



## CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Conference Room 587  
Sacramento, CA 95814

June 15, 2022

CTCAC Committee Meeting Minutes

### 1. *Agenda Item: Call to Order and Roll Call*

The California Tax Credit Allocation Committee (CTCAC) meeting was called to order at 2:58 p.m. with the following committee members:

Voting Members:            Fiona Ma, CPA, California State Treasurer, Chairperson  
   Anthony Sertich for California State Controller Betty T. Yee  
   Gayle Miller for Department of Finance (DOF) Director Keely  
   Martin Bosler  
   Zachary Olmstead for Department of Housing and Community  
   Development (HCD) Director Gustavo Velasquez  
   Kate Ferguson for California Housing Finance Agency (CalHFA)  
   Executive Director Tiena Johnson Hall

Advisory Members:        City Representative Vivian Moreno - ABSENT  
   County Representative Terra Lawson-Remer - ABSENT

### 2. *Agenda Item: Approval of the Minutes of the June 6, 2022, Meeting – (Action Item)*

**MOTION:** Ms. Miller motioned to approve the June 6, 2022, minutes. Mr. Sertich seconded the motion.

The Chairperson called for public comments.

Public Comments:  
None

Motion passed unanimously via roll call vote.

### 3. *Agenda Item: Executive Director's Report* *Presented by: Nancee Robles*

Nancee Robles, CTCAC Executive Director, stated that under general business, CTCAC held a public workshop on June 6, 2022, to hear stakeholders and public comments on the upcoming regulations. She stated that staff also reviewed hundreds of written requests and suggestions. The comment period is open until June 20, 2022. She said if anyone would like to comment on the regulation process, they may send an email to [anthony.zeto@treasurer.ca.gov](mailto:anthony.zeto@treasurer.ca.gov). The regulations for Round Two are expected to be completed and presented to the committee on July 20, 2022.

In Legislative news, Ms. Robles stated that she attended the 2022 Affordable Housing Symposium in Washington, D.C. on June 15, 2022, where she heard from key Congressional Staff, Industry Leaders and Advocators on the latest issues impacting affordable housing. She stated that among the speakers was former committee advisor Tia Boatman Patterson. Along with the Treasurer's Legislative Advisor, Kasey O'Connor, Ms. Robles went to Capitol Hill and spoke with staff members of the Offices of Senator Feinstein, Cortez Masto, Representative Thompson, and Speaker Pelosi. They discussed the importance of reducing the 50% test and the potential consequences of the global minimum tax and left those conversations with hopes of very good outcomes.

Treasurer Ma thanked Ms. Robles and asked if anyone had any questions.

Ms. Miller stated she had no questions but re-emphasized how important it was to reduce the 50% test to 25% and how that would be such a significant difference in terms of increasing supply.

The Chairperson called for public comments on the Executive Director's report.

There were no public comments.

**4. Agenda Item: Presentation of Strategic Plan Final Report by Sjoberg Evashenk - Presented by: George Skiles**

George Skiles, with Sjoberg Evashenk, presented on the Strategic Plan Final Report for CDLAC and CTCAC. He stated that the project objectives included developing or facilitating a strategic plan with the objective of evaluating steps the organizations can take to address the State Auditors November 2020 findings, to better align CTCAC and CDLAC with organizational resources and staffing regulations to achieve California's housing objectives, and to identify additional improvements necessary to effectively and efficiently execute the statutory responsibilities of both committees. He said that during this process they interviewed almost every employee. They evaluated a lot of organizational documents and processes, facilities, etc. They really tried to identify with these two organizations, if they were to merge, essentially, what steps would need to take place to make that process efficient. He stated that there are a lot of inefficiencies that could be resolved through that process. The objectives and goals that they have established are applicable either way.

Mr. Skiles stated that they based the goals of the strategic plan on the organizations' vision, mission, values, and strategic objectives. They developed these and understand the direction the agency wants to go. They know that both agencies want to be more technology driven, want to improve the technology, and want to be more responsive to stakeholders, streamline business processes internally to ensure a more streamlined process for stakeholders that are dealing with both agencies on perhaps a single project. They then identified key goals, objectives, and strategic initiatives as they developed the plan. They identified seven key goals, as follows below. He walked the Committee through the seven goals and identified some of the strategic initiatives that they have identified as part of these goals.

