915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

January 18, 2023

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 10:49 a.m. with the following Committee members present:

Voting Members:	Fiona Ma, CPA, California State Treasurer, Chairperson Evan Johnson for California State Controller Malia M. Cohen Gayle Miller for Department of Finance (DOF) Director Joe Stephenshaw Anthony Sertich for Department of Housing and Community Development (HCD) Director Gustavo Velasquez Tiena Johnson Hall, Executive Director for the California Housing Finance Agency (CalHFA)
Advisory Member:	County Representative Terra Lawson-Remer - ABSENT

2. *Agenda Item:* **Approval of the Minutes of the December 28, 2022 Meeting** – *(Action Item)*

MOTION: Mr. Sertich motioned to approve the minutes of the December 28, 2022 meeting, and Mr. Johnson seconded the motion.

Chairperson Ma called for public comments:
None.

Motion passed unanimously via roll call vote.

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

Ms. Robles discussed the following topics:

New Staff: CTCAC has one new staff member, Kimberly Desch-Nilson, Program Analyst for Compliance. Kimberly has worked for both the California Housing Finance Agency (CalHFA) and the Department of Housing and Community Development (HCD), making her familiar with single family housing and manufactured housing.

Program Highlights: CTCAC had 10 Committee meetings last year. In 2022, CTCAC awarded 9% projects $117,721,696 in annual federal credits and $110,153,585 in state credits in the first and second rounds, as well as a waiting list round that awarded credits to an additional 15 projects. 62 projects were awarded in total, helping create 3,451 units of low-income housing.

The 4% projects were awarded $280,536,602 in annual federal credits and $537,452,018 in state credits. 106 projects were awarded, adding 11,013 units of low-income housing. Both CTCAC and CDLAC are on course to greater efficiency and maximizing the number of affordable housing units that can be created with the scarce resources available and aiding to reach the Governor's goal of producing 2.5 million units in California by 2030.

CTCAC regulations were revised and approved in 2022. Changes included better alignment with CDLAC, providing clarification, incentivizing rural projects in counties where applications had not recently been received, and increasing the Native American Apportionment by 50% from $1 million to $1.5 million.

On January 11, 2023, Ms. Robles received CalHFA's formal request for $200 million in 2023 state tax credits for projects financed by CalHFA's Mixed-Income Program (MIP). AB 101 authorizes CTCAC's Executive Director to award up to $200 million in state tax credits for projects financed by CalHFA under its MIP. Based on the MIP pipeline, Ms. Robles determined the request to be reasonable and will approve the award once the CDLAC pools have been established, provided the Committee approves a MIP set aside.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Resolution No. 22/23-04, Adoption of a Regular Rulemaking for Amendments to the Federal and State Low-Income Housing Tax Credit Programs (Cal. Code of Regs., tit. 4, §§ 10302-10337) (Gov. Code § 50199.7)** – *(Action Item)*
Presented by: Anthony Zeto

Mr. Zeto reported the proposed changes presented to the Committee were released on December 16, 2022. Staff held a 21-day public comment period with a public hearing on January 4, 2023. The public comment period concluded on January 6, 2023. Staff received approximately 30 comments, some of which were related to the proposed changes and some were related to other changes stakeholders wished to see implemented. Most of the proposed changes are intended to be clarifying. Each year, staff reviews the regulations and strives to clarify ambiguities and address any necessary revisions that have resulted from appeals.

Mr. Sertich said the initial proposed change for item 18 on the Final Proposed Regulation Changes and Responses to Comments memo would have added additional points for excess state-owned or locally controlled land. The final proposed change only adds points for state-owned land. He asked Mr. Zeto to explain the reason for that change.

Mr. Zeto said the language was changed to comply specifically with the Governor's Executive Order.

Mr. Sertich said he would like to continue the conversation going forward to ensure HCD and CTCAC are in alignment on this issue.

Chairperson Ma called for public comments:

Darren Bobrowsky from USA Properties Fund said he wrote a letter to CTCAC on January 5, 2023 regarding the proposed regulation changes. Most of the items in his letter were addressed, but there are a few items he would like to discuss further. The first item is in Section 10325(f)(8), which addresses the flexibility for firm commitments. The language in this section was expanded to include some local funds, but there are other types of local funds that should also be added, such as local housing trust funds, money received from a general fund, and master developers of inclusionary zoning. If the Committee allows soft commitments from government agencies, soft commitments from all other sources should also be allowed.

