



California Tax Credit Allocation Committee

CTCAC
Committee Meeting
Tuesday, March 29, 2022
11:00 AM



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 311
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
www.treasurer.ca.gov/ctcac

MEETING NOTICE

AGENDA

MEETING DATE:
March 29, 2022

TIME:
11:00 AM

LOCATION:
915 Capitol Mall, Room 587
Sacramento, CA 95814

BOARD MEMBERS (voting)

FIONA MA, CPA, CHAIR
State Treasurer

BETTY YEE
State Controller

KEELY MARTIN BOSLER
Director of Finance

GUSTAVO VELASQUEZ
Director of HCD

TIENA JOHNSON HALL
Executive Director of CalHFA

DIRECTOR
NANCEE ROBLES
Executive Director

Members of the public are invited to participate remotely via TEAMS or telephone.*

[Click here to Join Teams Meeting \(full link below\)](#)

Public Participation Call-In Number

(888) 557-8511

Participant Code:

5651115

The Committee may take action on any item.

Items may be taken out of order.

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

1. Call to Order and Roll Call

Action Item: **2. Approval of the Minutes of the February 23, 2022 Meeting**

3. Executive Director's Report

Presented by: Nancee Robles

Action Item: **4. Discussion and Consideration of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to Enter into a contract, pending finalization of the procurement process, with Spectrum Enterprises, Inc. for an initial period of up to three years, not to exceed \$315,000, with the option to extend for one year, for an additional amount not to exceed \$105,000, to provide professional tenant demographic data collection services related to compliance with the Housing and Urban Development (HUD) program requirements as required under the Housing and Economic Recovery Act of 2008.**

Presented by: Anthony Zeto



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Action Item: **5. Recommendation of a Resolution Delegating Authority to the Executive Director to Grant Extensions to Readiness to Proceed Deadlines for Projects allocated Federal Nine Percent (9%) Low Income Housing Tax Credits (LIHTCs) with USDA Components**
Presented by: Ricki Hammett

Action Item: **6. Discussion and Consideration of an appeal filed under CTCAC Regulation Section 10330(b)(2).**
Presented by: Anthony Zeto

<u>Project Number</u>	<u>Project Name</u>
CA-21-032	Coachella Valley Apartments

7. Public Comment

8. Adjournment

FOR ADDITIONAL INFORMATION

Nancee Robles, Executive 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

* Due to the state of emergency related to the COVID-19 pandemic, AB 361 (Chapter 165, Statutes of 2021) authorizes a state body to hold public meetings through teleconferencing and to make public meetings accessible telephonically, or otherwise electronically, to all members of the public seeking to observe and address the state body. Since there is an ongoing surge in COVID-19 cases caused by the Omicron variant, Governor Gavin Newsom signed Executive Order N-1-22 on January 5, 2022, to authorize a state body to continue to conduct meetings in this manner until March 31, 2022.

Interested members of the public may use the call-in number or TEAMS to listen to and/or comment on items before the California Debt Limit Allocation Committee. Additional instructions will be provided to participants once they call the indicated number or join via TEAMS. The call-in number and TEAMS information are 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, please contact CTCAC staff no later than five calendar days before the meeting at (916) 654-6340 and Telecommunication Device for the Deaf (TDD) at (916) 654-9922.



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Full TEAMS Link

https://teams.microsoft.com/l/meetup-join/19%3ameeting_YmlzMDgwMDYtYzEzMC00NDI5LTlIOGMtZGQ5M2M4Yzc4ZmU1%40thread.v2/0?context=%7b%22Tid%22%3a%223bee5c8a-6cb4-4c10-a77b-cd2eaeb7534e%22%2c%22Oid%22%3a%22f3fc5ca6-ee10-4849-9497-a76e07f79e6e%22%7d



California Tax Credit Allocation Committee

AGENDA ITEM 2

Approval of the Minutes of the February 23, 2022 Meeting

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the February 23, 2022 Meeting

1. Call to Order and 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 11:17 a.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 Tiena Johnson Hall and California Department of Housing and Community Development (HCD) Director Gustavo Velasquez.

City Representative Vivian Moreno and County Representative Terra Lawson-Remer were absent.

2. Approval of the Minutes of the January 19, 2022 Meeting

MOTION: Mr. Sertich moved to approve the January 19, 2022 Meeting Minutes. Ms. Miller seconded, and the motion passed unanimously via a roll call vote.