**Goal #1: Adopt Revised Mission, Vision and Organizational Structure.** Mr. Skiles stated that as a merged organization the first goal would be to adopt a revised mission, vision, and organizational structure. They recommend that if there is a merged organization that the name of the agency be modified. They believe that the State Auditor's recommendation was to eliminate CDLAC and to merge or reassign those responsibilities to CTCAC. If that is the case, they recommend a modified name of the agency so that it reflects a single program, which would be up to the agency. They modified the mission as well to make it broader than just focusing on each mission of the current agencies focus on the specific programs of those agencies in order to maximize the public benefit by fully and efficiently issuing all bond and tax credit allocations, providing a customer centered and streamline process for processing applications, and continue to increase the wealth of all Californians. He said that a lot of this is borrowing from the language of the current vision and mission statements of the current agencies. These values are reflective of the values currently in place on the CTCAC website and have not changed. The organizational structure also would need to be modified. Their assessment did not identify significant efficiencies in terms of overlaps within the agency. He said there will be some certainly on the administrative functions as there would no longer be a need for two Executive Director's. Administrative support would still be needed but streamlined. He stated that the work of CDLAC and the tasks that are being carried out are different than CTCAC, but there is an over-lap in terms of the stakeholders. He said that there is also overlap in terms of the projects and applications. However, the review of those applications will still need to occur. They envision CDLAC basically merging into the organization, and that the efficiencies to be gained would be more related to business processes.

**Goal #2: Implement Effective Information Technology Resources.** Mr. Skiles stated that he thinks that this is perhaps the greatest barrier to both agencies in efficiently reviewing applications and just performing their work, not just on the intake and application review side, but on the compliance side as well. He said that information Technology should facilitate the work and help manage the workflow of an organization, maintain data that can be searched, and can also be utilized going forward. The current situation with Information Technology that is in place is an impediment to either agency being able to

carry out their work. He said that their objectives are to implement a database that better aligns technology resources for both agencies, establish data and document management protocols that ensure the consistent treatment of and ability to analyze the official records, ensure data integrity, and implement tablets or similar technology to allow field personnel the ability to analyze, document, and record findings in real-time rather than obtaining the information then having to re-enter that information subsequently. He stated that they believe that the first step in doing this is to issue a request for proposals and that there are commercial systems that currently exist. Other state agencies may also utilize these systems and it would certainly make sense to coordinate with those other agencies but issuing a request for proposals and understanding what the market looks like will be the first step for the agency to take. Also, to develop and implement data management protocol that ensures the consistent treatment of data is important because currently, much of the data is manual, paper, and what is electronic is duplicate data entry just to get it into the system. The systems are not functional. The ability to get information out of the system in a useful way that helps produce management reports and performance reports so that management knows how the committee is performing rather than just documenting project specific data is.

**Goal #3: Ensure Appropriate Staffing Infrastructure.** Mr. Skiles stated that the objectives are to align staffing resources to reduce redundancies; reduce employee turnover; and establish a right-size program staffing. He stated that this is particularly applicable with the merger of the organizations because there is overlap in applications in what CDLAC is reviewing and what CTCAC is reviewing. As an example, you have two individuals who are reviewing applications that are very similar but applying different regulations and communicating separately with stakeholders. Reducing this overlap will be a key area of efficiency, so will be the impact that it has on the stakeholders by having just one person who will be reviewing the application. This is a key recommendation. Also, reducing employee turnover is critical, as there are a lot of staff vacancies. The key is right-sizing staff. They have some key initiatives: The first is the assigning of the 4% tax credit allocations to the staff that are evaluating bond allocation applications. There is a significant overlap between these two processes. Developing a long-term remote work policy that allows for flexibility in where staff work is critical as there is a shortage of workspace in the Treasurer's Office building. There is a group within CTCAC that already works remotely away from Sacramento, perhaps not as much during the pandemic, but the compliance group is on-site at projects on a routine basis. They, therefore, believe that there should be some consideration of a remote work policy that would help in this regard. He stated that a cost-benefit analysis can be conducted of having a Southern California office as the CTCAC committee is finding it difficult to recruit and retain people and that this could open up a labor market in Southern California and may be beneficial or useful to the committee as a lot of the work that they do is already down in Southern California. This will also reduce travel as well. You could evaluate the appropriateness of the agency's classification structure – particularly in Compliance and also consider alternatives to achieve parity with peer agencies. This recommendation is primarily related to the

