



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

CTCAC

Wednesday, February 17, 2021

1:00 p.m.



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/ctcac

MEMBERS

FIONA MA, CPA, CHAIR
State Treasurer

BETTY YEE
State Controller

KEELY MARTIN BOSLER
Director of Finance

GUSTAVO VELASQUEZ
Director of HCD

TIA BOATMAN PATTERSON
Executive Director of CalHFA

MEETING NOTICE

MEETING DATE: February 17, 2021

TIME: 1:00 p.m.

**LOCATION: State Treasurer's Office
915 Capitol Mall, Room 587
Sacramento, CA 95814**

Public Participation Call-In Number**

(888) 557-8511

Participant Code: 5651115

AGENDA

1. Roll Call

Action Item: 2. Approval of the Minutes of the January 15, 2021 Meeting

Action Item: 3. Discussion and Consideration of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to enter into a contract with Boston Capital Asset Management LP, not to exceed \$367,500 per year for a period of three years with an option to extend the agreement for one additional year, to provide professional asset management services related to compliance with TCAP and Section 1602 program requirements for projects awarded funds made available by the American Recovery and Reinvestment Act of 2009.

Action Item: 4. 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

<u>Project Number</u>	<u>Project Name</u>
CA-20-682	Spring-Encino Apartments

5. Public Comment

6. Adjournment

There will be an opportunity for public comment at the end of each item, prior to any action.

Note: Agenda items may be taken out of order.

FOR ADDITIONAL INFORMATION

Anthony Zeto, Deputy Director, CTCAC
915 Capitol Mall, Room 485, Sacramento, CA 95814
(916) 654-6340

This notice may also be found on the following Internet site:

www.treasurer.ca.gov/ctcac

** Interested members of the public may use this number to call in to listen to and/or comment on items before the California Tax Credit Allocation Committee. Additional instructions will be provided to callers once they call the indicated number. This call-in number is provided as an option for public participation but the Committee is not responsible for unforeseen technical difficulties that may occur. The Committee is under no obligation to postpone or delay its meeting in the event such technical difficulties occur during or before the meeting.

The California Tax Credit Allocation Committee (CTCAC) complies with the Americans with Disabilities Act (ADA) by ensuring that the facilities are accessible to persons with disabilities, and providing this notice and information given to the members of the CTCAC in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact Sertan Usanmaz of the CTCAC no later than five calendar days before the meeting at (916) 654-6340 and Telecommunication Device for the Deaf (TDD) at (916) 654-9922.

AGENDA ITEM 2

Approval of the Minutes of the
January 15, 2021 Meeting

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the January 15, 2021 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 12:30 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 December 21, 2020 Meeting

MOTION: Mr. Sertich moved to approve the December 21, 2020 Meeting Minutes. Ms. Miller seconded, and the motion passed unanimously via a roll call vote.

3. Executive Director's Report

CTCAC Executive Director, Judith Blackwell stated the legislature provided CTCAC the authority to allocate up to \$200 million in state tax credits to projects financed by CalHFA's Mixed Income Program (MIP). She stated she received a letter from CalHFA indicated that no more than \$150 million in state tax credits would be required for projects financed by the CalHFA MIP making an additional \$50 million available in the general allocation of state tax credits.

Ms. Boatman Patterson expressed appreciation for the partnership between CTCAC and CalHFA and requested that Ms. Blackwell publish a memorandum for the public outlining the process for allocating the state tax credits to projects financed by the CalHFA MIP. She stated that CalHFA performs a demand survey in the fall to anticipate their lending projections for the upcoming year. Ms. Boatman Patterson stated CalHFA then submits a request in the fall to both CTCAC and the California Debt Limit Allocation Committee (CDLAC) with the documented information. She stated the request is reviewed and the CTCAC Executive Director determines if the request is reasonable at which point the request is granted or denied. Ms. Boatman Patterson stated that if CalHFA is unable to fully utilize the state credit credits allocated, CalHFA will notify CTCAC in writing to release the remainder of the state tax credit allocation making it available to the general allocation of state tax credits at a future funding round.

Treasurer Ma stated that staff would work on the requested memorandum.

Mr. Sertich asked if staff could explain how the state tax credits will be allocated this year.

CTCAC Deputy Director, Anthony Zeto stated that the \$500 million in state tax credits will be available in the first round to avoid scenarios where projects are awarded bond allocations at CDLAC only for those projects to not receive state tax credits due to the amount being limited in that given round. He explained the \$350 million in general state

tax credits and the \$150 million in CalHFA MIP state tax credits will be available to the 4% new construction projects competing in the first CDLAC competitive round.