3. Executive Director's Report

CTCAC Executive Director, Nancee Robles announced the five (5) new staff joining the Compliance Section of CTCAC: Frederick Jazmin, Joshua Helmich, Karen Snyder, Eric Turlak, and Tricia Mitchell. She explained that the Compliance Section conducts important work for the state by ensuring tax credits are used and tenant rights are upheld. Ms. Robles welcomed the new staff to the team.

On the outreach front, Ms. Robles stated that Treasurer Ma spoke at a grand opening ceremony for St. Teresa of Calcutta Villa. She described the project as a 14-story project in San Diego consisting of 407 units, including 270 units set aside for permanent supportive housing and 80 units for veterans. Ms. Robles added that the project received both bond allocation and tax credits.

In legislative news, Ms. Robles provided a summary of AB 950 (Ward), AB 1288 (Quirk-Silva), and SB 971 (Newman).

- AB 950 would authorize the Department of Transportation to sell its excess real property to the city and/or county where the real property is located. If those municipalities agree to use the real property for the sole support of implementing affordable housing, emergency shelter or feeding programs, the bill would exempt these sales from the California Environmental Quality Act (CEQA) process.
- AB 1288 (Quirk-Silva) will provide for up to \$500 million in state low income housing tax credits if the annual Budget Act or relative legislation specifies an amount for allocation going forward rather than restricting it to a specific year.
- SB 971 (Newman) will require the scoring system for CDLAC and CTCAC to include points for a project's policy that allows a resident of a housing development

to keep one or more common pets in the resident's dwelling unit. The bill would also require the scoring system to provide a point value to a project that imposes reasonable conditions, including, but not limited to, limiting the number of animals in a unit based on the unit size and prohibitions on potentially dangerous or vicious dogs.

- End of Executive Director's Report

Mr. Sertich asked about the extensions for USDA projects as it relates to the statutory 180-day requirement for 4% projects awarded state tax credits in addition to extensions for 9% projects. He also requested a discussion on the allocation of the \$500 million in state tax credits at the next CTCAC meeting.

Ms. Robles confirmed the topics will be discussed at the next CTCAC meeting.

4. Recommendation to Rescind Federal 9% Tax Credits and State Tax Credits Allocated to the CA-20-056 San Mateo Senior Project for Failure to Maintain Site Control

Mr. Zeto stated staff recommended the rescission of tax credits awarded to San Mateo Senior (CA-20-056) for failure to maintain site control pursuant to CTCAC regulations. To provide additional background, Mr. Zeto provided a timeline stating that the project was awarded federal and state tax credits on June 17, 2020, and then informed by the current owner of the land that the purchase and sales contract provided in the initial application was no longer in effect. He explained CTCAC Regulations Section 10328(b)(2) requires that site control be maintained from the initial application. Mr. Zeto added that the applicant acknowledged there was a lapse in the site control and thus no longer meeting regulatory requirement. Staff was also informed by the owner's counsel that the contract was extended on three separate occasions and that the owner chose to terminate the purchase and sales agreement on December 23, 2020 and no longer wished to sell the land to the applicant. Staff recommends the tax credits be rescinded and returned to the South and West Bay region for the upcoming 9% round.

Andrew Hanna with Global Premier Development, Inc. stated that he submitted an extension request for a 10% test and in response, Mr. Zeto requested documentation to confirm site control. He described the project stating it was located in San Mateo County and the timelines with the county were not met resulting in delays.

An affidavit and cost summary from Mr. Hanna was presented.

Mr. Hanna explained that \$100,000 was released to the seller which also included multiple extensions. He added that seller's counsel informed him that instead of the extensions, the seller wanted to move forward with one final extension and close when he was ready. Mr. Hanna noted the seller was not in the industry and did not understand the struggles of development and the time it takes to put these projects together. He added that \$700,000 has been spent on the project thus far and the project is about three months from entitlements. In response to Mr. Zeto's original request for site control documentation,

Mr. Hanna proposed to the seller \$100,000 applicable to the purchase price and an extension to run concurrent with the entitlements and then referenced an email received from the seller the day before the seller's counsel contacted CTCAC. In the email, he stated the seller wanted \$100,000 not applicable to the purchase price and to close in 15 days.

