications in June and July and noted that some staff were re-assigned from other tasks to tackle the large volume application reviews. Mr. Zeto commended the staff for their hard work. He also stated staff is currently concluding threshold reviews for the 9% applications with only a few pending appeals. Mr. Zeto stated that staff anticipates bringing approximately 66 projects for the second round, including 34 applications for disaster credits and 32 applications for 9% credits, to the October 14 allocation meeting. He added that staff was also finalizing proposed regulation changes to address the remaining disaster credits following the current round, which is expected to be less than \$5 million. Mr. Zeto explained that staff is considering a waiting list for the remaining credits as well establishing as a deadline for which disaster credits may be returned to ensure any returned disaster credits are allocated prior to the end of 2021. An agenda item will be added to the October 14 meeting to address this topic.

- End of Executive Director's Report

Treasurer Ma asked Mr. Zeto about the status of the 8609 backlog.

Mr. Zeto stated due to the restriction in travel for physical inspections, some of the Compliance Section staff were trained and have assisted on 8609 reviews to reduce the existing 8609 backlog.

Development Section Chief, Gina Ferguson stated staff has reduced the backlog and have reallocated some of the new hires to assist on the backlog. She added that they are addressing staff reallocation issues to eliminate further backlogs in other areas as well. Ms. Ferguson stated that staff is still experiencing a small backlog in terms of the Regulatory Agreement preparation but with the new hires are being trained on the process, they expected eliminating the backlog within a month. Ms. Ferguson also mentioned other workflow processes that staff is working on, which were raised by Executive Director.

Treasurer Ma thanked staff for their hard work and wanted to make sure the new IRS deadlines were being taken into consideration.

Mr. Zeto stated that staff have been expediting the process as much as possible.

Mr. Sertich asked if staff could provide an update on regulation updates.

Mr. Zeto stated that staff is meeting with HCD this week to discuss the Opportunity Maps and to see if any of the changes would trigger regulatory changes. He does anticipate any substantive changes but mindful of the changes being discussed at the California Debt Limit Allocation Committee (CDLAC), in the event they would affect CTCAC.

7. Discussion and Consideration of an appeal filed under TCAC Regulation Section 10330(b)(1) for Ventura Veterans Home (CA-20-147).

(Agenda Item 7 taken out of order)

Mr. Zeto introduced the appellant for Ventura Veterans Home (CA-20-147).

Mee Heh Risdon, Director of Housing for A Community of Friends (ACOF) introduced her project and gave a brief overview of the Ventura Veterans Home project. She stated that the project is a new construction project with 122 affordable housing units for low income and homeless households. Ms. Risdon stated the project met all of the requirements to apply and was the only project in the City of Ventura to receive a letter of support. She added that the project is shovel ready, fully entitled, has vouchers committed, and a commitment of VHHP funds from HCD. Ms. Risdon stated that if the appeal is denied, it will delay the new construction of 122 affordable units in the city most impacted by the Thomas Fire in the county by at least 18 months. She stated the delay could be as long as 30 months because the project will have to secure additional funds from HCD due to the loss of FCAA credits. Under the best-case scenario, the project would have to shift to a 4% project and be in a position to apply bonds and credits in the summer of 2021 rather than breaking ground for construction.

Peter Gilli, Community Development Director with the City of Ventura detailed the city's position on the appeal and stated that they were in support of the project, noting that the project is critical to the city's recovery from the Thomas Fire. He explained that the project involves the transfer of city land that the council has approved unanimously and that the entitlement was the city's first use of SB 35, a ministerial approval. Finally, Mr. Gilli stated that the city provided a letter of support for the project. He stated that the reason the letter did not qualify for the tiebreaker was due to the letter not specifically mentioning the Thomas Fire. Mr. Gilli stated that they did not believe the support letter had to include references to the Thomas Fire, but they would have had they known. As the author of the support letter, Mr. Gilli humbly requested that the Committee grant the appeal.

Councilwoman Cheryl Heitmann stated the project would supply 122 units of new housing to homeless veterans as well as low income families and is tied directly to the impact of the Thomas Fire. The County of Ventura lost 777 homes to the Thomas Fire, two-thirds of which were located in the City of Ventura. She emphasized the importance of this project in order to replace some of the housing lost due to the Thomas Fire. Ms. Heitmann apologized for overlooking the necessary language required in the letter of support and stated it was not their intention to do so. On behalf of the City Council, Ms. Heitmann respectfully asked the Committee to grant the appeal.

Mr. Sertich thanked the City of Ventura for their feedback and comments.

Ms. Boatman Patterson asked what would happen to other projects if the appeal was granted.

Mr. Zeto stated that if the appeal was granted, this project would replace a project located in the City of Oxnard.

