California Tax Credit Allocation Committee

915 Capitol Mall, Conf Rm 587
Sacramento, CA 95814

February 1, 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 10:22 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 Kate Ferguson for Tiena Johnson Hall, Executive Director for the California Housing Finance Agency (CalHFA)
Advisory Members:	County Representative – VACANT City Representative – VACANT

2. *Agenda Item:* **Approval of the Minutes of the January 18, 2023 Meeting –** *(Action Item)*

MOTION: Ms. Miller motioned to approve the minutes of the January 18, 2023 meeting, and Ms. Ferguson 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 reminded the Committee she reported at the last meeting receipt of CalHFA's formal request for $200 million in 2023 state tax credits for projects financed by the Mixed-Income Program (MIP) on January 11, 2023, and the request was under consideration. AB 101 authorizes the CTCAC Executive Director to award up to $200 million in state tax credits for projects financed by CalHFA under the MIP. Based on the MIP pipeline, Ms. Robles determined the request was reasonable and necessary, and she approved that allocation.

Chairperson Ma called for public comments:
None.

4. *Agenda Item:* **Resolution No. 22/23-07, Adoption of an Emergency Rulemaking for Amendments to the Federal and State Low-Income Housing Tax Credit Programs (Cal. Code Regs., tit. 4, §§ 10327, 10328) (Gov. Code § 50199.17) –** *(Action Item)*

Presented by: Anthony Zeto

Mr. Zeto said regulation changes were adopted at the last meeting on January 18, 2023. Throughout the process, staff received several public comments on changes not proposed in the regulation change package. Since the regulation changes were adopted, staff has identified two additional emergency changes. Those changes are being recommended to the Committee for approval today. The first change is related to a basis limit adjustment. Staff proposes to increase the dollar amount of the 9% threshold basis limit increase for a 2-bedroom unit from $400,000 to $500,000. Without this change, no 9% projects would be eligible to receive a Highest or High Opportunity Area basis limit increase because every county exceeds $400,000 for a 2-bedroom unit in the new 2023 threshold basis limits.

The second proposed change pertains to reservation exchanges, which allow recipients of tax credit awards to return a credit reservation from the prior year in exchange for credits from the current year. This gives projects an additional year to place the project in service and meet the federal placed-in-service deadline. Reservation exchanges were initially implemented narrowly to assist high-rise projects, which usually have a longer development timeline. However, staff is now proposing to extend that policy to projects awarded allocations in December from the Waiting List. This is intended to make up for the time lost since they were awarded at the end of the year.

Mr. Johnson asked why all projects are not given access to reservation exchanges.

Mr. Zeto explained the federal placed-in-service deadline is two years. Reservation exchanges were originally only intended for projects with longer development timelines. Allowing reservation exchanges for all projects could unnecessarily delay the completion of some projects, which would be counterproductive to the Committee's goal of getting housing units built.

Ms. Ferguson asked Mr. Zeto to clarify staff does not want to allow reservation exchanges for more projects because they do not want this regulation to delay the delivery of housing units.

Mr. Zeto confirmed that is correct. Additionally, the IRS's placed-in-service deadline is specifically two years, and reservation exchanges allow projects to extend that deadline. Some projects may request the extra year even if they do not need it. Projects awarded during normal rounds should have sufficient time to meet the two-year federal deadline. Staff is proposing to allow reservation exchanges for recipients from the Waiting List only because they are awarded so late in the year, and they may not have anticipated receiving an award.

Chairperson Ma called for public comments:

Mark Stivers from the California Housing Partnership said both proposed regulation changes are necessary and urgent. He asked the Committee to consider expanding reservation exchanges to all projects in the second round and beyond, which would essentially mean any projects awarded after September 1, 2023. New construction projects generally take two years to construct, and construction does not begin immediately after receipt of an award. There is a 6-month closing deadline. Therefore, projects are already well over a year into the 2-year deadline before construction begins. The results are catastrophic if projects do not meet that deadline; they lose their tax credits when construction is nearly complete. It is also catastrophic for the Committee if the media reports on lost tax credits. If there is any doubt that the project will meet the deadline, the investor will refuse to close.