Mr. Hanna stated that there is an intent from the seller to close. Following the seller's counsel contacting CTCAC, he agreed to the \$100,000 not applicable to the purchase price as a carrying cost. Mr. Hanna forwarded Mr. Zeto's email requesting the site control documents to the seller to demonstrate the urgency. He explained that with the owner being a Trust there may be a lot of decision makers and that possibly under pressure they did not want to sell. Mr. Hanna believed the issue could be resolved in 30 days and explained additional needs with the sale would be to relocate a small machine shop. He stated that he never signed a cancellation of escrow and relied on the email for one extension and then closing. Within 30 days, he reiterated he could button up everything and close. Mr. Hanna stated developers are dealing with a lot of inflation costs and rising interest costs. He referenced another one of his projects in Los Angeles County that has a \$7 million gap that he may not be able to make up. He urged the Committee to keep the developers healthy, especially when there is a seller who indicated he wanted to sell the day before informing CTCAC they did not want to sell. Mr. Hanna requested 30 days to close on the transaction, accommodate the needs of the seller, and get the project entitled so everyone can attend the grand opening.

Treasurer Ma asked Mr. Hanna about the accounting transactions. Based on the cost documents, she stated it appears that Mr. Hanna has been working on the project as there has been over \$335,000 incurred.

Mr. Hanna explained the costs also did not include the CTCAC fees totaling \$200,000, the \$100,000 already released to the seller, and another \$100,000 to the seller once a closing date is agreed upon. For land loans, especially in a revitalization area, he explained that there are a lot of lenders who want entitlements in place to provide security that some future value is there. Mr. Hanna stated a lot of the delays were at the county level and had documentation to support that.

Mr. Sertich asked Mr. Hanna if there was currently a purchase and sales agreement in place.

Mr. Hanna explained that there is a purchase and sales agreement and he never signed a cancellation of escrow. He added that by releasing \$100,000 to the seller, it creates certain rights to the property. Mr. Hanna reiterated that he was acting in reliance on the seller's counsel's language regarding closing with one last extension. If he was not acting in reliance, he stated he would not have continued to spend dollars on the project as shown on the cost documentation.

Mr. Sertich stated that there is conflicting information from Mr. Hanna and the seller. He explained that the email forwarded to him stated that the seller believed they cancelled the agreement on December 23, 2020, which may have been tied to the expirations of one of the last extensions. Mr. Sertich stated that the regulations were put into place for a reason and that if site control were in place the whole time, that would be a very different discussion.

Mr. Hanna stated that as a developer he must be flexible and that he acted in reliance of the one last extension and ready to close. He stated that he shared an email from the seller's counsel stating that they were ready to close in 15 days and requested \$100,000 indicating their intent to sell.

Mr. Sertich explained that he did not want to focus on the seller's intent to sell, but instead how it meets the regulations based on the documents submitted. He added that by closing in 30 days and making the seller happy doesn't solve the problem of true site control today.

Mr. Hanna stated that if sellers know all they have to do is withhold an extension, they can leverage the developer for additional dollars.

Treasurer Ma stated that after December 23, 2020, into 2021, costs were still being incurred by the developer for architects and civil engineers. She asked Mr. Hanna if he was still working with the seller.

Mr. Hanna stated the seller was aware costs were still being incurred.

Treasurer Ma asked Mr. Hanna why would he continue to incur costs in 2021.

Mr. Hanna stated it was detrimental reliance and reiterated his reliance on one last extension when they were ready to close. He stated if he is unable to close within 30 days, he will accept the rescission of credits.

Treasurer Ma stated she was sympathetic to the costs and time spent by Mr. Hanna.

There was public comment.

William Wilcox with the San Francisco Mayor's Office of Housing and Community Development supported CTCAC's recommendation to rescind the tax credits for the San Mateo Senior (CA-20-056). He added that CTCAC impose full negative points for maximum period of two years. Mr. Wilcox stated that Global Premier Development, Inc. has not pulled permits on a San Francisco 9% project that has a placed in service date deadline of December 31, 2022 and take that as evidence that this developer is similarly not able to deliver on a commitment. He explained that it is important CTCAC maintain strong standards, to incentivize good faith compliance, and avoid delaying the use of valuable affordable housing funding.

Treasurer Ma stated she was open to 30 days to see if Mr. Hanna can close with the seller given the amount of time and money spent on the project. She added that it appears the seller was still trying to negotiate on February 17, 2022 saying they were still interested in selling. Treasurer Ma understood the challenges dealing with Trusts and does not like when sellers re-negotiate at the last minute when they are not familiar with the process.

Ms. Miller stated she has not been sympathetic to these extensions. She asked staff how common these issues come up and has concerns with setting precedence.