Compliance group and looking at using other classifications to do this work may help with retention. He stated that a staffing study to determine the right level of staffing resources needed is necessary. There is a growing workload in the committees. He said that on one-side that workload is demand driven because of development and on the Compliance side it is projects that are developed and have to be onsite inspected for 55 years. For every project that is added there is an increased workload that is not going away. He said that since there is going to be a workload increase over time the question is: How does an organization right-size itself? He does not believe that now is the right time to determine what the right-size level of staffing is because Information Technology solutions should streamline the work that staff currently performs significantly. He said that if this alone helps streamline and make the work being performed more efficiently, this will change how work is done and would change the level of resources that are needed long term. So, this assessment needs to be completed a couple of years out after this is put in place. Associated with improvements with Information Technology, business processes will be realigned to correspond with that technology. When this happens then evaluating a staffing study should occur regarding the staffing resources needed to keep up and maintain the workload and to work on the business of the organization. This not only addresses backlogs; it also is keeping up. He further stated that currently, staff, especially management, are spending a great deal of their time doing that and there is a lot of work to do in dealing with application compliance. They believe that the staffing study going out a few years maybe a couple years after the implementation will really be necessary and the most effective.

**Goal #4: Ensure Sufficient Operating Revenues and Fund Balances.** Mr. Skiles stated that what they know is the fund balance is strong, the committees are operating with a positive cash flow, which helps. He said that this means that there are some resources that can be allocated to some of these improvements, but there is a question that over 55 years compliance on-site inspections have to continue, so there are no ends to the program in sight, but you never know. He said that you have to have enough balance to fund this activity for 55 years. He said that he doesn't know if the fund balance is sufficient, but he also said that he does not have any indications that it is not sufficient. He said that when Information Technology improvements are in place and when a staffing study is done it would make sense, at that point, to look at rates and determine what the fund balance needs to be going forth to fund that activity for 55 years and to maintain the Information Technology resources and staffing levels that will be required. This is a phased approach, looking at staffing and then looking at rates and fund balances to ensure that the organization is right-sized. These are the four primary goals of what is needed going forward for both committees.

**Goal #5: Standardize and Formalize Key Business Processes.** Mr. Skiles stated that on the CTCAC side we have seen a lot of this already, a lot with compliance and it is already documented; training programs are in place and so forth. He said that on the CDLAC side it is less formalized. He said as the committees merge together, standardizing and

formalizing business processes will be important and will need to be reevaluated, so that they can be incorporated with information technology and new business processes. He said that these processes need to be documented and formalized with the goal of achieving consistency in practice and performance among what are now two groups in mitigating the loss of institutional knowledge through staff turnover. He stated that there has been a lot of staff turnover over the past year. Some of the key initiatives will be mapping the to-be process. They have done some mapping of the as-is process, but as information technology is being implemented, mapping the to-be process and standardizing both of these processes as well as developing training programs for more than just the Compliance group is essential.

**Goal #6 Achieve Consistency Through Updated Permanent Regulations.** Mr. Skiles stated that this has been on the radar for some time. He believes that CDLAC in particular has been working with this quite a bit over the past year and six months and their recommendation is if CDLAC is merged with CTCAC that those regulations be as consistent as possible to the existing CTCAC regulations, and then to make tracking systems for these regulations. He said that there is also a need to monitor emergency regulations to make sure that they do not expire and that there are permanent regulations put in place before the emergency regulations expire.

**Goal #7 Develop a Meaningful Performance Measurement and Management Reporting System.** Mr. Skiles stated that this, along with data management, is among the most significant failures of the current information technology that is being used. Currently, there is not the ability to extract data in a way that makes for informed management decisions. He said that there is a record of a project but not a record that informs management of how efficient the process is, how long it takes to process applications, or where the application is in the process. He said that making these processes, etc., more transparent via information technology will be a significant improvement. It will identify and provide various input measures of what kind of resources are going into some of these activities and will track it over time so that productivity can be seen and what resources are being spent on what portions of the application and allocation processes. He said that trends of the activities over time could be identified, the number of FTE's per application for instance. It also makes it more transparent for stakeholders to understand where they are in the process. He said that a lot of time goes into responding to requests for information. Extracting data and coming up with management reports will save a substantial amount of time and should be easier to do.