Mr. Stivers anticipates there will be high-priority projects with credits awarded that will not close if there is a concern that they will not meet the 2-year deadline. Others will close, nearly complete construction, and then encounter unexpected delays which will cause the projects to miss the 2-year deadline. These projects will lose their tax credits after they have already spent the money, which is a big consequence. This was discussed last fall when the CTCAC calendar was adopted for the upcoming year. In prior years, Round 2 awards were made at the end of September. That schedule was already very tight. This year, CTCAC is proposing to make Round 2 awards in November. Presumably, that will be the schedule going forward. The CTCAC calendar itself is not a problem, but it is a problem for projects to lose two months ahead of the placed-in-service deadline. Mr. Stivers urged the Committee to allow reservation exchanges for all projects awarded in Round 2 and beyond, in addition to Waiting List projects.

Marina Wiant from the California Housing Consortium (CHC) agreed with Mr. Stivers's comments. CHC represents a broad group of affordable housing developers who would support the regulation changes he proposed.

Caleb Roope from The Pacific Companies (TPC) said the staff's proposed regulation changes are helpful. He suggested the Committee give the Executive Director authority to process reservation exchanges when they are needed. TPC's 9% tax credit projects tend to be smaller, and they are usually built before the 2-year deadline, so they do not have problems. However, urban infill projects can be much more difficult to complete within two years. It would be valuable for the Executive Director to have authority to grant reservation exchanges when delays occur. TPC's 4% tax credit projects often encounter delays, but they do not have the same deadlines. Some flexibility would be helpful for projects that have already met their readiness deadlines and gotten their paperwork in order. There are a lot of uncontrollable factors in the development process right now, including local governments that are not fully staffed and difficulties with utilities. The deadlines have become unrealistic. Some states are a year ahead on their allocation process. For example, Idaho is allocating 2024 credits in 2023. This allows projects an extra year before the placed-in-service deadline. Mr. Roope is unsure if reservation exchanges are needed for all Round 2 projects, but some relief should be available. This will be a bigger issue due to the change in the CTCAC award schedule.

Stephanie Park from Little Tokyo Service Center, a community-based developer in Los Angeles, asked the Committee to allow extra time for applicants to submit performance deposits for projects structured as hybrids or with simultaneous 4% and 9% tax credits. The proposed application timelines in 2023 do not allow applicants to know whether they have received their second award before they are required to submit a performance deposit for the previous application. This significantly impacts both the amount of financing that must be put forward and the construction timeline. Ms. Park asked the Committee to take action on this issue since it is relevant to the Round 1 CDLAC applications due in approximately one week as well as the applications for Round 1 of the 9% tax credits that are due shortly thereafter. A formal change to the regulations would be ideal, but given the short timeline, a letter of clarification would be helpful prior to the deadline to submit a performance deposit for CDLAC Round 1 awards. Ms. Park has spoken to several staff members already, but she would welcome the opportunity to speak further with Committee members or additional staff to resolve this issue.

Chairperson Ma closed public comments.

The last comment is considered general public comment.

Ms. Ferguson said relief is needed regarding the placed-in-service deadline. The Committee does not want to see horrible outcomes for projects. There are real delays, and the complexities of completing projects have been exacerbated over the past 18-24 months. Ms. Ferguson has no problem with allowing reservation exchanges for Round 2 projects or giving the Executive Director authority to approve reservation exchanges, provided the Committee gives Ms. Robles adequate guidance on which circumstances would be acceptable. Ms. Ferguson would support amending this resolution to give a broader array of projects access to reservation exchanges.

Chairperson Ma asked Ms. Robles if she would need guidance from the Committee if she were given discretion on this issue.

Ms. Robles said there is language elsewhere in the regulations stating the Executive Director has the authority to grant an extension in circumstances out of the developer's control. Similar language might be appropriate regarding this issue.

Ms. Ferguson asked Ms. Robles if that language already exists in the regulations.

Ms. Robles clarified the language exists elsewhere in the regulations regarding other issues and that would be the guideline.

Mr. Zeto stated this section of the regulations already gives the Executive Director authority to approve a reservation exchange if the project needs additional time to place in service after a natural disaster, and this authority has been exercised in the past. For example, a project was granted a reservation exchange after a fire. The Committee could decide to specifically allow reservation exchanges in Round 2.

Ms. Ferguson said allowing reservation exchanges for Round 2 projects may be broader than necessary, but it would capture the need, which might be the easiest solution. Some additional leeway is needed.

Ms. Robles said staff has time to construct that language. The emergency regulation changes presented today cannot be amended as they would have to be posted again for a 10-day public comment period.

Chairperson Ma asked if there is time to amend the proposed emergency regulations.

