

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the May 23, 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 (via conference call) for John Chiang, State Controller; Anne Sheehan for Michael Genest, Director of the Department of Finance; Theresa Parker, Executive Director of the California Housing Finance Agency; Lynn Jacobs, Director of the Department of Housing and Community Development. Kathleen Paley, County Representative was absent.

2. Approval of the minutes of the April 18, 2007 Committee meeting.

No public comment.

MOTION: Ms. Redway moved to adopt the minutes of the April 18, 2007 meeting. Ms. Aronberg (via conference call) seconded. Roll was called again and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão announced that TCAC is in process of finalizing scoring of the 9% applications. TCAC has received 91 applications and expects to recommend approximately 30 of those for funding. These will be brought before the Committee on June 6. TCAC is supporting legislation by Senator Lowenthal that proposes to permit the bifurcation of State and federal credits in a given project that is receiving votes; and, this legislation would also make a change to the farm-worker Housing Assistance program that currently resides in State statute; which is in a form that is not particularly useful to our program users. It would eliminate this program and shift to the State Low-Income Housing Tax Credit Code and add a set-aside for farm-worker projects, but having the same dollar amounts available. This should result in a more user-friendly program for farm-worker housing.

Ms. Redway asked for the current status of this bill. Mr. Pavão reported that the bill is currently on the suspense calendar before the Senate Appropriations Committee. The reason for the bill being placed on suspense is that the Franchise Tax Board (FTB) has estimated the bifurcation change would result in an additional tax expenditure of approximately \$500,000 in fiscal year 2007/08, and \$3 million in 2008/09. TCAC does not understand FTB's analysis and conclusion. FTB has stated that they are comparing what TCAC has issued as 3521-A tax forms against what has actually been claimed by taxpayers against their state tax liability within given years and concluding that some awarded State credits are ultimately not taken. They expect bifurcation to end that dynamic, resulting in a greater tax expenditure. TCAC doubts that taxpayers are not taking

State tax credits in large numbers and is currently working on a resolution to this situation while the bill is on suspense.

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

Mr. Pavão announced a set of eight projects, (10 originally submitted, 2 having been withdrawn). Staff recommends approval of the eight remaining projects. Almond Tree was withdrawn by CDLAC, so TCAC could not entertain the application. TCAC staff expect this project to be resubmitted in June.

Ms. Aronberg, on behalf of State Controller John Chiang abstained on three projects: Lachen Tara Apartments (837); Paseo del Rio Apartments (838); and Paseo Santa Clara (839).

MOTION: Ms. Aronberg moved to approve staff recommendations on all other remaining items. Ms. Sheehan seconded and the motion passed unanimously.

No public comment. Roll was called again.

Cindy Aronberg (via conference call) was then placed on mute status; this acknowledged her abstention from the vote. Ms. Sheehan moved for approval on the three projects noted above. Ms. Redway seconded and the motion passed unanimously.

No additional public comments. Roll was called again. Ms. Aronberg rejoined the meeting via conference call.

<u>Project #</u>	<u>Project Name</u>	<u>Credit Amount</u>
CA-2007-831	Almond Tree Village	
CA-2007-832	Breckenridge Village	
CA-2007-833	Fox Courts	\$1,482,458
CA-2007-834	Oak Park Senior Villas	\$303,059
CA-2007-835	Tannery Artist Lofts	\$1,519,118
CA-2007-836	Riverstone Apartments	\$803,532
CA-2007-837	Lachen Tara Apartments	\$386,812
CA-2007-838	Paseo del Rio Apartments	\$1,096,129
CA-2007-839	Paseo Santa Clara Apartments	\$837,131
CA-2007-841	HDR I & II Portfolio	\$448,695

5. Discussion of changing Regulation Section 10317 State Tax Credit exchange method of administrating the State credit exchange for the competitive second round applications.

This item is for discussion only. Mr. Pavão stated that this is the provision that describes how TCAC will conduct the State tax credit exchange for federal credits. This typically occurs in the second round of a given year, when TCAC has a balance of State credits and all of the federal credits have been awarded.

Current regulations are very directive, and TCAC staff seeks some discretion when offering these exchanges to account for circumstances where a State-for-federal credit exchange have an adverse fiscal impact on a project, or jeopardize it's ability to move forward.

TCAC proposes to put the proposed regulation change out for public comment and has provided information to the Committee. The proposed change, with reasons, will be posted on our website for public comment and a hearing will be held in late June 2007, and this will be brought before the Committee after that meeting.

No public comment.

Adjournment at 2:10 pm.