

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

1. Roll Call.

Bettina Redway for Bill Lockyer, State Treasurer, chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 2:00 p.m. Also present: Cindy Aronberg for John Chiang, State Controller; Anne Sheehan for Michael Genest, Director of the Department of Finance; Lynn Jacobs, Director of the Department of Housing and Community Development; and Theresa Parker, Executive Director of the California Housing Finance Agency. County Representative, Kathleen Paley, was absent.

2. Approval of the minutes of the February 21, 2007 Committee meeting.

No public comment.

MOTION: Ms. Sheehan moved to adopt the minutes of the February 21, 2007 meeting. Ms. Aronberg seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão announced that TCAC held two application-training workshops in February. The first workshop was held in Sacramento and the second in Fullerton. Mr. Pavão noted that both workshops were well attended.

Mr. Pavão reminded the Committee that the First Round 9% applications are due on March 22<sup>nd</sup>, and announced that TCAC would accept applications received after the due date provided the applications were given to an express mail courier for overnight delivery by 5:00 p.m. on March 22<sup>nd</sup>.

Mr. Pavão reviewed the schedule for the upcoming TCAC Outreach Forums. He announced that the first forum would be held in Sacramento and the second in Oakland. He also stated that subsequent forums would be held in San Diego, Los Angeles, and Fresno.

Mr. Pavão informed that Committee that staff posted a notice on the TCAC website, providing guidance on state prevailing wages as they relate to State credits. He explained that staff is awaiting a court ruling as to whether state low income housing tax credits invoke State prevailing wage requirements. Mr. Pavão announced that until the court decides the matter, TCAC would accept applications for state credits reflecting prevailing wages assumptions as well those that do not. That is, the discretion lies with the applicant. Applicants must, however, pay prevailing wages if they included prevailing wage costs in their submitted development budget, and received the associated basis limit boost for prevailing wages.

Mr. Pavão stated that staff would likely recommend a regulation change before the Second funding round. He explained that the change would give staff greater administrative latitude when deciding to which projects TCAC would offer state credits in exchange for federal credits.

Mark Hyatt, from KDF Communities, commented on a recently adopted regulation that requires 10% of project units to be affordable for households earning 50% of median area income or less. Mr. Hyatt stated the regulation placed a significant financial strain on larger 4% projects. He explained that developers are having difficulty financing bond projects due to rising land, construction, and other costs.

Ms. Redway suggested that Mr. Hyatt submit his comments to Mr. Pavão in writing. She also announced that the Committee would hear public comments at the end of the meeting.

4. Discussion and Consideration of a Resolution Establishing the 2007 Tax Credit Ceilings for Federal and State Low Income Housing Tax Credits and the Percentage Reservations for the two Funding Cycles and an adoption of a 2007 meeting schedule.

Mr. Pavão referred the Committee to a chart in their binders showing the estimated amount of federal credit available in California region for 2007. He explained that staff accounted for any returned credits and any over-allocations that occurred in 2006.

Mr. Pavão stated that the resolution seeks approval to disclose the 2007 tax credit estimates to the public. He explained that the resolution also seeks approval of the 2007 TCAC meeting calendar. Ms. Redway suggested TCAC change the meeting scheduled for May 16<sup>th</sup> to May 23<sup>rd</sup> in order to coordinate with CDLAC. Mr. Pavão stated that TCAC recommends the proposed schedule with the amended May meeting date.

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

5. Discussion of and Action on 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-2007-807	Mariposa Place Apartments	\$1,065,876
CA-2007-808	San Pedro Apartments	\$530,322
CA-2007-809	Point Natomas Apartments	\$1,220,268
CA-2007-810	Uptown Apartments	\$1,654,158
CA-2007-812	Cape Cod Senior	\$215,452
CA-2007-814	The Shadows	\$1,123,140
CA-2007-815	Coventry Place Apartments	\$321,069
CA-2007-816	Wilshire & Minnie Apartments	\$819,913
CA-2007-817	Citrus Manor Apartments	\$179,525
CA-2007-818	Bristol Apartments	\$171,538
CA-2007-821	Eureka Family Apartments	\$310,964
CA-2007-822	Granite Court	\$1,131,772

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

With regard to projects CA-2007-808 San Pedro Apartments and CA-2007-810 Uptown Apartments, Ms. Aronberg read the following statement: "While the Controller does not believe he has a legal conflict of interest with any of the project participants involved, in an abundance of caution I will not vote on the two projects, which are Uptown Apartments and San Pedro Apartments."

MOTION: Ms. Sheehan moved to approve staff recommendations, excluding Uptown Apartments and San Pedro Apartments. Ms. Aronberg seconded and the motion passed unanimously.

MOTION: Ms. Sheehan moved to approve staff recommendations to fund Uptown Apartments and San Pedro Apartments. Ms. Redway seconded and the motion passed, with Ms. Aronberg abstaining.

6. Public Comment.

Kipp Sheppard, from Wasach Advantage Group, stated that he was not present when at the February TCAC meeting where the Committee voted on the regulation that requires 10% of project units to be affordable for households earning 50% of median area income or less. Mr. Sheppard stated that he would like to provide the Committee with an example of how the 10% requirement puts a financial strain on developers of tax-exempt bond projects. He stated that Wasach Advantage Group is currently reviewing two projects in Sacramento for potential acquisition. He explained that the company would have difficulty acquiring these projects due to rising land and construction costs. He suggested that removing the 10% requirement would have provided significant financial relief for his agency.

Darren Brobowski, Capitol Valley Investments, stated that he would like to reiterate what Mr. Sheppard stated about the regulation that requires 10% of project units to be affordable for households earning 50% of median area income. Mr. Brobowski stated that the loss of rent revenue resulting from 10% requirement has made his company less competitive with private market rate developers and encouraged the Committee to consider reopening the issue.

Mike Lepp, California Statewide Community Development Authority, stated that he would like to reiterate again the comments made Mr. Sheppard and Mr. Brobowski. He suggested that the Committee align its policy with that of CDLAC in order to provide financial relief for developers facing increased construction costs.

Ms. Redway thanked Mr. Sheppard, Mr. Brobowski, and Mr. Lepp for their comments. She suggested that they send their comments and any examples of financial impact in writing to Mr. Pavão for review.

7. Adjournment.

The meeting adjourned at 2:20 p.m.