Ms. Robles replied there is no time to amend them today, but staff could amend them and present them at the next Committee meeting.

Chairperson Ma asked if there is any other way to change the regulations, such as a memo.

Ms. Robles said no, the emergency regulation changes were posted for public comment. There are certain parameters that must be fulfilled, and these need to go to the Office of Administrative Law tomorrow.

Ms. Ferguson asked Ms. Robles to confirm that the Committee could not propose an amendment to the emergency regulations.

Ms. Robles reiterated no, it cannot be done today; staff could present another emergency regulation package to the Committee at the next meeting.

Ms. Ferguson said it probably makes sense to support the emergency regulation changes presented today and add onto them at the next meeting.

MOTION: Ms. Ferguson motioned to adopt Resolution No. 22/23-07, and Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

5. *Agenda Item:* **Adoption of the approximate amount of tax credits available in each reservation cycle for the 2023 calendar year (Cal. Code Regs., tit. 4, §§ 10305, 10310)** – *(Action Item)*
   Presented by: Anthony Zeto

Mr. Zeto said staff is requesting Committee approval for the amount of tax credits available in the reservation cycles for 2023.

Mr. Sertich asked why the state tax credits are all being allocated in Round 1as this was not done in prior years.

Mr. Zeto replied based on the specific language in the regulations, staff determined the state tax credits must be available in Round 1. This is because there is a section of the regulations which states that state tax credits shall be available to projects that receive a bond allocation. By splitting the allocation among rounds, staff concluded they would not be in compliance with that regulation.

Ms. Ferguson asked if the regulations specifically state the state tax credits must be fully allocated in the first round.

Mr. Zeto said the regulations do not state the state tax credits must be fully allocated in the first round, but staff's interpretation of the regulations is if a project is awarded a bond allocation, that project should also receive state tax credits if requested. If there are no state tax credits remaining, there is nothing to award. If the state tax credits are divided among multiple rounds, for example, there will be projects in Round 1 that do not receive state tax credits while there are still credits remaining for Round 2 and/or Round 3. Based on staff's interpretation of the regulations, if state tax credits are available, they must be awarded with bonds.

Chairperson Ma called for public comments:

Mark Stivers from the California Housing Partnership stated from a policy perspective, it would be better to spread the state tax credits across all three rounds. First, there is a fairness issue if resources are only available depending on the time of year a project submits an application. Second, the Committee has spent two years working on its point system and tiebreaker, and the tiebreaker should be used. During Round 1, credits will be awarded to projects far down on the priority list because there will be a lot of credits available. In Rounds 2 and 3, the tiebreaker will most likely not be used at all because projects that do not receive state tax credits will be funded, and projects that do request state tax credits will not be funded. Unfortunately, this will neutralize the tiebreaker. Mr. Stivers recommends the Committee find a solution to spread the state tax credits across all the rounds. Although he is not a lawyer, his understanding is the section of the regulations Mr. Zeto referred to is not intended to dictate when the credits are available, but rather to ensure a project cannot receive state tax credits unless the project also receives a bond allocation. The regulation does not state a project is entitled to state tax credits. Mr. Stivers recommends a future regulation change if needed to spread the credits among all the rounds.

Caleb Roope from The Pacific Companies said state tax credits were created to help new construction projects which were not feasible because they did not have subsidies. The credits have done their mission, but they have also become a form of gap financing for all projects, which was not the original intent. When HCD had soft money to spread around to projects, projects received those funds along with bonds. Currently, HCD projects (and projects in the set asides) are all requesting state tax credits. Staff has found a good balance, given how the funding order works, because if the credits were spread among all the rounds, the credits would all be consumed in the set asides – Rural, Homeless, and ELI/VLI. There would be no credits left for the geographic regions. Staff has done a good job of giving everyone a chance at state tax credits in Round 1. That is what happened last year, and CalHFA had some credits leftover for Round 2. This is the fairest way to approach this problem currently. More state tax credits are needed, but staff's solution is fair considering the Committee's rigid priorities. If the Committee were to spread the credits among all the rounds, they would need to consider how much to allocate in each round for the set asides and geographic regions. Also, the Committee would need to decide if they intended to move away from the original intent of the state tax credits, which was to help new construction projects without gap financing. Mr. Roope would also like HCD to provide additional funding so fewer projects need state tax credits.

Chairperson Ma asked Mr. Roope if he agreed with making all state tax credits available in Round 1 instead of spreading them across all rounds.