Mr. Skiles discussed key milestones, which is still in draft. He said that they have several initiatives that identify processes throughout and map them out over the course of the next three years. An information system will be key, and a lot of the other issues depend on that happening. He said that the process is front loaded in the course of this upcoming fiscal year and then key procedures, or key initiatives will occur towards the end in three years. He said things like the staffing study and fee study would take place at the end of

this process after some of these other processes have occurred. He asked if there were any questions.

Treasurer Ma asked if there were questions or any public comment.

There were no public comments.

**5. *Agenda Item: Discussion and Consideration of appeals if filed under CTCAC Regulation Section 10330(b)(1), and if appeal is granted in its entirety, a Reservation of 2022 First Round Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs) – (Action Item)***

*Presented by Anthony Zeto:*

Anthony Zeto, CTCAC Deputy Executive Director, stated that when the meeting notice was published, there were three pending appeals. He referenced Exhibit A and explained that the appeal for Acorn Valley Plaza (CA-22-038) noted in Agenda Item 2 was granted at the staff level. As a result of that appeal being granted, Mr. Zeto recommended Acorn Valley Plaza (CA-22-038) for a reservation of federal 9% tax credits. La Joya Commons (CA-22-007) is currently on the preliminary recommendation list in Agenda Item 6, is no longer being recommended for a reservation of federal 9% and state tax credits. Mr. Zeto said the two remaining appeals could be taken one at a time starting with the appeal for the Hunter House (CA-22-011). He explained that the Hunter House (CA-22-011) is not currently on the preliminary recommendation list nor will the outcome of the appeal impact its current status. Mr. Zeto turned it over to the appellant to present their appeal.

Vernell Hill, founder and CEO of Service First, a nonprofit corporation in service for nearly 27 years, provided some background of the organization and noted that in 2017, the Zettie Miller's Haven was built along the same concept as the Hunter House and is a successful, affordable complex, built without project-based vouchers and leasing up in less than 90 days. Mr. Hill requested the committee to reinstate the 10 point reduction in the Housing Needs category and the threshold determination associated with the Special Needs housing type. He believed the market study in the application addressed the demand for homeless housing and the issue of rent overburden. Mr. Hill introduced the market analyst, Mary Ellen Shay to provide an explanation of the market study and how it addressed both the demand and rent overburden.

Mary Ellen Shay stated that she has written over a thousand market studies since 1984. She explained that the project is fully funded with exception of tax credits and does not rely on project-based subsidies. Ms. Shay summarized staff's rationale for the point reduction and disqualification was based on the demand analysis for homeless populations and rent overburden not being supported in the market study. She stated that in the previous appeal responses, staff did not explain why the analysis was insufficient, nor did they offer an alternative methodology to be improved. Ms. Shay stated the demand was

shown at all AMI levels with detailed information on the target population in the primary market area based on an analysis involving five different factors. She further explained that staff suggested the analysis was incomplete due to the lack of income information for the homeless population, which she suggested non-existent. Ms. Shay said they did the best they could with a 2019 single night count, which she said has been the accepted [methodology] for years. She added that staff determined that the very lowest income targeting of 15% AMI without rental subsidy would result in residents being rent overburdened. Ms. Shay said Service First's successful rental experience serving the targeted population is supported by performance data from the Zettie Miller's Haven project that is 100% occupied. She added that Service First has helped residents acquire SSI and SSP income and the resident income has been sufficient income to pay the rent at the higher designated AMI levels. Ms. Shay provided some examples to evidence that the project would not be rent overburden. She said by denying the appeal, other financial commitments could be lost leaving 120 potential residents without a new home.

Mr. Sertich asked if the minimum of SSMI is used in the calculation of rent.

Mr. Zeto explained that the issue was specific to the market study not providing that level of detail. He added that the statements in the appeal letters were statements made by the applicant without support from the market study.

Treasurer Ma asked if information was requested.