Second, Mr. Bobrowsky appeared before the Committee late last year and proposed a change to increase the financial feasibility period from 15 years to 30 years. He suggested staff include that revision when the regulation changes were proposed during the regular rulemaking. He believed this was a worthwhile suggestion due to deeper income skewing of projects affecting their long-term financial feasibility; however, this change was not included in the proposed regulation changes. He asked why that change was not included in this package and how that change could be incorporated in the future. This change would not impact the projects themselves, but it would ensure projects were financially feasible for a much longer period. CTCAC has 55-year Regulatory Agreements but currently only looks at the first 15 years to determine financial feasibility. With deeper income targeting, some projects have declining cash flows which jeopardize their financial feasibility after 15 years. In the interest of best using public resources, CTCAC should review a longer period, such as 30 years.

Finally, Mr. Bobrowsky said the Committee should reevaluate how state tax credits are awarded; instead of first awarding projects in the set asides and then awarding any remaining allocation to geographic regions, the state credits could be split between the set asides and the geographic regions or funded one at a time from each area, so the geographic regions can receive state tax credits.

Laura Kobler from the California Housing Partnership thanked the staff for addressing many of the comments in her organization's letter. They are supportive of item 21 in the memo which allows the inclusion of pending commitment letters. However, there is a sentence which refers to these letters only being considered for threshold requirements and not the competition or tiebreaker. She asked for that sentence to be stricken from the staff's response, although it is not explicitly stated in the proposed regulation changes. She asked the Committee to consider pending commitment letters in the tiebreaker since it is less meaningful to only allow them for threshold. Ms. Kobler also thanked staff for agreeing to address some of the additional items included in California Housing Partnership's comment letter so they could be made effective immediately.

In response to Ms. Kobler's comments, Mr. Zeto said staff intentionally chose not to include pending commitment letters in the tiebreaker. Last year, projects were disqualified because their funding commitments from certain government agencies, including USDA, were not firm. The intent of this proposed change is to allow projects with pending commitment letters to apply and be eligible applications, but not necessarily to give them a competitive advantage over projects with firm commitments for all their funding sources.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to adopt Resolution No. 22/23-04, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

5. *Agenda Item:* **Resolution No. 22/23-05, Adoption of the CTCAC/HCD Opportunity Area Map for 2023 –** *(Action Item)*
   Presented by: Anthony Zeto

Mr. Zeto explained that the CTCAC/HCD Opportunity Area Map is updated each year. For 2023, the data was updated but there were no proposed changes to the methodology. The draft 2023 CTCAC/HCD

Opportunity Area Map was published on December 8, 2022, and staff held a public comment period that concluded on December 28, 2022. Staff received a few comments from stakeholders, most of which were related to the methodology where no changes were proposed. Responses to those comments were posted on the CTCAC website, and the comments are being considered for future updates. The 2023 CTCAC/HCD Opportunity Map presented to the Committee for approval only includes data updates and no changes to the methodology.

Chairperson Ma called for public comments:

Caleb Smith from the City of Oakland Department of Housing and Community Development said the City of Oakland has a continuing interest in the CTCAC/HCD Opportunity Area Map. He asked the Committee to consider a broader re-examination of the map in the upcoming year. He understands the map presented to the Committee today is just an annual update, but he would like the Committee to consider transit access in a future revision of the map because it is a key factor for increasing access to opportunity. He also asked the Committee to consider how the map will disaggregate the impacts of the legacy of racist policies that affect a lot of intercity communities and the factors that present opportunity moving forward. Communities that have been historically disadvantaged should not be inadvertently penalized. He expressed a desire to continue a dialogue with the Committee on this topic in the upcoming year.

Mr. Sertich expressed appreciation for Mr. Smith's comments. HCD will continue to work with CTCAC on this topic. It is important to ensure all areas are represented and have access to fair housing. However, the Committee should be careful not to incorporate too much information into one scoring measure so there are different paths available for projects. HCD and CTCAC are continuing to work on this and will make improvements next year to provide more access to the communities they are aiming to prioritize.

Mr. Johnson asked Mr. Zeto to provide a brief history of the methodology behind the CTCAC/HCD Opportunity Area Map.