Mr. Roope responded affirmatively.

Mr. Zeto clarified the credits have not been spread across the rounds for the past couple of years.

Mr. Roope stated the process has been first come, first served. Under the current system, a project will not receive bonds if there are no state tax credits available. Previously, that was not the case, and projects would receive bond allocations but not state tax credits, and the applicants would not know what to do. The current system works well, although the Committee should consider revisions to address fairness issues.

Alice Talcott from MidPen Housing expressed support for Mr. Stivers's comments, both in terms of policy and logistics. Although the state tax credits may have originally been intended to help projects without subsidies, all projects now need that help due to rising costs and interest rates. If the state tax credits are spread among all three rounds, they are more likely to be awarded to the highest priority projects in the set asides. The credits are a scarce resource and there are not enough of them to meet the demand, so the Committee should look to the state's priorities to determine the appropriate distribution. From a developer's perspective, this is a big last-minute change, and state credits are likely to run out either prior to Round 2 or early in that round. That will depend on the requests, but the requests will likely be larger this year than last year. This means projects intending to apply for state credits in Rounds 2 and 3 will now need to pivot. Ms. Talcott requested in the future, changes of this nature be made earlier, rather than so close to the application date.

Taylor Holland, Director of Development for Wakeland Housing and Development Corporation, agreed with Mr. Stivers's and Ms. Talcott's comments. Her organization opposes frontloading the state tax credits in Round 1. This proposed change is extremely short notice. Her organization, as well as several partner organizations, have projects which plan to compete for state tax credits but are not ready to submit for Round 1. They depend on predictability to structure projects and making this change six days prior to the application due date does not give projects enough time to submit applications for Round 1.

Dante Golden from the San Diego Housing Federation echoed the sentiments of Mr. Stivers, Ms. Talcott, and Ms. Holland. His organization also has concerns regarding frontloading the credits in Round 1. They have heard from their members that it will be difficult to meet the quick turnaround time.

Darren Bobrowsky from USA Properties Fund expressed support for staff's recommendation. He believes it is consistent with the regulations because the regulations do not permit CTCAC to divide the state tax credits among rounds. The regulations state a project should receive state tax credits if it receives a bond cap award from CDLAC. The regulations do not state the state tax credits can be held back. This is not a last-minute change. CTCAC has awarded state tax credits in this manner in previous years. It is not a change, and applicants should have been aware of the process.

William Leach from Kingdom Development agreed with Mr. Bobrowsky, this is not a change; this is how state tax credits have been awarded for the past two years, and it is not a surprise to the industry if the process continues. Additionally, the intent behind making the state tax credits available at the beginning of the year was to get projects ready immediately. From an allocation perspective, if the credits are spread among three rounds rather than made available all at once, the credits will not be allocated across the state. If the credits are spread among all three rounds, only set asides will be awarded credits in each round. The projects in geographic regions, which do not have as many resources available, will not be able to access state tax credits. Mr. Leach expressed support for staff's recommendation; distributing the resources at the beginning of the year to a broad group of projects across the state is a great policy.

J.T. Harechmak from Nonprofit Housing Association of Northern California (NPH) agreed with the previous comments by Mr. Stivers, Ms. Talcott, and Mr. Golden. NPH's members would appreciate the state tax credits being spread out among the rounds to create more predictability and availability throughout the year.

Reese Jarrett from E. Smith & Company expressed support for staff's recommendation. There are not enough tax credits to meet the demand, but the availability of the credits upfront will allow shovel-ready projects to move forward immediately and should be taken into consideration, given the current inflationary environment and increasing interest rates. Projects that are ready can move forward and deliver housing in a timelier manner if the tax credits are all available in the first round, rather than being spread across all three rounds.

Seth Sterneck from CRP Affordable Housing & Community Development said he agrees with staff's recommendation and the comments made previously by Mr. Roope. Making all the state tax credits available at the beginning of this year is the best way to ensure all project types have access to the credits.

