



California Tax Credit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

July 20, 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 2:00 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
 Lourdes Castro Ramirez for Department of Finance (DOF)
 Director Keely Martin Bosler
 Zachary Olmstead for Department of Housing and Community
 Development (HCD)
 Director Gustavo Velasquez for the Department of Housing and
 Community Development (HCD)
 Tiena Johnson Hall, Executive Director of California Housing Finance
 Agency (CalHFA)

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

2. *Agenda Item: Approval of the Minutes of the June 15, 2022, Meeting – (Action Item)*

MOTION: Mr. Sertich motioned to approve the June 15, 2022, minutes. Mr. Olmstead seconded the motion.

Chairperson Ma called for public comments.

Public Comments:
None

AYES: Chairperson Fiona Ma

Anthony Sertich

Tiena Johnson Hall

Zachary Olmstead

ABSTENTIONS: Lourdes Castro Ramirez

Motion passed via roll call vote.



California Tax Credit Allocation Committee

3. *Agenda Item: Executive Director's Report*

Presented by: Nancee Robles

Nancee Robles, CTCAC Executive Director, welcomed two new staff members, Chris Saenz and Timothy Handy. The preliminary reservation team was now fully staffed. CTCAC requested eight new staff in a budget change proposal that was approved for the 2022-2023 fiscal year and beyond, including three positions for the development team, four positions for the compliance team, and one development research data specialist. Staff had begun recruiting for those positions.

CTCAC received sixty (60) applications for the second round of 9% tax credits and anticipated having a waiting list for that round. Four members of the CTCAC and the California Debt Limit Allocation Committee (CDLAC) teams recently attended the grand opening of Lavender Courtyard, a 53-unit housing project at 16th and F Street in Sacramento, and that it was always special for staff to experience firsthand how their work impacted the community. She recently sat on a panel at the National Housing and Rehabilitation Association meeting with Tiena Johnson Hall, where they discussed the volatile market and supplemental allocations. She received positive feedback on how quickly the 8609s were being issued, for which she thanked the staff. Chairperson Ma also thanked the staff.

Chairperson Ma called for public comments on the Executive Director's report:
None.

4. *Agenda Item: Recommendation of a Resolution to Adopt Proposed Regulations, Title 4 of the California Code of Regulations, Section 10302 through 10337, Revising Allocation and Other Procedures – (Action Item)*

Presented by: Anthony Zeto

Mr. Zeto stated that on May 26, 2022, staff released proposed regulation changes with a comment period that concluded on June 20, 2022. Staff held a public hearing jointly with CDLAC to solicit comments and feedback from stakeholders, and staff carefully considered all the comments received. In some cases, they made modifications to the changes originally proposed, and they were now bringing the final recommendation to the Committee for approval.

MOTION: Mr. Sertich motioned to approve the resolution to adopt the regulations. Ms. Castro Ramirez seconded the motion.

Public Comments:

Darren Bobrowsky, representing USA Properties Fund, stated he submitted a letter suggesting a change not initially proposed. Per the current regulations, projects were evaluated for fifteen years to ensure they maintained a positive cash flow. He suggested the Committee change that to a thirty-year evaluation period due to the risk that projects without rental subsidies would go negative shortly after fifteen years. He believed this was a minor change that nobody would oppose.

Chairperson Ma stated that she was open to hearing comments from staff regarding this suggestion.

Mr. Zeto said staff performed a financial analysis to ensure projects would maintain a positive cash flow through year fifteen. He did not agree that there would be no opposition to the proposed change



California Tax Credit Allocation Committee

to thirty years because it was more restrictive and would weed out projects that might be cutting it close after year fifteen.

Chairperson Ma stated that at the fifteen year mark, projects may be sold or rents may be raised.

Mr. Sertich agreed this should be reviewed in the future and he agreed with Mr. Zeto that it could be controversial. The Committee should be looking at the sustainability of projects.