Ms. Ferguson stated that the project in the City of Oxnard is Las Cortas Phase II (CA-20-137) consisting of 109 total units. She noted that 3 of the 5 projects located in Ventura County had letters including the Ventura Veterans Home project.

Ms. Risdon stated that the Ventura Veterans Home project will house a mixture of homeless individuals and families with a veteran's preference where veterans will have priority.

Ms. Risdon asked how the Ventura Veterans Home project would displace the Las Cortas Phase II project.

Mr. Zeto clarified that if both projects had a letter of support that met the requirements outlined in the regulations, the Ventura Veterans Home project would rank higher than the Las Cortas Phase II project due to the credit efficiency tie breaker.

Mr. Sertich stated that based on the presentation from the city, the letter of support met the intent of the regulations and that he was willing to support the appeal.

MOTION: Mr. Sertich moved to approve the appeal, Mr. Velasquez seconded and the motion passed unanimously via a roll call vote.

4. Discussion and Consideration of the 2020 Applications for Preliminary Reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects with CalHFA Mixed Income Program (MIP) Funding.

Ms. Ferguson stated staff is recommending two 4% projects for federal and state credits with CalHFA MIP funding for approval. If approved, there will be about \$9 million in state tax credits remaining in the CalHFA MIP funded projects pool.

Ms. Boatman Patterson stated CalHFA wrote CTCAC a letter requesting the remaining state tax credits following these awards under the CalHFA MIP funded projects pool be made available to the general state tax credit pool for allocation.

Mr. Zeto stated those state tax credits would be available to projects applying on September 24 for the December round.

Ms. Ferguson stated the amount of state tax credits available would be updated on the CTCAC website following this meeting.

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

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

Ms. Ferguson stated there were revisions to this agenda item including a golden rod staff report for Villa Del Sol Apartments (CA-20-605). She noted typographical errors on page two with the rental area median income (AMI) figures and on page four with the threshold basis limit numbers. Ms. Ferguson clarified that these were non-substantive changes and had no effect on the project recommendation, but staff wanted to note the corrections for the record.

Ms. Ferguson stated staff is seeking direction from the Committee with regard to the project reviews and recommendations. She stated these were joint applications but not all received bonds allocations from CDLAC. Ms. Ferguson noted some deletions to Agenda Item 5 to reflect the withdrawal of the applications for Adcock Joyner Apartments (CA-20-622) and Worthington Del Sol Family Apartments (CA-20-639). She stated staff has reviewed the remaining project applications, which meet program requirements, and would be recommended for approval, but for the fact that they did not all receive bond allocations from CDLAC.

Mr. Zeto recommended the remaining projects, which also received bond allocations from CDLAC, approval of a reservation of 4% federal credits. He encouraged those projects who did not receive a bond allocation from CDLAC to re-apply for the September 24 deadline.

Mr. Zeto clarified the projects being recommended by recommending all remaining projects under Agenda Item 5 for a reservation of 4% federal credits, with exception of Sango Court (CA-20-607), The Hilarita (CA-20-608), West San Carlos Residential (CA-20-609), Markham Plaza II (CA-20-626), Steinbeck Commons (CA-20-630), Douglas Park Apartments (CA-20-636), Baywood Apartments (CA-20-645), Isla Vista Apartments (CA-20-654).

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

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

Ms. Ferguson stated that these projects were even further down CDLAC's list and none of them received a bond allocation at the CDLAC meeting. Given the action taken from the Committee on Agenda Item 5, she stated staff would not be recommending any projects for approval from this list. Ms. Ferguson noted that reviewing applications for projects that scored very low at CDLAC is extremely time consuming for staff due to the competitive nature of the bond application process and asked for further clarification from the Committee as to how to proceed moving forward.

Mr. Zeto stated in years past when the bonds were not competitive, all projects that met the minimum requirements would receive bonds and tax credits. He added the requirement of self-scores to CDLAC provides an indicator of which projects would be viable in the competition. Mr. Zeto stated that the applications would be reviewed based on self-scores and consistent with CDLAC's preliminary recommendations list, but asked the Committee if the projects not being recommended by CDLAC would need to be included on CTCAC's meeting notice for consideration by the Committee.

Ms. Ferguson explained some of the applications removed in Agenda Item 6 were due to the application reviews not being complete due to timing. She clarified that these applications were those at the bottom of the CDLAC recommendation list.

Ms. Boatman Patterson stated that she supports giving staff the ability to manage its workload. She explained it would be a misuse of staff time to review tax credit applications not receiving bond allocations. Ms. Boatman Patterson recommended providing staff the flexibility to use their resources more efficiently and work closely with CDLAC staff.