Ms. Robles stated that this does not occur often and stated Mr. Zeto in his long tenure at CTCAC has not seen this previously. She added that staff would not have brought this to the Committee's attention had staff not felt strongly about it. Ms. Robles stated this was a matter of site control and that there is no site control. She explained that the regulations are clear that if you cannot maintain site control that tax credits should be rescinded.

Treasurer Ma and Ms. Miller asked what exactly does maintain site control mean.

Mr. Zeto stated that site control must be continuously maintained with no lapse. The documentation for the project showed three amendments, all of which provided extensions to the closing date. Mr. Zeto explained the third amendment extended the closing date to November 2020. He added that staff does not have any other amendments extending beyond the November 2020 closing date.

Mr. Hanna restated that the \$100,000 non-refundable deposit creates certain rights as a buyer. He explained that agreements are written and may be verbal as well. Mr. Hanna pointed to email from the seller's counsel and his reliance that they will get to a point where they are ready to close in conjunction with the entitlements. He did not want any developers to lose any dollars because the seller did not understand the process.

Treasurer Ma asked if Mr. Hanna had any emails with the seller's counsel as it appears there are costs incurred through October 3, 2021. Specifically, she asked if he had emails with the seller or the seller's counsel from November 2020 through the present day regarding the progress of the project.

Mr. Hanna restated that he had not sent in any cancellation of escrow and that technically escrow is still open.

Mike Jobak representing the seller disagreed. He stated he was part of the seller entity making all the decisions for his father.

Mr. Hanna stated he tried to meet with Mr. Jobak in San Mateo.

Mr. Jobak stated the agreement was cancelled and that they received \$100 deposit back from the title company in January 2021. He stated that he has received nothing but less than truthful answers throughout the last year. Mr. Jobak explained that people informed him that he had to move his business before the lender can close, and then that the soil samples were dirty and it was going to cost more to remove the soil. He believed he was no longer in escrow and clarified he was not trying to get additional funds, just to close on the sale based on the purchase and sales contract.

Mr. Hanna apologized for the long process and the delays from San Mateo County.

Treasurer Ma asked if they would be able to close in 15 days.

Mr. Hanna stated 30 days would allow the lender to get comfortable closing without the final entitlements.

Treasurer Ma asked Mr. Jobak if they could come to some conclusion within 30 days.

Mr. Jobak stated they could.

Ms. Miller stated she would vote against this since she is unable to decipher what is being discussed between Mr. Hanna and Mr. Jobak and that she felt like she witnessed a negotiation between two parties which is not an appropriate role of the Committee.

Mr. Hanna stated there is seldom little communication with the seller regarding the details of the entitlement process unless they are somehow still involved.

Ms. Johnson Hall agreed with Ms. Miller's prior comments.

MOTION: Mr. Velasquez moved to rescind the federal 9% tax credits and state tax credits allocated to the San Mateo Senior Project (CA-20-056). Mr. Sertich seconded, and the motion passed via a roll call vote of 4-0 (Treasurer Ma abstained).

5. Public Comment

There was public comment.

Justin Solomon with Dawson Holdings, Inc. stated that he has experience with the USDA loan assumption and rental assistance. He added that since the delays are documented with respect to the 4% projects, the premium attached to the 9% competition has diminished in the last couple of years, and these projects do not represent any risk to the federal placed in service deadline, he requested the Committee make changes to the regulations providing the Executive Director the discretion to extend the Readiness to Proceed deadline for 9% projects with a USDA component.

Patrick Sabelhaus with the California Council of Affordable Housing thanked the Committee for the CDLAC resolution authorizing the Executive Direction to grant extensions for USDA financed projects suffering delays. He urged the Committee to adopt a similar change for 9% projects suffering the same delays resulting from the reorganization at USDA.

6. Adjournment

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



California Tax Credit Allocation Committee

AGENDA ITEM 3

Executive Director's Report

(Section left blank)



AGENDA ITEM 4

Discussion and Consideration of a Resolution Authorizing the Executive Director of the California Tax Credit Allocation Committee to Enter into a contract, pending finalization of the procurement process, with Spectrum Enterprises, Inc. for an initial period of up to three years, not to exceed \$315,000, with the option to extend for one year, for an additional amount not to exceed \$105,000, to provide professional tenant demographic data collection services related to compliance with the Housing and Urban Development (HUD) program requirements as required under the Housing and Economic Recovery Act of 2008.

THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
March 29, 2022

**CONSIDERATION OF THE ADOPTION OF A RESOLUTION AUTHORIZING THE EXECUTIVE
DIRECTOR OF THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE TO SIGN AND EXECUTE
A CONTRACT WITH SPECTRUM ENTERPRISES, INC. FOR PROFESSIONAL TENANT
DEMOGRAPHIC DATA COLLECTION SERVICES**

(Agenda Item No. 4)

ACTION:

Effective March 1, 2021, Nancee Robles was designated the Executive Director of the California Tax Credit Allocation Committee (CTCAC). Pursuant to Health and Safety Code 50199.8, the Committee may delegate to the Executive Director the power to enter contracts on its behalf. The maximum amount of the contract with Spectrum Enterprises, Inc. exceeds the aggregate limit of the Executive Director of the Committee's delegated authority.

BACKGROUND:

In 2008, Congress passed the Housing and Economic Recovery Act (HERA), which directed CTCAC to collect and submit to the U.S. Department of Housing and Urban Development (HUD) on an annual basis, certain demographic and economic information on tenants residing in Low-Income Housing Tax Credit (LIHTC) financed properties. The data collection includes tenant specific information and property specific information. Due to the large volume of data required to be captured in the 4,500 projects and over 650,000 residents throughout California, the tenant specific information has been contracted out for collection and submission to HUD on behalf of CTCAC.

DISCUSSION:

Approval of the resolution authorizing the Executive Director authority to sign and execute the contract with Spectrum Enterprises, Inc. on behalf of the Committee will ensure the required tenant demographic data is collected and submitted to HUD on an annual basis to meet the mandate under HERA.

RECOMMENDATION:

Staff recommend approval of the attached Resolution No. 21/22-004, authorizing the Executive Director, the Committee chair and her designees to sign and execute the contract with Spectrum Enterprises, Inc. on behalf of the Committee for professional tenant demographic data collection services.

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
RESOLUTION NO. 21/22-04
March 29, 2022**

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN A CONTRACT WITH
Spectrum Enterprises, Inc.**

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 Spectrum Enterprises, Inc. to provide professional tenant demographic data collection services related to compliance with HUD program requirements as required under the Housing and Economic Recovery Act of 2008. 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 \$315,000 (\$105,000 per year); and

WHEREAS, the maximum amount of the contract exceeds the aggregate limit of the Executive Director of the Committee’s delegated authority thereby requiring Committee approval.

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 Spectrum Enterprises, Inc. on behalf of the Committee for professional tenant demographic data collection services,

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

Attest: _____
Chairperson

Date of Adoption: March 29, 2022



California Tax Credit Allocation Committee

AGENDA ITEM 5

**Recommendation of a Resolution
Delegating Authority to the Executive
Director to Grant Extensions to
Readiness to Proceed Deadlines for
Projects allocated Federal
Nine Percent (9%) Low Income
Housing Tax Credits (LIHTCs) with
USDA Components**

THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
March 29, 2022

CONSIDERATION OF THE ADOPTION OF A RESOLUTION DELEGATING AUTHORITY TO THE EXECUTIVE DIRECTOR TO GRANT EXTENSIONS TO READINESS TO PROCEED DEADLINES FOR PROJECTS ALLOCATED FEDERAL NINE PERCENT (9%) LOW INCOME HOUSING TAX CREDITS (LIHTCs) WITH USDA COMPONENTS
(Agenda Item No. 5)

ACTION:

Effective March 1, 2021, Nancee Robles was designated the Executive Director of the California Tax Credit Allocation Committee. In order to ensure that the Executive Director is able to carry out the functions of the organization, this item provides the necessary authority to allow the Executive Director to grant extensions to readiness to proceed deadlines for projects allocated federal nine percent (9%) low-income housing tax credit (LIHTCs) with USDA components.

Section 50199.8 of the Health and Safety Code provides that the Committee may delegate to the Executive Director, by resolution, any power and duties that it may deem proper.

BACKGROUND:

In 2020 the USDA Multifamily Housing Program underwent significant changes that impacted projects applying for allocation of tax credits. These changes included consolidating work into one centralized location, which had previously been conducted in 47 regional offices, and creating a new computer system. While USDA is streamlining and standardizing its process, it has acknowledged that this is a shift in the review and approval process and timeline for many. Long term, USDA will most likely have approval timelines equal to or greater than the readiness to proceed deadlines for projects allocated federal 9% low-income housing tax credits.