Mr. Zeto said the appeal response letter informed the applicant that the applicant's statements were not sufficient absent support from the market study. He explained that the market study is the document that should be outlining the argument.

Ms. Ferguson asked if there was an explanation provided stating no additional information was available for rent levels.

Mr. Zeto stated the market study did not provide that explanation.

Mr. Sertich thought it was important that to be flexible enough as a committee to understand that there is a minimum income level that is factored into these projects in terms of the SSI levels. He also wanted to make sure they were working with a clear market study. Mr. Sertich asked, if the committee were to grant the appeal, would the credits still not be awarded?

Mr. Zeto confirmed that if the appeal was granted, the disqualification would be reversed and the 10 points would be restored. However, he explained that the project had other points reduced, which would result in the project not ranking high enough to be awarded.



Mr. Hill explained that if the project is unable to receive the 10 points to resubmit in the second round, it creates a bigger hurdle for the project. He reiterated the points raised by Ms. Shay stated that it seemed they were being ignored in the appeal responses so they continued to give the same responses. Mr. Hill said he wanted to fix the issue and come back in the second round but needs to get this issue resolved because the project will not move forward without project-based vouchers.

Mr. Sertich stated the more the housing resources can be spread out the better so a project that does not need project-based vouchers would be better for the housing community. He wanted to make sure that they incentivize that. Mr. Sertich recommended that CTCAC staff work with the market analyst to get the information needed for the project to re-apply in the second round.

Mr. Olmstead stated that he agreed with Mr. Sertich's points. He explained that he thought the appellant was requesting some certainty that what they would provide will be accepted whether we grant this appeal or not.

Ms. Miller understood that this is not an easy process. She stated the opportunity was afforded to the applicant through a letter from staff. Ms. Miller added that the applicant asked for certainty that no other applicant is getting, which will not streamline the process. In fairness to all other applicants, she said nobody is well served by a process that relies on a committee determination to accept a market study that has not been vetted by staff.

Mr. Hill said the market study does support demand and that there is no rent overburden. He reiterated his statement during the appeal process and now Ms. Shay is also reiterating that same information. Mr. Hill explained that the information provided is going to be the same information provided in the next round and wants to ensure that they do not start with a deficit in their application.

Mr. Zeto clarified that staff's position was the statements provided [in the previous appeals] were from the applicant without confirmation from the market analyst.

Ms. Shay reiterated her previous comments and stated they used the best data available. She said her worry was that if information presented is not sufficient, that market analysis methodology would now be deemed unacceptable presenting a big problem.

Ms. Miller said it sounded like a third-party validation did not occur in the process. She believed that if the validation was provided earlier on in the process, the problem would have been solved. Ms. Miller said maybe this was a lesson learned and a lesson corrected, but does not think the committee has to take action.

Mr. Hill disagreed that the information was not provided.

Ms. Miller stated the third-party validation was not provided.

Mr. Hill explained that during the appeal process, they addressed their statements and proved there was no rent overburden and they should have been awarded the 10 points.

Ms. Miller reiterated that what was not provided was the third-party validation to make sure that the information is accurate. She said it is an important distinction when tax credits are as competitive as they are. Ms. Miller thought it was important for them to provide the third-party validation, but it sounds like the applicant's validation did not necessarily come through. She said there is a path forward but does not see why the committee needs to take action for that path forward.

Mr. Hill said there was never a time that staff asked for third-party verification.

Mr. Zeto explained that when responding to an appeal, staff does not specifically request what the necessary documents are for an appeal to be granted.

Mr. Hill said they gave the information that addressed the issues of demand and rent overburden. He said there was never a time that staff said they needed third-party verification.

Treasurer Ma asked what usually happens in other cases of this type.

Mr. Zeto stated that this was a unique case and emphasized that the regulations say, "as supported by a market study" meaning the specific issues noted should be addressed within the market study, which it was not.

Ms. Miller stated there was no additional study presented and she was personally not going to support this appeal. She reiterated that they have a clean path to move forward in second round.

Mr. Hill explained that during the appeal process, they pointed to the market study on the different occasions on the issue of demand of no rent overburden.

Ms. Miller said what was needed was the ability to cross-reference the statements with the information in the market study. She reiterated that they would not be awarded if the appeal was granted and that they would still need to re-apply. Ms. Miller added that they did not provide a subsequent market study, but rather additional information.