Mr. Sertich was in favor of giving staff more flexibility to manage its workload generally but appreciated the separate agenda items for those applications expected to receive a bond allocation versus those applications not expected to receive a bond allocation.

Treasurer Ma stated that working closely with CDLAC would serve as a good check and balance.

Mr. Zeto reiterated that the projects noted on Agenda Item 6 were those projects at the very bottom of the CDLAC's list whereas the projects noted on Agenda Item 5 represented projects above the line and those slightly below the line on CDLAC's list.

General Counsel, Spencer Walker asked if the \$1,000 application fee would be returned if the application was not reviewed.

Ms. Ferguson stated that staff does not refund application fees for 9% projects. She explained that if a project was not on the agenda or not recommended, it does not mean the project was not partially reviewed by staff. Ms. Ferguson stated staff intends to address this in the upcoming round of regulation changes, but welcomes the Committee's input.

Ms. Boatman Patterson recommended that these very low scoring projects not even be included on the meeting notice.

The Committee provided staff the discretion to not include very low scoring CDLAC projects on the meeting notice.

Thinking ahead to the 2021 meeting calendar, Ms. Ferguson also requested some degree of latitude in determining the 4% and 9% meeting dates, absent the presence of an Executive Director. She requested CTCAC be allowed to provide input when determining CDLAC's 2021 meeting calendar given the impact it could have on CTCAC workload.

Treasurer Ma stated that CTCAC and CDLAC staff should meet and propose a joint calendar for 2021 meeting dates to avoid conflicts.

8. Public Comment

Ralph Nieders provided public comment (audio technical difficulties).

Mr. Zeto stated that staff has received some emails and letters from Mr. Nieders with regard to a proposed project applying for disaster credits in Nevada City. The letters indicate the project is located in both a fire hazard and toxic zone. Mr. Zeto stated that the proposed project would be considered along with the other disaster credit applications at the October 14 meeting, at which time he may provide public comment.

William Leach with Kingdom Development stated he overheard staff will move the \$9 million in state tax credits to the general pool for projects applying on the September 24

deadline. He noted this decision was made with such short notice and asked staff if they could expand on the specifics so he can notify his sponsors of the new funding.

Mr. Zeto stated in the current round of applications addressed in Agenda Items 5 and 6, three projects applied for state tax credits that were not available at the time. He added that CTCAC received a letter from CalHFA reallocating the remaining CalHFA MIP state tax credits into the general pool. Mr. Zeto stated rather than awarding the projects in the current round, staff believed the more fair process was to make the state tax credits available to all project and allow them to compete for the remaining state tax credits.

Ms. Boatman Patterson stated that she knew there would be state tax credits remaining in the CalHFA MIP pool once the remaining projects were funded at the last meeting so at that time she had made in announcements stating she would send a letter to CTCAC requesting the remaining state tax credits be moved to the general pool. She also stated that earlier in the year it was announced that if there were state tax credits remaining in the CalHFA MIP rounds that it was Committee's intent to reallocate those state tax credits into the general pool in time for a final allocation prior to the end of the year.

Mr. Sertich stated that staff's recommendation is consistent with the ongoing discussions from earlier this year regarding how to handle any remaining state tax credits from the CalHFA MIP pool.

Mr. Leach thanked staff and the Committee for explaining the situation further.

Riddhi Chakraborty with Hollywood Community Housing Corporation (HCHC) made a comment for her project, Palm Vista Apartments (CA-20-627). She understands the project was not on the list for an award and indicated that her project was a shovel ready special needs project, which would supply 91 housing units. Ms. Chakraborty stated that the project has funding from other public sources such as HCD's No Place Like Home (NPLH) program. She stated her project originally requested federal and state tax credits, but due to the unavailability of state credits, they were able to restructure the application and is now requesting an allocation of 4% federal credits only.

Mr. Zeto stated that the project forwarded an updated application to CTCAC with an updated financing structure but unfortunately, it was received after the staff had published its meeting notice and inside the 10 day public noticing period. Prior to that staff had informed the applicant there were no state credits available and therefore could not recommend the project since the project was not feasible without the state credits. Mr. Zeto stated that given this project received a bond allocation from CDLAC, staff could consider the new financing structure and bring the application back at the next Committee Meeting.

Ms. Boatman Patterson recommended this project be placed on the next meeting agenda for a reservation of 4% credits with a notation indicating that the project has already received a CDLAC bond allocation and has updated their finance structure where the 4% tax credit equity fills the gap.

CDLAC Senior Program Manager, Evan Kass stated the updated financing does not affect the scoring under CDLAC.

The project will be placed on the next meeting agenda per request of the State Treasurer.

9. Adjournment

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