Mr. Zeto said the comments received on changes that were not proposed would be considered for future regulation change packages.

Chairperson Ma asked how long the evaluation period had been fifteen years.

Mr. Zeto said it had been fifteen years for as long as he had been with CTCAC, which was almost twenty years. There have not been many projects showing negative cash flow in the annual operating expenses received by staff. Some projects did come in for a re-syndication of tax credits after year fifteen.

Mr. Bobrowsky stated projects with deeper income targeting may not remain financially stable after fifteen years and developers would sometimes do things to get funding that may not be in the best interest of the program, which was to ensure long term, stable, good quality projects. After reviewing staff reports from previous years, some of the projects in the ELI/VLI pool barely made it to year fifteen. He was not sure who would publicly oppose long term financial feasibility since it was good public policy to ensure long term financial feasibility in order to maintain projects in good condition for the residents and the community.

Mr. Zeto agreed with the statement of ensuring long term financially feasible projects.

Ms. Castro Ramirez also agreed and stated the Committee's goal was to ensure the housing developments were affordable for fifty-five years and they should be looking at the financial feasibility of projects beyond the initial fifteen-year period. They should not make the change at this meeting before having the opportunity to study and understand the financial pro forma implications and they would need more time to consider this suggestion. She would second Mr. Sertich's motion with no changes except she would ask staff to study this item and come back with a set of analysis and recommendations.

Mark Stivers spoke on behalf of the California Housing Partnership. They supported long term feasibility, but they estimated conservatively when they applied, and there was no evidence that developments were having difficulties, as Mr. Bobrowsky previously asserted. Since rental assistance contracts and Capitalized Operating Subsidy Reserves (COSRs) did not span thirty years, projects utilizing rental assistance or COSRs would not pass that test. He supported sustainability, yet also thought ELI/VLI and Homeless projects were important, and this was how they made those projects work.

Motion passed unanimously via roll call vote.

- 5. Agenda Item: Recommendation for Reservation of 2022 State Farmworker Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Refinancing – (Action Item)**
Presented by: Gabrielle Stevenson



California Tax Credit Allocation Committee

Ms. Stevenson presented Brentwood Crossing (CA-21-456), a farmworker housing project in Bakersfield, CA. She introduced Chris Dart from The Danco Group to speak about the project.

Mr. Dart stated this was a 58-unit, 100% farmworker project currently under construction which closed on construction financing in October 2021. The project was experiencing substantial cost increases and they would also be applying for a supplemental bond allocation. Construction was approximately twenty percent complete and they had just finished site work. This award, along with the supplemental bond allocation, would solve their problem.

Ms. Stevenson said staff reviewed this extensively and the project met all the requirements; they recommended it for reservation of state farmworker credits.

MOTION: Ms. Sertich motioned to approve. Ms. Castro Ramirez seconded the motion.

Chairperson Ma called for public comments:
None

Motion passed unanimously via roll call vote.

6. *Agenda Item: Public Comment*

Elizabeth Brady spoke on behalf of OakBrook Housing. There is concern about a shortfall of state tax credits in Round 2. She asked the Committee if there were any other immediate available options.

Chairperson Ma stated the Committee was trying to push out bonds and tax credits as quickly as possible, even during the pandemic, including pre-funding MIP. She expressed appreciation to Ms. Brady for bringing it to the Committee's attention.

Ms. Castro Ramirez stated there was \$250,000,000 in the Governor's budget for the Housing Accelerator program, which was designed to help projects that had not been able to secure additional funding, and the Administration would continue to stay engaged and work together to support as many housing developments as possible. The 18–24-month period of deep engagement with stakeholders, the development community, and residents had been significant. Moving forward, as the regulations were implemented, it was important not to make significant changes, rather give the staff time to implement the regulations, and give the development community time to get the projects online.

7. *Agenda Item: Adjournment*

The meeting was adjourned at 2:22 p.m.