DISCUSSION:

Delegating the Executive Director authority to grant extensions to the readiness to proceed deadlines, when necessary, for projects with a USDA component, without bringing each project to the Committee, will accommodate fluctuations in USDA's timing and ensure developers are not discouraged from layering in this Federal resource.

RECOMMENDATION:

Staff recommend approval of the attached Resolution No. 21/22-005, granting delegated authority to the Executive Director to grant extensions to the readiness to proceed deadlines, when necessary, for projects with USDA components.

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
RESOLUTION NO. 21/22-05
March 29, 2022**

**RESOLUTION OF THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
DELEGATING AUTHORITY TO THE EXECUTIVE DIRECTOR TO GRANT EXTENSIONS TO
READINESS TO PROCEED DEADLINES FOR PROJECTS ALLOCATED FEDERAL NINE PERCENT (9%)
LOW INCOME HOUSING TAX CREDITS (LIHTCs) WITH USDA COMPONENTS**

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 the Committee may delegate to the Executive Director, by resolution, any power and duties that it may deem proper; and

WHEREAS, the Committee finds it is necessary and appropriate to provide delegated authority to the Executive Director to grant extensions to readiness to proceed deadlines for projects allocated federal nine percent (9%) low income housing tax credits (LIHTC) with USDA components;

NOW, THEREFORE, BE IT RESOLVED that the Committee delegates to the Executive Director the authorization to grant extensions to readiness to proceed deadlines for projects allocated federal nine percent (9%) low-income housing tax credits (LIHTC) with USDA components.

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

Attest:

Chairperson

Date of Adoption: March 29, 2022



California Tax Credit Allocation Committee

AGENDA ITEM 6

**Discussion and Consideration of an
appeal filed under CTCAC Regulation
Section 10330(b)(2)**



Via email

February 24, 2022

California Tax Credit Allocation Committee
c/o Nancee Robles, Executive Director
915 Capitol Mall, Suite 485
Sacramento, CA 95814
nancee.robles@treasurer.ca.gov

Received On

FEB 25

By CTCAC

Re: CA-21-032 / Coachella Valley I Apartments (a/k/a Coachella Valley Apartments)
Appeal of Negative Points Determination and Decision Upholding Negative Points

Dear TCAC Committee Members,

Community Housing Opportunities Corporation (CHOC) appeals TCAC's assessment of negative points for failure to meet the 194-day readiness deadline for the project known as Coachella Valley I (CA-21-032). TCAC issued its negative points determination on January 28, 2022. CHOC timely appealed that determination on February 11, 2022. On February 18, 2022, TCAC upheld the negative points determination. CHOC now requests that the TCAC Committee review the determination.

CHOC understands that, under current authorities, TCAC is required to assess a penalty when the readiness deadline is not met and, therefore, does not contest that negative points are the appropriate penalty. The grounds for the present appeal, however, are that CHOC seeks to have TCAC exercise its discretion in how those points are applied because the failure to meet the readiness deadline was caused by issues attributable to the USDA realignment and because the penalty unfairly imposes an undue hardship on another pending project that will be competing for a supplemental bond allocation in the upcoming CDLAC round.

Coachella Valley I is an ambitious project on an existing USDA multifamily site in Coachella, Riverside County, California, that preserves Section 515 funds and Section 521 Rental Assistance and brings in new sources of USDA Section 538 guaranteed loan funds and Opportunity Zone equity funding. This multi-phase project has been in development since 2018, with CHOC working in close coordination with the USDA multifamily housing staff in California and with the City of Coachella to prepare the necessary and complicated regulatory and land use approvals. Early in 2020, the COVID-19 pandemic created tremendous uncertainty in the construction and labor markets, resulting in increased costs for which additional

5030 Business Center Drive | Suite 260 | Fairfield CA 94534
T 707 759 6043
F 707 759 6053
www.chochousing.org

commitments of funding were sought from the California HCD Joe Serna Program. CHOC received an award of Serna funds in June of 2020. During this time, the USDA underwent a national realignment of its multifamily housing program functions and the federal agency staff who were familiar with and worked on the project were no longer available to provide the much-needed continuity necessary to keep the many moving parts of this project aligned. The USDA transfer process was complicated by an unexpected interpretation by newly-assigned USDA staff that impacted tenant selection requirements and created an incompatibility with Joe Serna farmworker requirements.