Ms. Miller reaffirmed Ms. Boatman Patterson's statements, citing the CTCAC regulations adopted last year allows for the coordination between CTCAC and CalHFA.

4. Discussion and Consideration of establishing a minimum point requirement for the competitive 2021 applications

Mr. Zeto stated that annually CTCAC recommends a minimum point score for its 9% competitive applications. Due to some changes in the regulations related to point scoring, he explained the total score decreased from 113 points to 109 points. Mr. Zeto stated staff is recommending a minimum score of 93 points of a maximum 109 points for general 9% applications and 80 points of a maximum 94 points for applicants applying under the Native American apportionment in the Rural set aside. He stated the minimum scores recommended represent approximately 85% of the maximum points for both types of projects as in previous years.

MOTION: Mr. Sertich approved the 2021 minimum point thresholds for competitive applications (9% applications). Ms. Miller seconded and the motion passed unanimously via a roll call vote.

5. Public Comment

Caleb Roope asked if staff have given any thoughts to disaster credits for this year.

Mr. Zeto stated that staff has been in contact with the National Council of State Housing Agencies (NCSHA) and reviewing the 22 counties currently included, but will know the final counties included towards the end of February. He stated that staff hopes to have more information at the next meeting but that the estimated total is approximately \$80 million in annual 9% federal disaster credits that will be available to projects in those counties.

Mr. Velasquez stated his support to continue to look for ways to maximize the federal financial assistance to the CDBG program as well as the tax credits.

Treasurer Ma asked if the Committee would need to revisit the regulations again this year for the disaster credits.

Mr. Zeto stated staff would revisit the regulations since these disaster credits are different and based on 22 counties, rather than the 13 counties identified for the 2020 disaster credits.

Treasurer Ma stated staff would do some more research and inform the Committee later.

6. Adjournment

Treasurer Ma adjourned the meeting at 12:43 p.m.

AGENDA ITEM 3

Discussion and Consideration of a Resolution Authorizing the Executive Director of the CTCAC to enter into a contract with Boston Capital Asset Management LP, not to exceed \$367,500 per year for a period of three years with an option to extend the agreement for one additional year, to provide professional asset management services related to compliance with TCAP and Section 1602 program requirements for projects awarded funds made available by the American Recovery and Reinvestment Act of 2009.

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
RESOLUTION NO. 20/21-06
February 17, 2021**

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN A
CONTRACT WITH
Boston Capital Asset Management LP**

WHEREAS, the California Tax Credit Allocation Committee (“Committee”) was created under the provisions of Chapter 3.6 (commencing with Section 50199.4) of Part 1 of Division 31 of the Health and Safety Code; and

WHEREAS, Section 50199.8 of the Health and Safety Code provides that the Committee may employ an Executive Director to enable it to properly perform the duties imposed upon it by this division; and

WHEREAS, pursuant to Health and Safety Code 50199.8, the Committee may delegate to the Executive Director the power to enter contracts on its behalf; and,

WHEREAS, the Executive Director of the Committee has demonstrated the ability to be accountable for the resources of the Committee, and should be delegated the responsibility for

- 1) the signing and execution of a contract with Boston Capital Asset Management LP to provide professional asset management services related to compliance with TCAP and Section 1602 program requirements for projects awarded funds made available by the American Recovery and Reinvestment Act of 2009. The contract shall be for a period of up to three years with an option to extend agreement for one additional year. The contract shall not exceed \$1,102,500 (\$367,500 per year); and,

NOW, THEREFORE BE IT RESOLVED that the Executive Director, the Committee chair and her designees are hereby authorized by this Resolution to sign and execute the contract with Boston Capital Asset Management LP on behalf of the Committee for asset management services,

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption.

Attest:

Chairperson

Date of Adoption: February 17, 2021

AGENDA ITEM 4

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

Conflict Summary
 February 17, 2021
 CTCAC Committee Meeting

Application Number	Project Name Address City, State Zip Code County	Applicant/Owner Applicant/Owner Contact(s)	General Partner(s) General Partner(s) Contact(s)	Developer(s) Developer(s) Contact(s)	Seller(s) Signatory of Seller(s)	Bond Issuer	Credit Enhancement Provider	Lender(s) (First Lender is Primary Construction Lender)
CA-20-682	Spring-Encino Apartments 402 S. Eastern Avenue & 1165 B Street Brawley, CA 92227 Imperial County	Highland Property Development on behalf of HPD S-E LP (TBF) Kristoffer J. Kaufmann	Highland Property Development LLC Kristoffer J. Kaufmann Hearthstone CA Properties II, LLC Socorro Vazquez	Highland Property Development Kristoffer J. Kaufmann	HPD Spring-Encino L.P. Kristoffer J. Kaufmann	CSCDA	N/A	JP Morgan Chase USDA Bonneville Mortgage Company

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

February 17, 2021

Spring-Encino Apartments, located at 402 S. Eastern Avenue & 1165 B Street in Brawley, requested and is being recommended for a reservation of \$356,932 in annual federal tax credits to finance the acquisition and rehabilitation of 94 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Highland Property Development and is located in Senate District 40 and Assembly District 56.

