

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the February 21, 2007 Meeting

1. Roll Call.

Bill Lockyer, State Treasurer, is the chair for the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Lockyer called the meeting to order at 2:20 p.m. Also present: Cindy Aronberg for John Chiang, State Controller; Anne Sheehan for Michael Genest, Director of the Department of Finance; Judy Nevis for Lynn Jacobs, Director of the Department of Housing and Community Development; Theresa Parker, Executive Director of the California Housing Finance Agency; and Kathleen Paley, County Representative.

2. Approval of the minutes of the December 13, 2006 Committee meeting.

No public comment.

MOTION: Ms. Sheehan moved to adopt the minutes of the December 13, 2006 meeting. Mr. Lockyer seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão announced that in February TCAC would hold two workshops where staff will explain the procedures for completing a tax-credit application. He mentioned that the first workshop would be held in Fullerton and second in Sacramento.

Mr. Pavão also announced that staff has finalized the deadlines for the first and second round competitive tax-credit applications. He stated that the first round applications would be due by 5:00 p.m. on March 22, 2007 and the second round applications would be due by 5:00 p.m. on July 12, 2007. The Committee would meet on June 9, 2007 to vote on the first round applications and on September 19, 2007 to vote on the second round applications.

Mr. Pavão reminded the Committee that in 2006 staff allowed applicants to drop off their competitive applications at the State Treasurer's Office in Los Angeles. He announced that staff would not accept applications at the Los Angeles office this year due to the high volume of applications received in the previous year. To accommodate applicants in distant locations, Mr. Pavão explained that TCAC will accept an application received after the deadline provided the application was given to an express mail courier by 5:00 p.m. on the due date for overnight delivery.

Mr. Pavão informed the Committee that TCAC would hold Outreach Forums in the spring of 2007 to solicit ideas and comments from stakeholders and program users.

No public comment.

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 explained that staff has proposed changes to some of the current TCAC regulations in order to clarify certain policies. He stated that staff has clarified the language in the regulations, which explains the scoring policy for projects with scattered sites. Staff has also clarified that applicants may contract for nearby service amenities rather than provide duplicative services on-site. Additionally, proposed changes would clarify the Committee's authority to deny tax-credits to low-scoring applicants. Mr. Pavão explained that the Committee might withhold tax-credits from low-scoring applicants and roll any remaining credits into the next competitive round. He explained that the Committee also has the authority to set a minimum score prior to a given round.

Mr. Pavão announced that staff has proposed the elimination of the second tiebreaker, location within a Qualified Census Tract or other zone, for competitors in the rural set-aside. Non-rural applicants would still be held to the second tiebreaker.

Mr. Pavão reported that staff has proposed a regulation change that raises the basis limits from which 4% tax credits are calculated. The current basis limit of 100% would be raised to 120%. Mr. Pavão stated that the increased basis limit would allow more equity to flow into 4% tax-credit projects. He announced that staff recommended a 10% increase to the basis limits from which 9% tax-credits are calculated, but only in regions where staff has determined the current basis limits are overly restrictive.

Bob Lawler, from St. Anton Partners, approached the Committee and commented on a proposed regulation change, which staff recently elected to remove. He explained that the change would have eliminated a TCAC requirement that 10% of the project units be affordable to households earning 50% of median area income or less. He stated that the existing requirement creates a hardship for large projects applying for 4% tax-credit by taking away from rent revenue.

Mr. Pavão stated that TCAC would keep the existing 10% requirement because the majority of developers have been willing and able to meet the requirement. He stated that TCAC received several comments in January urging staff to keep the existing policy. Committee member Paley noted that redevelopment agencies in California also have a requirement that funded projects provide 10% of the units to households earning 50% of the area median income or less.

Darren Bobrowski, from Capital Valley Investments, approached the Committee to comment. Mr. Bobrowski asked the Committee to reconsider removing the 10% requirement. He explained that the loss of rent revenue resulting from the requirement has made his company less competitive with private market rate developers.

Mike, from CSCDA, approached the Committee to comment. He agreed with Mr. Lawler and Mr. Bobrowski regarding the existing TCAC policy requiring 10% of the project units to be affordable to households earning 50% of median area income or less. He suggested that the Committee postpone a decision on the issue until more developers have an opportunity to discover the issue and make comments.