This eleventh-hour interpretation was promptly communicated by CHOC to TCAC, with the USDA even submitting a December 10, 2021, support letter on behalf of the project in which the USDA admitted that any resulting delay was not attributable to CHOC. CHOC has since been diligently working with the USDA, HCD, and, as necessary, with TCAC, to attempt to resolve the conflict and to keep the project moving. The project has its permit-ready letters, and our construction lender (Silicon Valley Bank) and equity investor (NEF) are ready and willing to close once the USDA/HCD issue is resolved.

CHOC, meanwhile, is in construction on the Monarch Apartment Homes in Palm Springs, California, which closed on its 4% credits and bonds at the end of October 2021 (CA-21-474). Unfortunately, increases in the construction sector related to the pandemic have also had adverse effects on the timetable and budget for this project, which CHOC hopes to ameliorate with a supplemental bond allocation that it plans to apply for in the coming competitive round. The amount of negative points and their overlap with the upcoming application period, however, would essentially bar any chance that Monarch has to obtain the necessary supplemental allocation. CHOC requests that TCAC exercise its discretion in the negative points assessment so that the impact of Coachella Valley I's failure to meet the readiness deadline, which resulted from the USDA realignment, does not unfairly penalize the Monarch project.

As you know, at its February 23, 2022, meeting, CDLAC adopted a resolution to provide flexibility that allowed the Executive Director to extend bond allocation deadlines because of issues with the USDA realignment. At the TCAC meeting on that same day, members of both the public and the Committee expressed support for granting the same authority to the TCAC Executive Director in relation to projects that missed their 9% readiness deadlines because of USDA realignment issues.

Coachella is one of these projects that has missed the readiness deadline because of the USDA realignment. While the relief discussed at the February 23 meeting is not yet available to TCAC, TCAC does currently have discretion in how negative points are assessed and exercising that discretion to minimize the impact of the penalty would be consistent with the changes adopted and discussed at the February 23 meetings.

TCAC Committee
CA-21-032
Coachella Valley I Appeal
Page 3 of 3

CHOC therefore requests that TCAC exercise its discretion by modifying the time period during which negative points apply, retroactively if necessary, so that they do not apply at the time that CDLAC Round 1 applications are due (March 16). Alternatively, TCAC could reduce the number of negative points assessed from two (2) to one (1).

Thank you for your consideration and please do not hesitate to contact me with any questions.

Sincerely,



Manuela Silva
Chief Executive Officer

Cc: Anthony Zeto (anthony.zeto@treasurer.ca.gov)

Attachments: TCAC Negative Points Determination dated 1/28/2022
TCAC Determination Upholding Negative Points Determination dated 2/18/22
USDA Support Letter dated 12/10/2021



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

TIENA JOHNSON HALL
Executive Director of CalHFA

EXECUTIVE DIRECTOR
NANCEE ROBLES

January 28, 2022

Vince Nicholas
Community Housing Opportunities Corporation
5030 Business Center Drive, Suite #260
Fairfield, CA 94534

Stephen Burger
Eugene Burger Management Company
6600 Hunter Drive
Rohner Park, CA 94534

**RE: CA-21-032 / Coachella Valley Apartments
Issuance of Negative Points**

Dear Mr. Nicholas and Mr. Burger:

The California Tax Credit Allocation Committee (CTCAC) reserved competitive 9% federal tax credits for the above-referenced project on June 16, 2021 partly based on points received in the Readiness to Proceed point category. The 9% tax credit reservation was accepted by you on June 29, 2021 committing the project to begin construction within 194 days.

Consistent with CTCAC Regulation §10325(c)(2) and §10325(c)(7), failure to meet the Readiness to Proceed deadline shall result in rescission of the Tax Credit Reservation or assessment of negative points. As a result, I am issuing two (2) negative points to Community Housing Opportunities Corporation (CHOC) and Eugene Burger Management Company, their principals, general partners, and related entities/parties for one (1) round for failure to meet the 194-day Readiness to Proceed deadline. The points will be deducted from any competitive application submitted to CTCAC and the California Debt Limit Allocation Committee (CDLAC) between January 1, 2022 and June 30, 2022 in which the aforementioned entities, principals, and related entities/parties are involved. CDLAC recognizes CTCAC negative points for its programs as well.