William Wilcox from the San Francisco Mayor's Office of Housing and Community Development (MOHCD) disagreed that developers were expecting the state tax credits to all be available during the first round. For the past 3-4 months, CTCAC staff has said they planned to spread the credits across all the rounds. MOHCD made decisions about their applications based on that information. They have deeply affordable large family projects in the ELI/VLI set aside, in high resource areas, which were planning to apply for state tax credits in Round 2. Those projects meet all the Committee's stated priorities. It is not a stated policy priority that projects be able to apply in February and should not be how funding is allocated. Projects in the geographic regions meet the fewest policy priorities. MOHCD has had projects receive funding from the geographic regions in the past, but they were the lowest priority projects. ELI/VLI, Homeless, and MIP projects are the stated priorities. Based on the information they received prior to this meeting, MOHCD expected the credits to be spread across all the rounds.

Emily Ware from Operative Office agreed with the previous comments made by Mr. Bobrowsky and Mr. Roope. There is a notion that ELI/VLI and Homeless projects cannot exist in the geographic regions, which is not true. The tiebreaker is not disregarded in the geographic regions. The tiebreaker strongly lends itself to projects with large statewide basis delta limit adjusters and effectively almost ensures projects cannot receive ELI/VLI awards in the Northern or Inland regions. ELI/VLI projects are still prioritized by the tiebreaker; they are just prioritized within the geographic regions with a more equitable statewide basis delta limit adjuster. If the Committee ensures state tax credits are only awarded to applicants in the set asides, they are effectively also ensuring ELI/VLI and Homeless projects in the Northern and Inland regions will not be awarded, in favor of projects applying later in the year in counties with larger statewide basis delta limit adjusters.

Chairperson Ma closed public comments.

Ms. Ferguson said it sounds like CTCAC staff has been advised by counsel that state tax credits cannot be made available in multiple rounds. She asked Mr. Zeto to confirm if that is correct.

Mr. Zeto said that is correct, based on the language in the regulations.

Ms. Ferguson asked if that was counsel's advice to the Committee.

Mr. Zeto said the regulations state if a project is awarded bonds, that project also receives state tax credits if requested. By splitting the state tax credits, CTCAC would not meet that requirement because there would be projects in the first round which would not receive state tax credits, even though there are credits available for the next round.

Ms. Ferguson summarized if the state tax credits are not all used in the first round, they will be made available in the next round, but staff anticipates using all the credits in the first round. Based on the regulations, as interpreted by legal counsel, the credits must all be made available in Round 1. She asked if her summary was correct.

Ms. Robles confirmed this has been the process. One public commenter correctly stated staff discussed consideration of splitting up the credits, but upon further review, it was discovered the regulations state the Committee shall award tax credits to projects allocated bonds.

Ms. Ferguson said if that is staff's interpretation and the advice of counsel, that is all the Committee can do unless the regulations are changed. This would require an emergency regulation change, which would not work because it would have to be addressed at the next meeting.

Ms. Robles replied that summation is correct.

Ms. Ferguson asked if the state tax credits will all be awarded to the set asides if they are all made available in Round 1.

Mr. Zeto explained the regulations outline a funding order, which is consistent with how CDLAC allocates bonds. The tax credits are awarded according to the funding order, starting with the BIPOC Pool, then the Rural Project Pool, then the set asides, and finally the geographic regions. Because state credits are awarded in that order, the credits will eventually run out.

Ms. Ferguson said there are apportionments for each pool. She asked if the method for awarding state tax credits ignores the apportionments and if, for example, there could theoretically be enough Rural projects to use the entire allocation of state tax credits, so no other projects would be awarded.

Ms. Robles replied that is theoretically correct. If the regulations were changed to allow the state tax credits to be split up, they would never trickle down to the geographic regions.

Ms. Ferguson said she is not talking about splitting up the state tax credits among the rounds.

Mr. Zeto said the logic would still apply if the tax credits were to be apportioned similarly to the bonds. For instance, there could be a project in a particular set aside which would not receive credits if the credits had run out for that set aside. At the same time, there could still be credits remaining in the geographic regions. If the credits were spread out over multiple rounds, the predicament would be the same.

Ms. Ferguson said CTCAC awards allocations from the top to the bottom of the funding order, according to the pools. However, the funding order at CDLAC, which is referenced in the CTCAC regulations, has apportionments for the pools. She does not understand why the state tax credits are not awarded according to the apportionments.

Mr. Zeto said the apportionments are specific to bonds. There is no reference to apportionments in the CTCAC regulations. The funding order for the state tax credits is outlined in the regulations.

Ms. Ferguson asked if multiple Rural projects could potentially use up all the state tax credits.

Ms. Robles confirmed that could happen if those projects received bond allocations.

Mr. Zeto said this was a regulation change that was posted for public comment either last year or the year before.

