

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the April 28, 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 2:30 p.m. Also, present Anthony Sertich for State Controller Betty Yee; Gayle Miller for Department of Finance (DOF) Director Keely Martin Bosler; California Department of Housing and Community Development (HCD) Director Gustavo Velasquez; Kate Ferguson for California Housing Finance Agency (CalHFA) Acting Executive Director Donald Cavier and City Representative Vivian Moreno.

County Representative Terra Lawson-Remer was absent.

2. Approval of the Minutes of the March 8, 2021 Meeting

MOTION: Mr. Sertich moved to approve the March 8, 2021 Meeting Minutes. Ms. Kate Ferguson seconded, and the motion passed unanimously via a roll call vote.

County Representative Vivian Moreno joined the meeting

Ms. Moreno expressed concern over actions taken by the California Debt Limit Allocation Committee (CDLAC) at the preceding meeting to change the geographic apportionment under the QRRP New Construction pool. She stated the change would negatively affect affordable housing in San Diego taking away from the Coastal region to increase the Bay Area's regional share. Ms. Moreno noted that both are heavily populated regions and taking away from a higher populated region to give to another region does not make sense. She stated by population, the change would be less proportionate. Ms. Moreno also expressed concern over the lack of consultation with the City of San Diego and the San Diego Housing Commission prior to proposing the change. She urged CDLAC to be more inclusive in their decision making process moving forward.

3. Executive Director's Report

CTCAC Executive Director, Nancee Robles stated that CTCAC received 60 applications for the first round of 9% tax credits which is slightly down from 63 received in the first round of 2020. She stated the 9% program is currently oversubscribed 2 to 1. Based on self-scores, Ms. Robles expected to award 31 applications at the June 16, 2021 meeting. Ms. Robles provided an update on the Compliance Section of CTCAC. She noted that compliance staff are currently conducting both basic and advanced workshops through the remainder of April and will continue into early May. With the monitoring relief provided by the IRS in 2020, compliance staff have been conducting desk audits in lieu of physical inspections. Ms. Robles noted IRS Notice 2021-12 extended the compliance monitoring relief through September 30 of 2021. Beginning in October, she explained staff's intent to begin conducting physical inspections in person given it is safe to do so. Ms. Robles noted the United States Department of Housing and Urban Development (HUD) recently

released new rent and income limits for 2021, which staff will be incorporating into applications for the next round.

Treasurer Ma asked if staff was implementing any electronic signature measures via DocuSign for tenant related documents.

Development Section Chief, Gina Ferguson stated staff will check in with the Compliance Section managers regarding any electronic signature requests.

4. Recommendation of 2021 Applications for Reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects

Ms. Gina Ferguson stated staff is recommending 47 applications for 4% tax credits all of which are joint applications with CDLAC with the exception of Park Crest (CA-21-400). She explained Park Crest received a bond allocation previously and now applying for a tax credit reservation. Ms. Gina Ferguson stated the remainder of the projects on the list were approved by CDLAC at their meeting. She stated the applications for the projects were reviewed for compliance with program requirements and were being recommended to the Committee for approval. Ms. Gina Ferguson noted the application for 425 Auzerais Apartments (CA-21-467), awarded at the CDLAC meeting on appeal, was not on the CTCAC recommended list and will be brought back for consideration of tax credits at the June 16, 2021 meeting.

MOTION: Mr. Sertich moved to approve staff's recommendation. Mr. Velasquez seconded and the motion passed unanimously via a roll call vote.

5. Recommendation of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to Sign Contracts and Interagency Agreements.

Deputy Director, Anthony Zeto recommended approval of a Resolution authorizing CTCAC Executive Director to sign interagency agreements or contracts that do not exceed \$300,000.

MOTION: Mr. Sertich moved to approve the Resolution. Ms. Kate Ferguson seconded and the motion passed unanimously via a roll call vote.

6. Recommendation of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to sign an Interagency Agreement with the State Treasurer's Office on behalf of the Committee for reimbursement of annual building rent, security expenses, and other related costs incurred by State Treasurer's Office for the California Tax Credit Allocation Committee

Mr. Zeto recommended a Resolution authorizing CTCAC Executive Director to enter into an interagency agreement with the State Treasurer's Office (STO) for building rent, security expenses, and other expenses associated with the STO. He noted the agreement exceeds the \$300,000 limit and therefore requires Committee approval.

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

7. Recommendation to establish end date of COVID related extensions

Mr. Zeto reminded the Committee that in April 3, 2020, CTCAC Executive Director was delegated authority to provide extensions and waive penalties associated with the readiness to proceed deadline. He explained that no end date was established at the time of Committee action. Mr. Zeto recommended an end date that would capture all projects awarded 9% credits in 2020. He explained that extensions would not be available to projects awarded 9% credits in 2021.