Mr. Zeto said the CTCAC/HCD Opportunity Area Map was established in 2017 in partnership with a task force comprised of multiple researchers at UC Berkeley. The map is aimed at providing 9% credit awards to projects in areas with access to opportunities, including education, environmental, and economic factors. Changes to the map have been made over the years, but they have not been significant. For example, one change made was to consider census block groups instead of census tracts for rural areas to get more accurate information. The CTCAC/HCD Opportunity Map has become more important in recent years because it is now incorporated into the CDLAC competitive scoring system. Previously, the map was used to give projects a boost to their basis and additional options for scoring. It is receiving more attention now that it is part of the competitive system.

Chairperson Ma closed public comments.

MOTION: Ms. Miller motioned to adopt Resolution No. 22/23-05, and Mr. Johnson seconded the motion.

Motion passed unanimously via roll call vote.

6. *Agenda Item:* **Resolution No. 22/23-06, Establishing a Minimum Point Requirement for the Competitive 2023 Applications (Cal. Code of Regs., tit. 4, § 10305(g))** – *(Action Item)*
   Presented by: Gabrielle Stevenson

Ms. Stevenson explained a minimum point requirement is established annually for the competitive applications. The minimum point requirement represents 85% of the total to ensure a qualified group of applications.

Chairperson Ma called for public comments:
None.

MOTION: Ms. Miller motioned to approve Resolution No. 22/23-06, and Mr. Sertich seconded the motion.

Motion passed unanimously via roll call vote.

7. *Agenda Item:* **Public Comment**

Shelly Masur, Director of Policy and Partnerships at the Low Income Investment Fund (LIIF) and Build Up California, said LIIF is a national Community Development Financial Institutions Fund which focuses its lending and grants on affordable housing and childcare facilities. Build Up California is a statewide network dedicated to the equitable expansion of improvement and sustainability of early learning and care facilities. Ms. Masur also represents 29 housing and childcare advocates and elected officials who signed on to support a request for changes in the CTCAC regulations previously discussed. She thanked staff for meeting with her organization yesterday to discuss their request to add childcare centers as qualified site amenities. Licensed childcare centers significantly benefit the occupants of affordable housing developments as well as the surrounding communities in several ways. First, surveys show that building this site benefit into a development can increase public support and decrease opposition for new affordable housing development projects. These new developments are desperately needed in California and frequently face local opposition.

Additionally, Ms. Masur explained that childcare is crucial in supporting child development during the critical early years. Childcare makes it possible for families, particularly women, to go to work. Many communities in California lack access to childcare, thereby creating childcare deserts which hurt communities and their economic stability. Co-locating childcare facilities with affordable housing developments is a promising strategy to support families with children, particularly lower-income families. Co-location is also a practical strategy to deliver two critical community amenities efficiently, sustainably, and safely. Locating childcare next to housing means parents can spend less time commuting and driving around town and more time with children. Additionally, less driving between home, work, and childcare helps reduce greenhouse gas emissions, thereby serving as progress toward meeting California's climate goals. Considering the Governor's commitment to expanding childcare spaces, providing additional incentives for developers to include childcare in their housing developments also helps advance the state's goal of increasing childcare access. To help accomplish those goals, in this round of proposed regulation changes, proximity to a community college was added as an additional point option in Section 10325(c)(4)(A)(5). Ms. Masur asked the Committee to also add childcare as an additional point option. It could be considered as comparable to a public elementary school in terms of proximity, and/or a site amenity point could be considered for developers with licensed childcare providers under a development agreement. She expressed a desire to work with staff to resolve any issues or concerns on this topic so these suggestions may be considered as soon as possible.

Alexis Laing from Laing Companies asked the Committee to give the Executive Director authority to provide additional time to submit performance deposits for applicants with hybrid or simultaneous credits at the next Committee meeting, and/or confirm developers will not receive negative points if they must return a CTCAC allocation because the paired hybrid or simultaneous phase does not receive a 4% tax credit allocation. She recognizes that 4% and 9% applications and allocations do not align due to staffing and the high volume of applications, but there are projects in developers' pipelines counting on hybrid or simultaneous phased projects, which is allowed by the CTCAC and CDLAC regulations. The proposed 2023 rounds and meeting dates for 4% and 9% allocations do not allow developers to know if they will receive both 4% and 9% allocations within the 20-calendar day window in which they must submit a performance deposit after an award per Section 10328(b) of the CTCAC regulations. She would welcome the opportunity to speak with staff about how this impacts developers. Last year, a developer had to return a 9% allocation because they did not want to risk losing their performance deposit or receiving negative points because they did not know if they would receive a 4% allocation in the second round.

