

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the September 26, 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 for John Chiang, State Controller; Vince Brown for Michael Genest, Director of the Department of Finance; Theresa Parker, Executive Director of the California Housing Finance Agency; Elliott Mandell for Lynn Jacobs, Director of the Department of Housing and Community Development; and County Representative, Kathleen Paley.

2. Approval of the minutes of the August 15, 2007 Committee meeting.

No public comment.

MOTION: Mr. Brown moved to adopt the minutes of the August 15, 2007 meeting. Ms. Aronberg seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão announced that staff has finalized the recommendations for the Second Round of 9% and 4% with State tax credit awards. Additionally staff has recommended awards for several 4% tax-exempt bond projects.

Ms. Aronberg commented on the proposed regulation changes for 2008. She emphasized the importance of incorporating "green building" standards into the TCAC scoring system. She thanked Mr. Pavão for his past efforts to promote green building standards.

4. Discussion and Consideration of an appeal filed under TCAC Regulation Section 10330 for CA-2007-149 Tanager Springs I.

Ms. Paley made the following statement: "I would like to excuse myself at this time on the advice of council."

Ms. Paley exited the meeting.

Mr. Pavão introduced the discussion by summarizing staff's actions regarding the Tanager Springs I application. The Tanager Springs I application was preceded by a successful first-round 2007 application for Tanager Springs II. The two-phased project is proposed on the same site, and the first-round application received points for, among other things, being proximate to a "full-scale grocery store/supermarket." Following the first round award decisions, staff received a complaint that the store in question, the "Pick Quick," was a "convenience market" rather than a full-scale grocery store/supermarket. Upon receiving the

second round application for the second phase, TCAC compliance monitoring staff visited the site and confirmed that the store in question was a convenience store. As a result, the Tanager Springs I application lost a point under “site amenities” and was unsuccessful in competing for credits within the Central geographic apportionment.

The applicant appealed the decision ultimately to the Executive Director, who upheld staff’s determination regarding the market. Compliance staff had, by now, visited the Fresno market twice, and photographed the interior and exterior.

Mr. Pavão showed the committee and audience pictures that staff took during two visits to the Quick Pick. He informed the Committee that the store is not licensed to sell fresh meat. Based upon those photographs and the reasonable person understanding of the terms “full-scale grocery store/supermarket” and “convenience market.” Mr. Pavão continued to view the scoring as appropriate.

Mr. Gary Squire, representative of Tanager Springs I, then addressed the Committee and commented that the Quick Pick is a “neighborhood grocery that supplies meat, vegetables, and staples”. He stated that his company did not misrepresent the market in any way. Mr. Squire also presented photographs of the Quick Pick to the Committee.

Ms. Parker asked Mr. Squire how TCAC should handle a situation where a market does not have a license to sell fresh meat.

Mr. Squire responded that a small market like Quick Pick does not butcher and package meat at the store. Rather the store receives prepackaged meats, which does not require the license Mr. Pavão mentioned.

Ms. Redway asked if there were any comments in support of the Tanager Spring I appeal.

The community development manager for the City of Fresno commented that Tanager Springs I met the scoring criteria described in the TCAC amenity regulations.

Mr. Stephen Pelz, Executive Director of the Housing Authority of County of Kern spoke in support of staff’s position to deny the Tanager Springs appeal. He stated that another recommended project, Village Park proposed in Bakersfield, could lose their award of credits if the Committee voted in favor of the pending appeal.

Ms. Margaret Jung commented that Village Park would have received a 9% tax credit award in the First Round if the Tanager Springs had received the correct points for site amenities. She stated that Village Park would be harmed once again in the Second Round if the Committee grants the appeal.

Mr. Joel Rubenzahl, a representative from Community Economics, commented that the Committee would send a negative message to developers should they decide to grant the Tanager Springs appeal.

Ms. Redway asked Mr. Pavão what alternate courses the Committee might take regarding the Tanager Springs appeal.

Mr. Pavão described the options before the Committee: Grant the appeal and award the additional point to Tanager Springs I; deny appeal and withhold the point; or deny the appeal and withhold the point, but fund Tanager Springs as a priority project using the Supplemental Set-Aside from 2008 or the current year if enough credits are returned before December 31, 2007. The Committee could choose the third course if it concluded that regulatory ambiguity and the appellant's reliance upon the first-round scoring created a priority purpose.

Motion: Mr. Brown motioned to deny the appeal filed for Tanager Springs I.

Substitute Motion: Ms. Aronberg moved that the Committee reserve current year supplemental set-aside funds for Tanager Springs in the event the project cannot obtain MHP credits. Neither Ms. Redway nor Mr. Brown seconded the motion. The motion died for lack of a second.

Motion: Ms. Redway moved to amend Mr. Brown's motion to deny the Tanager Springs appeal, stating that the project should be classified as a "priority project" in order to receive set-aside funds. Ms. Aronberg seconded the motion. The motion carried on a role-call vote with Ms. Redway and Ms. Aronberg voting in favor, and Mr. Brown voting against the motion.

Ms. Paley re-entered the meeting.

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

Executive Director Pavão presented the list of recommended applications for 9 percent and 4 percent with state credits.

Ms. Aronberg made the following statement: "Due to a potential conflict of interest connected with a former income source to the Controller's family the Controller will not be participating in Items CA-2007-093, CA-2007-114, CA-2007-116, and CA-2007-175.

Ms. Aronberg exited the meeting.

MOTION: Mr. Brown moved to approve staff recommendations regarding only projects CA-2007-093, CA-2007-114, CA-2007-116, and CA-2007-175. Ms. Redway seconded and the motion passed.

Ms. Aronberg re-entered the meeting.

MOTION: Mr. Brown moved to approved staff recommendations, excluding projects CA-2007-093, CA-2007-114, CA-2007-116, and CA-2007-175. Ms. Aronberg seconded and the motion passed unanimously.

6. Discussion and Consideration of a Resolution, establishing a Waiting List of pending Applications listed under Agenda Item #5, provided that Credit becomes available and such Applications are complete, eligible, and financially feasible.

MOTION: Mr. Aronberg moved to approve staff recommendations. Mr. Brown seconded and the motion passed unanimously.

7. Discussion and Consideration of the 2007 Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects and appeals filed under TCAC Regulation Section 10330. Staff recommends exceeding the initial 15% set-aside as allowed by Section 10317(h)(5).

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

8. Discussion and Consideration of 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.

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

9. Public Comment.

No public comment.

10. Adjournment.

The meeting adjourned at 3:15 p.m.