If you wish to formally appeal the negative point determination, you must do so in writing by February 11, 2022. Your appeal must be emailed to me at nancee.robles@treasurer.ca.gov with a CC

to Anthony Zeto at anthony.zeto@treasurer.ca.gov and should specifically identify the grounds for the appeal. If you have any questions regarding this letter, please contact Anthony Zeto by email or at (916) 654-6340.

Sincerely,



Nancee Robles
Executive Director

cc: Emily Burgos, CDLAC Senior Program Manager



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

TIENA JOHNSON HALL
Executive Director of CalHFA

EXECUTIVE DIRECTOR
NANCEE ROBLES

February 18, 2022

Vince Nicholas
Community Housing Opportunities Corporation
5030 Business Center Drive, Suite #260
Fairfield, CA 94534

Email: vnicholas@chochousing.org

**RE: CA-21-032 / Coachella Valley Apartments
Appeal of Negative Points**

Dear Mr. Nicholas:

On January 28, 2022, the California Tax Credit Allocation Committee (“CTCAC”) issued two (2) negative points to Community Housing Opportunities Corporation (“CHOC”) and Eugene Burger Management Company, their principals, general partners, and related entities/parties for one (1) round for failure to meet the 194-day Readiness to Proceed deadline. On February 11, 2022, you submitted an appeal to the decision.

In the appeal letter received, you provide an explanation of how the combined funding from the Department of Housing and Community Development (“HCD”) and the United States Department of Agriculture Rural Development (“USDA”) has resulted in challenges creating a potential incompatibility with Joe Serna farmworker requirements. You state that the delay was not attributable to CHOC and the negative points would impact one of its projects seeking supplemental bond allocation from the California Debt Limit Allocation Committee at the upcoming round.

Following review of the appeal letter, I hereby uphold the issuance of two (2) negative points for the term outlined in the original negative points dated January 28, 2022. CTCAC Regulation Section 10325(c)(7) does not provide any exception as it states, “Failure to meet the 180-day or 194-day due date, if applicable, shall result in rescission of the Tax Credit Reservation or negative points.”

February 18, 2022

If you wish to appeal this decision to the Committee, you must do so in writing, and the appeal along with a check for \$500 must be received by CTCAC no later than February 25, 2022. You must send the appeal to me and specifically identify the grounds for the appeal. I will then schedule the appeal for the next possible Committee meeting.

If you have any questions, please contact Anthony Zeto at anthony.zeto@treasurer.ca.gov.

Sincerely,



Nancee Robles
Executive Director

cc: Emily Burgos, emily.burgos@treasurer.ca.gov



United States Department of Agriculture

December 10, 2021

Rural Development

Daniel J. Rogers
Director

Production &
Preservation Division
Multifamily Housing

Rural Housing Service

1400 Independence Ave SW
Room 5017
Washington, D.C. 20250

Telephone (202) 400-0127

California Tax Credit Allocation Committee
915 Capitol Mall, Suite 485
Sacramento, CA 95814
Attn: Nancee Robles, Executive Director
Nancee.Robles@treasurer.ca.gov

Re: Coachella Valley I Apartments; CA-21-032

Dear Ms. Robles,

On behalf of the United States Department of Agriculture, Rural Housing Service, Office of Multifamily Housing, I submit this letter in support of Coachella Valley I Apartments, CA-21-032, which has a California Tax Credit Allocation Committee ("TCAC") readiness deadline of December 27, 2021. The transaction is being financed in part with USDA Section 515 direct loans, a USDA Section 538 guaranteed loan, and California Department of Housing and Community Development ("HCD") funds from the HCD Joe Serna program.

Coachella Valley I Apartments is a multi-layered transaction, with a long and active history, requiring sophisticated compatibility of all sources and programs. USDA is committed to completing its regulatory review as quickly as possible, but acknowledges that its regulatory approval process, through no fault of the sponsor and applicant, may jeopardize the application's ability to meet its current readiness deadline.

Therefore, since the current delay is through no fault of the sponsor or applicant, we submit this letter in support of an extension of the readiness deadline for Coachella Valley I Apartments. Please feel encouraged to contact me if you wish to discuss this matter. I can be reached at Daniel.Rogers2@USDA.gov.

Sincerely,

Daniel J. Rogers
Director

Cc: Charles Liuzzo, Project Manager
cliuzzo@chochousing.org

USDA is an equal opportunity provider, employer, and lender.



California Tax Credit Allocation Committee

AGENDA ITEM 7

Public Comment



California Tax Credit Allocation Committee

AGENDA ITEM 8

Adjournment