Anne Sheehan asked if anyone would like to speak in support of keeping the 10% requirement.

Karen Douglas, from Contra Costa County, commented that she supports the 10% requirement and TCAC's decision to keep the current regulation in place.

Mr. Lockyer asked if any member of the Committee would like to make a motion to change the existing regulation. No motion was made. Mr. Lockyer stated that the current regulation would stay in place.

Ms. Sheehan asked Mr. Pavão how applicants would be impacted by the regulation change, which eliminates the Second Tie-Breaker. Mr. Pavão replied that the current tiebreaker policy has resulted in more applicants developing projects within rural qualified census tracts. He stated that recent market studies show some rural areas have become saturated with tax credit projects. He explained that by eliminating the Second Tie-Breaker, applicants would not be as likely to develop in rural areas where there is insufficient demand.

Mr. Pavão announced that staff has proposed the elimination of the second tiebreaker, which is described in the current regulations. He stated that the change would be applied only to those applicants participating in the rural set-aside competition.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Aronberg seconded and the motion passed unanimously.

5. Discussion and Consideration of a Resolution Amending the Qualified Allocation Plan.

Mr. Pavão stated that TCAC staff added paragraph to the Qualified Allocation Plan. He explained that the new language provides statistical data regarding homeless populations in California.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Aronberg seconded and the motion passed unanimously.

6. Discussion and Consideration of setting a minimum point requirement for competitive first round applications.

Mr. Pavão stated that the current regulations give the Committee authority to deny an applicant tax-credits if the Committee feels the application score is too low.

He recommended the Committee enforce a minimum required score to be achieved by applicants in the first round 9% tax-credit competition. He explained that rural project applications would be required to score a minimum of 121 points out of a possible 146. Non-rural applications must score 130 of the 155 possible points. Mr. Pavão stated that enforcing the required minimums in the second round might not be necessary. He explained that applicants tend to behave more competitively in the second round.

Ms. Douglas approached the Committee to comment. She requested the Committee postpone its decision to require developers to achieve minimum scores on their applications. She explained that her company would like more time to work with applicants in non-rural communities that cannot achieve some of the amenity points available to other developers.

Ms. Paley asked Mr. Pavão how the non-rural or new-growth communities Ms. Douglas mentioned could overcome the competitive disadvantage. Mr. Pavão replied that staff is working to address that issue, however, the goal of current TCAC policy is to fund projects in areas where tenants may benefit from a variety of nearby service amenities.

MOTION: Ms. Aronberg moved to approve staff recommendations. Ms. Sheehan seconded and the motion passed unanimously.

7. Discussion of and Action on 2006 and 2007 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects, and appeals filed under TCAC Regulation Section 10330.

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
CA-2006-852	San Luis Bay Apartments	\$651,523
CA-2006-911	Central Avenue Villa	\$126,525
CA-2006-923	16 th & Market Apts.	\$2,304,247
CA-2007-800	9th and Jessie Senior Housing	\$1,413,129
CA-2007-801	10th and Mission Family Housing	\$2,422,901
CA-2007-802	Morgan Place	\$701,987
CA-2007-803	Arnett Watson Apartments	\$1,096,065
CA-2007-804	Villa Gardenias Senior Apts.	\$998,276
CA-2007-805	Queen Apartments	\$604,306
CA-2007-806	The Rivers Senior Apartments	\$718,517
CA-2007-813	Lexington Green Apartments	\$747,954

Mr. Pavão informed the Committee that one project, Mariposa Place Apartments CA-2007-807, was withdrawn at the applicant's request.

With regard to Agenda Item 7, Ms. Aronberg read the following statement:
“While the Controller does not legally believe he has a conflict with any of the

project participants involved with the current applications and reservations, out of an abundance of caution I not vote on this item at this meeting.”

MOTION: Ms. Sheehan moved to approve staff recommendations. Mr. Lockyer seconded and the motion passed unanimously.

8. Public Comment.

There was no public comment.

9. Adjournment.

The meeting adjourned at 3:15 p.m.