Mr. Hill did not agree because in our appeal letters, it pointed to where in the market study they believed the information was located.

Ms. Shay explained that she did provide third-party verification using the standard methodology they have used for years. She believed that their third-party verification was accurate in the submission of the market study and that the information provided in the appeals were supported by the original market study. Ms. Shay stated she was open to suggestions on how to address a lack of information with regard to homeless populations.

Mr. Olmstead asked Mr. Zeto if it would have been acceptable had the communication come from Ms. Shay during the appeal process.

Ms. Robles explained that it was not necessarily the communication, but the validation.

Mr. Sertich said that there is a path forward in the sense that we have gained a little more understanding of what both sides are looking for in this situation and that this is a unique situation for accounting for the homeless population data in a county that does not have a lot of data. He encouraged everyone to work together to make sure there is a market study that has the information staff needs to move forward with the project.

Ms. Miller thinks they now have the assurance needed and that there is an opportunity here to work as a team.

Ms. Shay asked for clarification that if she modified the market study and incorporated the concerns about the rent overburden and the lack of data, we pass the threshold and move on. She stated that she will talk to staff to confirm.

Treasurer Ma said there was no motion and thank the appellant for bringing this to the committee's attention.

Mr. Zeto stated there was one remaining appeal and it was for Nugent Square Apartments (CA-22-037) and turned it over to Kevin Leichner with Eden Housing to present the appeal.

Mr. Leichner thanked the Treasurer and Committee members for hearing our appeal. He summarized the Nugent Square Apartments and said it was a joint venture between the East Palo Alto Community Alliance and Neighborhood Development Organization (EPA CAN DO) and Eden Housing. Mr. Leichner was joined by EPA CAN DO Chairman Angah Miessi and Executive Director Duane Bay. As described in the written appeal, he said they meet the letter and the intent of the CTCAC regulations and requested that their appeal to the disqualification be granted. Mr. Leichner explained that awarding credits would not take credits away from any other applicants.

Mr. Miessi introduced himself and provided some background on EPA CAN DO. He said EPA CAN DO was a local community development corporation created in 1990 and to date has delivered 336 permanent affordable homes. He added that EPA CAN DO is a 50/50 partner with Eden Housing for the Nugent Square Apartments (CA-22-037) which is in dire need of

repair. Mr. Miessi said the project provides 32 affordable apartments to families who would otherwise probably be not be able to live in East Palo Alto or any of the surrounding cities. He summarized the construction defects left by the original construction company that need repair as soon as possible for the safety and well-being of the residents. Mr. Miessi said the project would not be possible without the substantial loans from the City of East Palo Alto and from San Mateo County assured the committee that they are fully on board in terms of committing their loans to build and repair the project. He respectfully urged the committee to grant the appeal to the disqualification.

Mr. Leichner said as Mr. Miessi mentioned, the city and county are fully committed to preserving and repairing the project and have committed new funds and millions of dollars to the project as shown in the application. He explained the issue was whether the city and county funds from 20 years ago being recommitted to the project are fully committed. The commitment letters from both entities state unambiguously that all funds are recommitted and that the accrued interest through the date of construction financing closing will be capitalized into a new principal amount and be assumed by the new ownership entity upon the acquisition of the project. Mr. Leichner added that the specific amount of the funds cannot be known at the time of application because the interest component of the rollover depends on the entity determined closing date. He added that the commitment letters clearly state the terms by which interest accrues and that all interest accrued through closing shall be capitalized which allows the applicants to make the calculation for the accrued interest through the closing date. Mr. Leichner said the CTCAC regulations do not require a specific accrued interest calculation in the commitment letter based on a specific closing date. He explained that the letters provide sufficient information to make the calculation to any hypothetical closing date which has been used on multiple acquisition rehabilitation projects over the last several years with HCD and CalHFA, and the treatment of accrued interest on old loans has never been an issue. Mr. Leichner added that it does not impact the competitiveness or the viability of the project as the dollar amount in question is \$34,000 is insignificant when compared to the total project cost of \$22 million or compared to the \$100,000 CTCAC materiality threshold in the CTCAC regulations. He described the funds as fully committed and greatly appreciated the Committee's consideration of the appeal to reinstate the application and restore the 10 readiness to proceed points.

