

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE  
Minutes of the January 18, 2006 Meeting

1. Roll Call.

Ted Eliopoulos for Philip Angelides, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Eliopoulos called the meeting to order at 1:30 p.m. Also present were: Cindy Aronberg for Steve Westly, State Controller; Ann Sheehan for Michael Genest, Director of the Department of Finance; Judy Nevis, Acting Executive Director, the Department of Housing and Community Development; Theresa Parker, Executive Director of the California Housing Finance Agency (CalHFA); and Kathleen Paley, County Representative.

2. Approval of the minutes of the December 21, 2005 meeting

MOTION: Ms. Aronberg moved to adopt the minutes of the December 21 meeting. Ms. Sheehan seconded the motion. The motion passed.

3. Executive Director's Report

Mr. Pavão announced that staff would be holding two application workshops. The first one will be on February 15 in Sacramento, and the second will be on February 17 in Anaheim. He also announced that the first round application deadline would be March 23<sup>rd</sup>, with those projects coming before the Committee for consideration on June 7<sup>th</sup>. The second round deadline would be July 20<sup>th</sup> with the Committee considering applications on September 20<sup>th</sup>. Mr. Pavão also presented the 2006 Committee meeting schedule.

4. Discussion and Consideration of a Resolution to Adopt Proposed Emergency Regulations, Title 4 of the California Code of Regulations, Sections 10300 through 10337, Revising Allocation and Other Procedures.

Mr. Pavão presented proposed regulations changes and explained that they were the outcome of two public hearing and several requests for public input since the first draft was published November 22, 2005 and the final draft posted on January 11<sup>th</sup>. He noted that since that final draft was posted, there have been comments received on the Homeless Apportionment section and stated that staff recommends excluding that section from adoption at this time because the recommendation merits more consideration.

Current language requires that in order to compete in that set-aside, applicants use McKinney or HOPA funds. Originally, staff had proposed changing that provision to allow applicants to compete in that set-aside if they are proposing a project that is going to provide housing to homeless populations as defined in the McKinney Act, but not necessarily requiring those federal funds be present in the deal.

Comments received on this proposal suggested that by decoupling the funding from the provision, some necessary attributes have been lost while other comments suggested that there be a minimum percentage of units available to homeless populations required. It was also suggested that priorities be established within that apportionment, such as rental assistance. As a result of these thoughtful comments, staff is suggesting that the Committee not adopt the changes with respect to the homeless apportionment until staff has more time to retool the language. It is anticipated that this will be brought back to the Committee for approval in February.

Ms. Parker commented on the importance of making TCAC's regulations and definition of "homeless" compatible with and complementary to other funding sources so that applicants may utilize those different funds in addition to tax credits. Mr. Pavão explained that the proponents of this change shared the concern and as a result, TCAC has adopted the McKinney Act's definition of "homeless." Ms. Parker and Ms. Nevis offered to have their respective staff's look at the proposal to ensure that it is not exclusionary of their funding sources.

Mr. Pavão suggested that the Committee consider making this change effective for the second round, rather than the first. Ms. Parker asked members of the public to weigh in on the timing issue. Mr. Joel Rubenzahl stated that there are projects in the pipeline that are dependent on this language being adopted for the first round. He suggested that the Committee adopt the changes with the exception of the homeless apportionment changes with the understanding that the language would be added at the next Committee meeting for the first round application deadline.

Mr. Eliopoulos directed staff to bring this issue back at the February meeting, specifically with regards to the definition of "homeless" and the timing issue.

Ms. Sheehan asked for clarification on the sustainable building methods issue and the smoking issue. Mr. Pavão explained that the basic state energy standards required on all new construction have become more rigorous and applicant scores were dependant on exceeding those standards. As a result, staff has reduced the percentage by which applicants must exceed the standard and the number of points and applicant may be awarded for that. In addition, staff has proposed that more meaningful features on the menu be awarded two points while others are awarded one point of the possible eight points in that category. Staff has also proposed that the menu of items to achieve those eight points include an option for providing smoke-free units.

Mr. Pavão also noted that staff is proposing an additional basis boost for meaningful design features, such as environmentally friendly building materials like bamboo flooring.

Ms. Sheehan expressed concern about the proposal to allow the Executive Director to correct technical clerical mistakes on 9% applications. Mr. Pavão explained that this was proposed because in the past, if a page was unintentionally

omitted from an application due to a reproduction error, the application had to be rejected. This provision would allow the Executive Director to request that information from the applicant so that the application could move forward in the process. Mr. Pavão explained that this provision would not extend to basic threshold items. Ms. Sheehan suggested that the language be modified to specify “technical clerical, non-substantive errors.”

Mr. Pavão suggested that the language read, “...the Executive Director, at his or her sole discretion, determines that the deficiency is a clear reproduction or application assembly error, or an obviously transposed number.” The Committee also requested that the Executive Director report back to the Committee on what errors were found and how they were corrected at the first Committee meeting after the application deadline.

Mr. Joel Rubezahl, expressed concern that this may limit staff’s latitude to make corrections that they already have the discretion to correct. Ms. Sheehan explained that this would not limit the staff’s discretion in any way, but rather enhance the ability to make these additional corrections.

Ms. Aronberg asked about the nature of public comments on the smoke-free issue. Mr. Pavão explained that there was an aggressive campaign by health officials and organizations that promote smoke-free environments on the detriments of second-hand smoke. Ms. Sheehan asked about how this provision would be enforced and Mr. Pavão explained that it would be a condition of the resident’s lease.

Ms. Judy Nevis stated support for increasing the basis of 4% projects because it helps the viability of those projects.

Ms. Christine Weichart, Sacramento Housing and Redevelopment Agency, asked the Committee to consider changing the balanced community section of the regulations. She stated that projects in new growth areas that are competing for 9% credits are not competitive due to the inability to secure site amenity points. She suggested that the section be amended to grant site amenity points to projects if inclusionary zoning ordinances had already been adopted and if those ordinances included affordable units in new development areas.

Mr. Eliopoulos summarized that the Committee would be voting on the regulations as proposed by staff, with the exception of the homeless apportionment section and with the amended language relating to the Executive Director’s ability to correct application errors. That language would read, “...the Executive Director, at his or her sole discretion, determines that the deficiency is a clear reproduction or application assembly error, or an obviously transposed number.”

**MOTION:** Ms. Sheehan moved to adopt the staff recommendation as amended. Ms. Aronberg seconded. The motion passed.

5. Discussion and consideration of applications for award or reservation of federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão recommended approval of the following projects with standard conditions:

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
05-925	Fortuna Family Apartments	\$255,774
05-927	Willow Creek Apartments	\$224,894
05-931	Fireside Apartments	\$578,993
05-932	Casa Real Apartments	\$810,769
06-801	The Crossings at Santa Rosa	\$497,685
06-802	Las Rosas Courts	\$605,963

There were no appeals.

MOTION: Ms. Sheehan moved to adopt staff recommendations. Ms. Aronberg seconded the motion. The motion passed.

6. Other Business.

There was no other business.

7. Public Comment

There was no public comment.

9. Adjournment.

The meeting was adjourned at 2:30 pm.