Ms. Ferguson said she did not understand this.

Mr. Sertich said the Committee could change the regulations next year to be more granular and allocate specific amounts of tax credits to each pool, or they could take a less granular approach. There are multiple options. According to the regulations, the credits must be awarded on a first come, first served basis this year.

Ms. Miller said she did not understand this either. The Committee should take a more granular approach to awarding state tax credits. She asked Mr. Zeto to cite the section in the regulations outlining the funding order for state tax credits. The best approach seems to be to approve the emergency regulations today and then have a subsequent conversation about this issue.

Mr. Zeto said this issue is addressed in Section 10326(b)(1) of the regulations.

Ms. Miller asked Chairperson Ma if the Committee could have this discussion at a subsequent meeting.

Ms. Ferguson asked for confirmation that nothing can be done at this meeting.

Ms. Robles reaffirmed nothing can be done to change the regulations at this meeting.

Ms. Ferguson asked if the Committee could do anything to change the distribution of the pools.

Mr. Zeto replied nothing can be changed, based on the regulations.

Ms. Miller said the Committee will need to discuss both the regulations and the distributions of the pools at the next meeting. She asked Ms. Robles to clarify the Committee's options.

Ms. Robles stated the purpose of this agenda item is to approve the tax credits that go along with the bonds and have an application date of February 7, 2023. She does not know if there are any options.

Ms. Ferguson said she does not know how this section of the regulations was drafted, but it is literally interpreted now the state tax credits must be awarded first to Rural projects and then to the other pools and set asides based on the funding order.

Ms. Robles said that is what is stated in the regulations.

Mr. Zeto said this could be a conversation going forward.

Ms. Robles stated that regulation change was approved by the Committee last year.

Ms. Ferguson replied she understands, but that was not her interpretation of the regulations.

Ms. Miller asked if the Committee could vote to approve this recommendation today and then potentially amend it at a subsequent meeting.

Mr. Zeto said it could potentially be amended for next year, but not this year. The state credits are currently available for Round 1, and the round will begin soon.

Ms. Miller asked if there is any way to evenly distribute the tax credits. The regulations do not specify the credits must be made available at the same time. The Committee could resolve this issue by not making all the credits available now, which would give everyone a sense there is an opportunity for credits throughout the application cycles. Ms. Miller is sympathetic because this method is significantly different from what was done in the past. The awards would ultimately be the same because of the way the CDLAC bonds would flow. However, if the credits were allocated evenly over time, as CTCAC did in the past, it would not violate the regulations and it could work.

Ms. Zeto said it was not done that way in the recent past.

Ms. Miller said the credits would not be immediately used up if they were distributed evenly. However, she does not think they will be used up immediately. She does not know if it is necessary to evenly distribute the credits, but it would solve part of the problem.

Mr. Zeto stated distributing the credits evenly among the rounds will not make a difference. The Committee could apportion the credits per pool, as Mr. Sertich suggested previously, which would be the only way to address every pool and region.

Ms. Ferguson said her misunderstanding was the state tax credits would be allocated to the pools according to the CDLAC apportionments, since the regulations refer to the CDLAC apportionments. She understands staff's interpretation that legally, all the state tax credits must be made available in Round 1 and it has been done that way in prior years. The Committee cannot do anything about the apportionments today; that issue will need to be discussed in the future.

Mr. Johnson asked if spreading the state tax credits across all rounds in the future would have the net effect of only allowing access to credits for projects in the set asides because there would not be enough allocation beyond that.

Ms. Robles replied that is theoretically correct. It would be less likely for any credits to trickle down to the geographic regions.

MOTION: Mr. Sertich motioned to approve staff's recommendations, and Ms. Miller seconded the motion.

Motion passed unanimously via roll call vote.

6. *Agenda Item:* **Public Comment**

Chairperson Ma announced the Federal Reserve approved a quarter percentage point interest rate increase and signaled plans to raise rates again next month to continue lowering inflation, which was reported in an article today.

Stephanie Park from Little Tokyo Service Center asked if the issue she commented on previously regarding performance deposits for simultaneous phase projects would be addressed in a second round of emergency regulation changes.

Ms. Robles said the issue may not be included in this emergency regulation change, but staff has noted it as an item to entertain as part of the next regulations package. Staff takes into consideration all public comments regarding regulation changes.

7. *Agenda Item:* **Adjournment**

The meeting was adjourned at 11:19 a.m.