Mr. Zeto stated that staff's position was that the dollar amounts provided in the application did not match the amounts being committed by the lenders. While the \$34,000 may be a small amount, staff could not grant the appeal based on the CTCAC regulations as the amounts in the application were not committed in full by the lender. He added that had some sort of calculation been provided by the lender, it may have been acceptable.

Mr. Sertich appreciated staff's work on this. He stated that when looking at the CTCAC regulations as written with the commitment letters, there is a commitment, just not a numerical amount of the exact amount. Mr. Sertich commented that clarifying the

regulations or at least some guidance should be provided to make sure the amounts are lined up exactly. Based on the CTCAC regulations, he supported the appeal.

Mr. Olmstead asked Mr. Zeto for his reaction to the reference to the \$100,000 in the CTCAC regulations.

Mr. Zeto explained that while it was brought up in the applicant's appeals, the \$100,000 threshold was put in place to account for an increase in costs where there was a shortage of sources to cover those costs. He provided an example of a project that did not meet the 3 month capitalized operation reserve amount requirement. If the project was short, staff could consider those costs covered by the contingency line item provided it was no more than \$100,000. Mr. Zeto said this was not the case for this project.

Ms. Ferguson asked Mr. Zeto if there have been instances like this before since it is not uncommon for a lender to add accrued interest to existing loans especially with floating rates. She also asked if staff required estimates.

Mr. Zeto confirmed they require the lender letter to provide some sort of calculation or verification of some kind.

Ms. Ferguson said the lender letter provides a calculation for principal and plus accrued interest but does not account for the accrued interest numerically. She asked if that was correct.

Mr. Zeto explained that the grand total dollar amount in the letter should correspond to the amount referenced in the application. As Mr. Sertich stated previously, one of the letters provided a principal amount as of December 31, 2020. Given the timing, Mr. Zeto said there could be an estimate provided which is the figure that should be used in the application.

Ms. Ferguson suggested it was a little vague in the CTCAC regulations which hindered both staff and the applicant's ability to determine what the specific number should be. She agreed with Mr. Sertich's recommendation that the requirement be tightened up. Ms. Ferguson said it seemed reasonable to say plus accrued interest, especially because the interest is accruing and it is impossible to know unless you do it at several points in time.

Mr. Sertich said there are a lot of moving parts on these loans and though the numbers should be required to be lined up in the application and the commitment letters. However, he did not think there was requirement for that right now.

Ms. Miller agreed the regulations should be amended and that is something to look into, but though that when staff asks for information from the applicant, one of the obligations of the applicant is to try and provide the information. She explained that it would have

been a simple option to get clarification from the lender and get it back to staff. Ms. Miller stated she did not support the appeal and reiterated the importance that when staff requests information, the applicant follow-up with the requested information.

Mr. Leichner stated staff's direction is that nothing that is not included in the original application can be added, and at no time did they ask for a clarifying letter from the lenders.

Mr. Zeto said that while the clarification is not explicitly requested, it was made aware that the lender letter did not commit to the amount in the application.

Ms. Miller asked Mr. Leichner if he had the confirmation now.

Mr. Leichner said he could obtain the confirmation but again reiterated that no new information could be provided.

Ms. Miller stated even coming with the appeal knowing what staff requested, the information was still not provided.

Mr. Leichner restated that staff did request a new letter with a new date.

Ms. Miller stated that if staff issued a letter stating the information was needed, it would be expected that prior to the appeal the information would be provided. She asked Mr. Leichner again if he that information today.

Mr. Leichner said with all due respect, that is not what the staff asked for. He explained that the letters provided the last audit date that the city and the county had and then provided the terms for calculating the remaining accrued interest. Mr. Leichner added that the calculation was provided by their third-party financial consultant based on the terms in the commitment letters. He stated that at no time did the staff say that they could supplement what was in our original application.

Ms. Miller thanked Mr. Leichner for the clarification and asked if they had a letter from the lender.

Mr. Leichner said they had the original commitment letters submitted in the application with all of the terms that would allow them to calculate the accrued interest through the date of closing that they used in the application.

Treasurer Ma asked if there was a motion.

