

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the July 25, 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 2:10 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; Dennis Meidinger for Theresa Parker, Executive Director of the California Housing Finance Agency; and Elliot Mandell for Lynn Jacobs, Director of the Department of Housing and Community Development. Kathleen Paley, County Representative was absent.

2. Approval of the Minutes of the June 6, 2007 Committee Meeting.

No public comment.

MOTION: Ms. Sheehan moved to adopt the minutes of the June 6, 2007 meeting. Ms. Aronberg (via conference call) seconded. Roll was called again and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão reported that TCAC received 110 applications for the second 9% competitive round. He estimated that 35 of the project applications received would qualify for funding.

Mr. Pavão announced that on June 15th staff posted a link on the TCAC website, which provides a draft of the new method for establishing basis limits. Staff also posted a message requested that program users compare the proposed method with the current method to determine the impact to the project. Mr. Pavão reported that public comments about the new methodology have been mostly favorable.

Executive Director's report concludes.

4. Discussion and Consideration of the 2007 First Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) and appeals filed under TCAC Regulation Section 10330.

Ms. Aronberg made the following statement: "Due to the law providing that the Controller has a conflict of interest with a particular financial institution when that financial institution is involved in any transaction the Controller does not participate in voting on that item."

Ms. Aronberg, on behalf of State Controller John Chiang abstained on three projects: University Village (848); Oak Ridge Senior (853); and 125 Mason Street (861).

Cindy Aronberg (via conference call) was then placed on mute status; this acknowledged her abstention from the vote.

Mr. Pavão noted that 125 Mason Street (861) is a 14 story high-rise building located on a relatively small site in the city of San Francisco. The development costs are estimated to be \$611,000 per unit, which is 20% above the most expensive project TCAC has ever funded. Mr. Pavão explained that a private for-profit developer would invest the bulk of the development costs for the project. The private capitol investment is part of an inclusionary requirement imposed by the city of San Francisco. Mr. Pavão pointed out that the only public funds the owner has applied for are tax-exempt bond financing and low-income housing tax credits. He invited the project sponsor and their representatives to join the meeting and provide the committee with additional information about the costs of the project.

Sean Jeffries, representing project sponsor Millennium Partners, joins the meeting. Mr. Jeffries explained that his firm has partnered with Glide Economic Development Corporation in the development of 125 Mason Street in order to satisfy the city's inclusionary requirements. City and county policy dictates that the size of the project units must be comparable to market rate units. Mr. Jeffries stated that the large size of the units coupled with rising construction costs have contributed to overall expense of the project.

Mr. Pavão stated that while this is the most expensive project staff has ever seen, it is not the most expensive approved on a per square foot basis. In the past staff approved two other San Francisco projects with a per square foot cost of \$378 and \$382 respectively. Mr. Pavão pointed out that recommending 125 Mason for funding would not set any precedent going forward with the program.

MOTION: Ms. Sheehan moved for approval of the following projects: University Village (848); Oak Ridge Senior (853); and 125 Mason Street (861). Ms. Redway seconded the motion. Roll was called again and the motion passed.

Ms. Aronberg rejoined the meeting via conference call.

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

5. Discussion and Consideration approving clarifying changes to the regulatory provision describing the exchange of state and federal tax credits.

Mr. Pavão explained that toward the end of the funding year staff may find there is a surplus of state credits and an oversubscription of 9% federal credits. Current regulations allow staff to exchange federal credits for unused state credits. The proposed regulation change would result in a more clear description of TCAC ability to determine when exchanging state credits into a project is appropriate.

No public comment.

MOTION: Ms. Sheehan moved to approve staff recommendations. Ms. Aronberg (via conference call) seconded. Roll was called again and the motion passed unanimously.

6. Public Comment.

There was no public comment.

7. Adjournment.

Meeting adjourned at 2:45 pm.