Spring-Encino Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Spring & Encino Villages (CA-2004-810). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-20-682

Project Name Spring-Encino Apartments
Site Address: 402 S. Eastern Avenue & 1165 B Street
Brawley, CA 92227 County: Imperial
Census Tract: 107 & 104

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$356,932	\$0
Recommended:	\$356,932	\$0

Applicant Information

Applicant: Highland Property Development on behalf of HPD S-E LP
Contact: Kristoffer J. Kaufmann
Address: 701 S. Myrtle Avenue
Monrovia, CA 91016
Phone: (626) 698-6361
Email: k.kaufmann@highlandcompanies.com

General Partner(s) or Principal Owner(s): Highland Property Development LLC
Hearthstone CA Properties II, LLC

General Partner Type: Joint Venture

Parent Company(ies): Highland Property Development LLC
Hearthstone Housing Foundation

Developer: Highland Property Development

Investor/Consultant: Boston Financial Investment Mgmt.

Management Agent: Hyder & Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 9
 Total # of Units: 96
 No. / % of Low Income Units: 94 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Contract (94 Units - 100%) /
 USDA RHS 515 / USDA RHS 538

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 9, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

Aggregate Targeting		Percentage of	
Number of Units		Affordable Units	
50% AMI:	32	34%	
60% AMI:	62	66%	

Unit Mix

32	1-Bedroom Units
64	2-Bedroom Units
<u>96</u>	Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	50%	50%	\$656
14 2 Bedrooms	60%	50%	\$787
11 1 Bedroom	50%	60%	\$787
33 2 Bedrooms	60%	60%	\$945
5 1 Bedroom	50%	50%	\$656
5 2 Bedrooms	60%	50%	\$787
11 1 Bedroom	50%	60%	\$787
10 2 Bedrooms	60%	60%	\$945
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,711,000
Construction Costs	\$0
Rehabilitation Costs	\$4,993,920
Construction Hard Cost Contingency	\$432,000
Soft Cost Contingency	\$0
Relocation	\$50,000
Architectural/Engineering	\$130,000
Const. Interest, Perm. Financing	\$399,650
Legal Fees	\$142,000
Reserves	\$355,300
Other Costs	\$194,930
Developer Fee	\$1,227,990
Commercial Costs	\$0
Total	\$11,636,790

Residential

Construction Cost Per Square Foot:	\$72
Per Unit Cost:	\$121,217
True Cash Per Unit Cost*:	\$108,945

Construction Financing

Source	Amount
JP Morgan Chase	\$6,000,000
USDA	\$2,150,000
Net Operating Income	\$168,000
Tax Credit Equity	\$2,315,500

Permanent Financing

Source	Amount
Bonneville Mortgage Company	\$5,000,000
USDA	\$2,150,000
Deferred Developer Fee	\$1,178,103
Net Operating Income	\$168,000
Tax Credit Equity	\$3,140,687
TOTAL	\$11,636,790

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,307,538
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,401,595
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,614,877
Qualified Basis (Acquisition):	\$3,401,595
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$246,722
Maximum Annual Federal Credit, Acquisition:	\$110,212
Total Maximum Annual Federal Credit:	\$356,932
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,227,990
Investor/Consultant:	Boston Financial Investment Mgmt.
Federal Tax Credit Factor:	\$0.87991

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,324,210
Actual Eligible Basis:	\$10,324,210
Unadjusted Threshold Basis Limit:	\$32,879,776
Total Adjusted Threshold Basis Limit:	\$44,058,900

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 34%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.24% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

This project involves the substantial rehabilitation of 2 existing LIHTC/Section 8/USDA scattered-site projects originally constructed in the 1980s in the City of Brawley.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-04-810). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-04-810) is a qualified low-income household for the subsequent allocation (existing household eligibility is

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

AGENDA ITEM 5

Public Comment

AGENDA ITEM 6

Adjournment