Tracy Davis, Program Development Manager at Butte County, said California has been devastated by wildfires in recent years, which has exacerbated the shortage of housing. Congress appropriated approximately $450 million in CDBG-DR MHP funding for California in 2017. Californians can now finance up to 40% of affordable rental housing developments. Developers with CDBG-DR MHP conditional commitments must identity remaining project funding from other sources, or the funds will go unused and be returned to HUD. Ideally, disaster tax credits would have addressed this exact situation, but the timing of the funds was not aligned. CTCAC has an opportunity to leverage nearly $450 million in funding for affordable housing and keep it in California to build housing in communities devastated by wildfires. This could be accomplished by making a few changes to the proposed regulations. This issue is particularly salient to Butte County jurisdictions because they were allocated nearly $215 million of CDBG-DR funding. In Section 10315(i) of the CTCAC regulations, the geographic apportionment for the Northern Region is the second smallest allocation and is inadequate to meet the supplemental funding needs of projects that have CDBG-DR MHP conditional commitments. For this reason, Butte County recommends that CTCAC create a LIHTC set aside to specifically fund disaster recovery project areas. A set aside would ensure that CDBG-DR MHP funds are leveraged and housing shortages in communities with exacerbated housing needs after disasters are met.

Ms. Davis also asked the Committee to consider including the CDBG-DR conditional commitment as a tiebreaker option in Section 10325(c)(9). This would allow projects to be competitive for tax credits and provide opportunities for funding using the tiebreaker process. Butte County submitted public comments which were not addressed in the comments in the E-Binder. Butte County is also aware of numerous letters from other jurisdictions and developers who made the same requests for proposed changes.

Alice Talcott from MidPen Housing asked how the Committee plans to distribute the approximately $500 million in state credits among the three CDLAC rounds this year. A portion is being allocated to MIP, presumably in the second round. She asked how CTCAC decides how the remainder of the credits are distributed among rounds and when that decision will be announced. This will have a significant impact on how CDLAC allocations are made.

In response to Ms. Talcott's question, Mr. Zeto said staff intends to distribute the state tax credits among the rounds. More information on the dollar amounts will be provided prior to the next Committee meeting. There is approximately $300 million available in state tax credits, which will not be distributed evenly among rounds. The distribution is being finalized and the credit estimates will be published on CTCAC's website on February 1, 2023.

Darren Bobrowsky from USA Properties Fund said the distribution of the $500 million in state tax credits per round will significantly impact whether projects in geographic regions are able to access tax credits and use bond cap. If the state tax credits are spread somewhat evenly among the rounds, this will ensure geographic projects will not receive state tax credits because the non-geographic pools will absorb the state credits before the geographic regions. A process is needed to allocate the state tax credits to both geographic and non-geographic pools. This may require a regulation change, but the issue of projects in geographic regions not receiving state tax credits will persist if this issue is not addressed by the Committee. Additionally, he asked the Committee to consider changing the financial feasibility requirement in the regulations from 15 years to 30 years.

William Leach from Kingdom Development echoed Mr. Bobrowsky's concern that if state tax credits are not allocated to both the set asides and the geographic regions explicitly, the order in which CDLAC makes its allocations will always wreak havoc on an even distribution of that resource. If a regulation change is required, it is important for CTCAC to be intent on how much is available to the geographic regions and set asides so all communities can access that resource.

Mark Stivers from the California Housing Partnership said the distribution of state tax credits among rounds affects whether state credits are available in geographic regions. He urged the Committee to consider their highest priorities for funding. The real issue is there are not enough state tax credits, and he urged stakeholders to work with his organization to try to convince the legislature to add more state tax credits. There is a large demand of shovel-ready projects, and more advocates for additional state credits will probably solve the problem. Currently, the Committee must choose which projects will receive state credits. It is important for the Committee to consider its priorities and not just attempt to spread the credits evenly.

8. *Agenda Item:* **Adjournment**

The meeting was adjourned at 11:27 a.m.