Mr. Sertich asked if there was an end date proposed that would capture the 2020 projects.

Mr. Zeto stated that the readiness to proceed deadline for second round 2020 projects was Monday. He explained there were about five projects funded from the waiting list with readiness to proceed deadline expiring within in the next two months.

Mr. Sertich asked if any extensions requests were received.

Mr. Zeto confirmed a couple of requests were granted and those requests were for a short period. He stated the IRS has not provided relief to the placed in service date for 2021 projects which is why staff is recommending an end date for those remaining projects awarded credits in 2020.

Treasurer Ma proposed June 30, 2021.

Mr. Zeto stated June 30, 2021 should cover the remaining 2020 projects.

There was public comment.

As it pertains to 4% allocations, Andre Perry with the HCID Los Angeles stated he did not see a scenario returning to pre-COVID normal. He stated municipalities as well state agencies are still working with limited staff. Mr. Perry recommended postponing the action to a later date until there is more evidence from the municipalities.

Ms. Kate Ferguson asked Mr. Zeto how many outstanding 2020 projects this was affecting.

Mr. Zeto stated there were about five projects, all funded off the waiting list in November.

Mr. Sertich stated the Mr. Perry's comments were focused on the bond program whereas the extensions being discussed are directed towards 9% projects.

Treasurer Ma stated the commenter could be just providing the Committee a warning that projects in Los Angeles are still experiencing delays and that some projects may still not be ready.

Mr. Zeto stated that the 4% projects do not have a federal placed in service deadline whereas 9% projects do. He explained that any extensions to the readiness to proceed deadline for 9% projects reduces the construction period for the projects to meet the placed in service deadline. Mr. Zeto stated 2018 and 2019 projects were provided relief from the IRS to the federal placed in service deadline whereas projects awarded in 2020 and later have not. He explained staff wants to ensure projects are on track to meet the required federal placed in service deadline.

Ms. Gina Ferguson stated that while 4% projects with state credits do have a 180-day readiness deadline, staff has deferred any extensions to those approved at CDLAC. She confirmed there were four projects awarded from the waiting list projects with a readiness requirement of May 10, 2021.

MOTION: Mr. Sertich moved to provide blanket authority to the Executive Director to provide extensions to the readiness to proceed deadline through June 30, 2021 for COVID-related delays. Ms. Kate Ferguson seconded and the motion passed unanimously via a roll call vote.

Mr. Perry thanked the Committee for the clarification that the delegated authority to provide extensions to the readiness to proceed deadline through June 30, 2021 applies to 9% projects.

8. Discussion of Disaster Credits established by the Consolidated Appropriations Act, 2021.

Mr. Zeto stated that staff is working on proposed changes to the regulations to allocate the 2021 disaster credits. He stated staff has had conversations with various parties including the working group on the disaster credits. Mr. Zeto reminded the Committee that 22 counties included in the 2021 disaster credits was an increase from the 13 counties included in the 2020 disaster credits. He stated the allocation process for last year's disaster credits included establishing a base amount for each county with the remainder based on percentage of homes lost to ensure each county was able to fund at least one project. Given the increase in counties this year, and that five of the 22 counties made up about 75% of the lost homes, Mr. Zeto stated staff has been considering alternative options. In advance of releasing the proposed changes, he requested the Committee's input on the county/regional allocation as well as the tiebreaker.

Mr. Zeto stated that if the credits were allocated solely based on percentage of lost homes, five counties would receive \$60 million of the \$80 million in disaster credits. He stated the remaining 17 counties would be grouped into regions and compete for the remaining credits.

For the other discussion topic, Mr. Zeto summarized the tiebreaker. He stated the letters of support used last year may not be as effective this year due to the addition of regions. Mr. Zeto discussed other options for a tiebreaker such as projects located in the fire perimeter with no local opposition as well as HCD awarded projects. He turned it over to the Committee for discussion.

Treasurer Ma stated she recently visited Butte County after allocations were made last year and noted that most of the Butte County projects awarded were in Chico since Paradise was not ready at the time. She asked Mr. Zeto to identify the five counties most impacted by the wildfires in 2020.

Based on the data provided by CAL FIRE, Mr. Zeto stated the five most impacted counties were (1) Butte, (2) Santa Cruz, (3) Napa, (4) Fresno and (5) Sonoma.

Given the intent of the disaster credits, Treasurer Ma believed some measure of percentage of lost homes should be considered, though is open to other thoughts from the Committee members.

Ms. Kate Ferguson stated that the Committee could consider allocating 75% of the credits to the five most heavily impacted counties and 25% to the remaining counties.