**MOTION:** Mr. Sertich motioned to grant the appeal and approve the reservation of federal 9% and state tax credits for Nugent Square (CA-22-037). Mr. Olmstead seconded the motion.

The Chairperson called for public comments.

Public Comments:

None.

Motion passed via roll call vote (3-2).

Aye: Mr. Sertich, Mr. Olmstead, and Treasurer Ma.

No: Ms. Miller, Ms. Ferguson

Mr. Zeto stated that since the appeal for Acorn Valley Plaza (CA-22-038) was granted at the staff level, staff recommended it for approval for a reservation of federal 9% tax credits. He confirmed the project was ranked and meets all federal and state requirement.

**MOTION:** Ms. Miller motioned to approve staff recommendation. Mr. Sertich seconded the motion.

The Chairperson called for public comments.

Public Comments:

None.

Motion passed unanimously via roll call vote.

6. **Agenda Item: Recommendation for Reservation of 2022 First Round Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs) – (Action Item)**  
*Presented by: Gabrielle Stevenson*

Gabrielle Stevenson, CTCAC Development Section Chief, thanked her amazing development team, who were determined and worked with a sense of urgency. She confirmed that all projects on the preliminary recommendation list have been extensively reviewed, meet all the federal and state requirements, and recommended 18 of the 19 projects on the preliminary list for reservation of federal 9% and state tax credits producing 1,104 low-income housing units. Ms. Stevenson explained that La Joya Commons (CA-22-007) was not being recommended due to the appeal for Acorn Valley Plaza (CA-22-038) being granted at the staff level as explained in Agenda Item 5.

**MOTION:** Mr. Sertich motioned to approve staff recommendations. Ms. Miller seconded the motion.

The Chairperson called for public comments.

Public Comments:

None.

Motion passed unanimously via roll call vote.

7. **Agenda Item: Recommendation for Reservation of 2022 Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects – (Action Item)**  
*Presented by Gabrielle Stevenson*

Ms. Stevenson thanked her staff again and recommended 53 of the 68 projects approved at the preceding CDLAC meeting for a reservation of federal 4% and state credit producing 6,088 low-income housing units. She explained that the remaining 15 projects approved by CDLAC only requested supplemental bonds.

Mr. Sertich asked how much state tax credits were used.

Ms. Stevenson confirmed the total state tax credit recommended for the first round was \$422 million leaving slightly over \$96 million to be made available in the second round.

**MOTION:** Mr. Sertich motioned to approve staff recommendations. Ms. Miller seconded the motion.

The Chairperson called for public comments.

Public Comments:

None.

Motion passed unanimously via roll call vote.

8. **Agenda Item: 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, not to exceed \$1,110,693, for Executive and Support Services – (Action Item)**  
*Presented by: Anthony Zeto*

Mr. Zeto recommended a resolution delegating authority to the Executive Director to enter into an interagency agreement with the State Treasurer’s Office on behalf of the Committee for executive and support services. He explained this was different from the resolution approved at the May 25, 2022, CTCAC meeting for reimbursement of annual



building rent, security expenses, and other related costs incurred by the State Treasurer's Office.

**MOTION:** Ms. Miller motioned to approve the resolution. Mr. Sertich seconded the motion.

The Chairperson called for public comments.

Public Comments:  
None.

Motion passed unanimously via roll call vote.

**9. Agenda Item: Public Comment**

There was public comment.

William Sager, with LINC Housing, thanked the committee for taking the comment. He stated that much has changed since the beginning of the year due to the difficult market right now. Mr. Sager requested that CTCAC consider a process for a supplemental allocation for state tax credits for projects with a financing gap. He thought it made sense that for a certain amount of the state credits returned by CalHFA to the general allocation to assist with the financing gaps. Mr. Sager believed the most efficient process would be for CalHFA to have discretion to make supplemental allocations of the state tax credits to projects awarded in round one. He thought it made sense because the state funded MIP program is a state resource much like HCD's housing accelerator helped fund those projects struggling. Mr. Sager requested CTCAC do something similar.

Sarah White, with Jonathan Rose Companies, echoed Mr. Sager's comment in support of some use of supplemental state tax credits to assist deals struggling with rising interest rates and costs in the current economy.

**10. Agenda Item: Adjournment**

The meeting was adjourned at 4:09 p.m.