Mr. Velasquez stated that HCD has been closely tracking the impacted counties through their CDBG-DR program. He stated the issue is the lack of infrastructure to get housing constructed in large portions of those five counties. Mr. Velasquez recommended a methodology to account for population, level of destruction, infrastructure, and shovel readiness to allocate the disaster credits.

Treasurer Ma agreed with Mr. Velasquez and stated she wanted to focus on projects in the burn scar since those were directly impacted. Given the oversubscription last year, she wanted to ensure the projects this year would target the purpose of the disaster credits.

Mr. Sertich suggested not re-creating the wheel and to copy over as much from last year as possible. He asked staff if any of the disaster credits from 2020 were returned.

Mr. Zeto stated no projects from 2020 have returned their credits. He reminded the Committee of the September 1, 2021 date at which point credits could be returned. Following conversations with some of the developers, Mr. Zeto stated most projects were in the construction phase.

Mr. Sertich stated it was good to hear that projects were able to move forward.

Mr. Zeto stated that unlike last year, the scoring criteria for the disaster credits this year would look more like a regular 9% project. He noted the exemptions to point categories and exceptions for the local approvals and zoning last year would not be available to projects applying for disaster credits in 2021.

There was public comment.

Luke Lindenbusch with Generation Housing thanked the Committee for considering counties that were most impacted by the wildfires. He stated they submitted a letter requesting that credits be prioritized for shovel ready projects for counties with more than 300 homes lost. Mr. Lindenbusch stated Sonoma County has lost over 6,000 homes due to wildfires in 3 of the last 4 years. He stated they have at least a dozen affordable housing

projects ready to go. Mr. Lindenbusch stated the county has the infrastructure needed to rebuild these homes in transit-oriented communities.

Michelle Whitman Executive Director with Renewal Enterprise District (RED) stated Sonoma County has lost over 6,000 homes and emphasized the credits be allocated to shovel ready projects in disaster counties in proportion of the homes lost. She echoed some of Mr. Lindenbusch's comments with regard to the dozen shovel ready projects in Sonoma County that could provide hundreds of affordable units quickly. Ms. Whitman expressed appreciation for the changes made with regard to the allocation of disaster credits last year.

Seana O' Shaughnessy with Community Housing Improvement Program (CHIP) expressed appreciation for the careful consideration of the credits to the most heavily impacted counties. She stated the recent wildfires again heavily affected Butte County. Ms. O'Shaughnessy asked the Committee to focus development in the burn scar area. She believed there should be a readiness requirement but with some easing on the requirements for projects in the burn scar.

Suzanne Isé Acting Manager of the County of Santa Cruz reiterated a few points in a public comment letter sent to staff prior to the meeting about a baseline allocation to counties where at least 300 homes were lost and applying readiness points to projects. She believed prioritizing projects in the burn scar area would make sense in some counties but in the case of Santa Cruz the burn scar area was in remote areas subject high fire risk. Ms. Isé stated that most of the homes were built 100 years ago and not built up to code or were built prior to the existence of modern day building code requirement. She mentioned four projects in the pipeline on appropriate sites that would focus on housing low-income residents displaced by the wildfires. Ms. Isé did not believe the burn scar consideration alone was the most appropriate methodology to use to distribute these credits. She thanked the Committee for their consideration.

Max Heninger with Eden Housing stated it is very important that the Committee consider the lost homes criteria that would help the top five destruction counties. He also echoed comments made by Santa Cruz regarding not limiting projects to the burn scar areas since it would be very difficult to fund them. Mr. Heninger supported a HCD tiebreaker to ensure projects are shovel ready and aligned with state affordable housing priorities.

Rich Wallach with Burbank Housing echoed the previous comments made regarding readiness. He stated applications last year were submitted and successful over shovel ready projects working with their municipalities. Mr. Wallach suggested leniency on the readiness requirement for projects within the burn scar area. He also advocated for a spillover effect where credits are transferred from one county to another if the other county is able to use it. Mr. Wallach recommended an award limit of \$3.5 million to \$4 million per project to allow for more projects can be funded.

Mr. Velasquez stated he was glad to hear the Committee was for the most part on the same page with the development community on the distribution of the disaster credits.

Treasurer Ma stated the Committee would discuss the proposed regulation changes for the disaster credits and come back with a recommendation at the next meeting.

Given the timing and the required 21-day comment period, Mr. Zeto stated proposed recommendations would likely be considered at the June meeting.

9. Public Comment

Matt Grosz with Red Stone Equity Partners expressed concerns over 60 projects in the impacted counties in the CDLAC queue. Given the CDLAC scoring system, he stated some of these projects are unlikely to get funded. Since these projects are structured as 4% projects, Mr. Grosz stated prioritizing these projects will stretch the credits much further.

10. Adjournment

Treasurer Ma adjourned the meeting at 3:30 p.m.