

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the September 22, 2010 Meeting

1. Roll Call.

Bettina Redway for State Treasurer Bill Lockyer chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Redway called the meeting to order at 2:25 p.m. Also present: Cindy Aronberg for State Controller John Chiang; Cynthia Bryant for the Department of Finance Director Ana Matosantos; Executive Director of the California Housing Finance Agency Steven Spears; Department of Housing and Community Development Director Lynn Jacobs; County Representative David Rutledge; and City Representative Christopher Armenta.

2. Approval of the Minutes of the July 28, 2010 Meeting.

MOTION: Ms. Aronberg moved to adopt the minutes of the July 28, 2010 meeting. Ms. Bryant seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Mr. Pavão updated the Committee regarding the 37 First Round 9% projects approved at the June meeting. He explained that project owners had 90 days from the tax credit reservation date to provide TCAC with a letter of intent from their equity partner. He reported that all 37 projects were able to secure an equity partner and met the 90-day deadline. Mr. Pavão stated that the tax pricing was very attractive for some projects. He explained that pricing ranged from a low of \$0.72 up to \$0.93. Mr. Pavão advised the Committee that project owners were currently working to meet the 150-day readiness deadline.

Mr. Pavão announced that staff was working on a meeting schedule for the 2011 meetings. He stated that TCAC meetings could be scheduled at earlier times to accommodate members traveling from southern California.

Mr. Pavão thanked the staff for all their work processing the Second Round 9% applications.

4. Discussion and Consideration of the 2010 Second Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão reported that TCAC received applications for 146 projects requesting approximately \$155 million in annual federal credit and \$66 million in state credits. He summarized that staff recommended 38 projects for Committee approval. The recommended projects requested approximately \$40.9 million in annual federal credits and \$11.7 million in state credits. Mr. Pavão noted that all but one of the projects received the maximum 146 points and all had good tie-breaker scores.

Mr. Pavão reported that staff relied upon a letter from United States Department of Agriculture (USDA) Rural Development to qualify a First Round project called Vineyards at Menifee in the rural set aside. The letter was dated January 19, 2010 and

written by USDA analyst, Judy Twilley. Mr. Pavão quoted the letter stating that the project site in Menifee was “considered rural and eligible for the Section 515 Multi-Family Housing program”. He explained that staff scored the application based in part on information from Ms. Twilley’s letter. Mr. Pavão stated that it was common practice for staff to use on one of two methods to determine Section 515 eligibility. He stated that the most common method was to look up the project on the USDA Rural Redevelopment’s list of designated places for Section 515 housing. He stated that in some cases, TCAC would also accept a letter from a USDA official, stating that project was located in an eligible rural area even though the project was not on the USDA’s list of designated places. Mr. Pavão reported that staff conducted additional research and determined that Vineyards at Menifee was not qualified to be in the rural set aside. He recommended that the project receive funding out of the supplemental set aside rather than the rural set aside. He further recommended the Committee consider two additional rural set aside applications at the October meeting to ensure that TCAC met its statutory obligations described in the Statutes Set Aside for Allocation to Rural Areas.

Mr. Rutlege exited the meeting.

Linda Mandolini commented on the project called Arroyo Vista located in the north and east bay region. She stated that the project’s tie-breaker score was 111% and that an enormous amount of funding was committed to the project. Ms. Mandolini commented that she was concerned that the floor will be set by a Mid-Peninsula project that scored 113%. She asked the Committee if special consideration could be given in the Second Round for the north and east bay region given that last year two projects returned \$4.4 million in credits to the general pool. She explained that the funds were returned to the state as a whole and not the north and east bay region specifically. She asked the Committee how smaller jurisdictions that received high tie-breaker scores may predict the outcome of future competitions. She asked if the Committee to consider creating a waiting list for credits returned by projects in specific regions. She expressed concern about the increasing demand for local public subsidy funds caused by the tie-breakers.

Mr. Redway thanked Ms. Mandolini for her comments. She stated that the staff would look for opportunities to resolve some of the issues she brought up.

MOTION: Ms. Bryant moved to adopt staff recommendations. Ms. Aronberg seconded and the motion passed unanimously by a roll call vote.

Mr. Rutlege re-entered the meeting.

5. Discussion and Consideration of 2010 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.

Mr. Pavão reported that TCAC received just 2 applications for 4% plus state credit funding. He stated that the projects were reviewed for feasibility and compliance with federal and state requirements. He recommended them for Committee approval.

MOTION: Ms. Bryant moved to adopt staff recommendations. Ms. Aronberg seconded and the motion passed unanimously by a roll call vote.

6. Discussion and Consideration of a Resolution Authorizing the Executive Director of California Tax Credit Allocation Committee to Sign Contracts and Interagency Agreements.

Mr. Pavão explained that each year TCAC staff requested Committee approval of a resolution that gave the executive director of TCAC authority to enter into an administrative agreement with the State Treasurer's Office (STO) for a specified dollar amount.

Ms. Vergolini stated that Section 1 of the Resolution gave the executive director authority to enter into an administrative agreement with STO for an amount not to exceed \$610,000. She stated that the administrative contract provides TCAC with business services and personnel related services. Ms. Vergolini stated that Section 2 of the Resolution gave the executive director authority to enter into other interagency agreements or external contracts for up to \$250,000.

Mr. Pavão asked Ms. Vergolini if the amounts stated in the proposed resolution were about the same as last year.

Ms. Vergolini stated that the administrative agreement amount was \$20,000 less than the previous year. She stated that the amount for interagency agreements and external contracts was unchanged.

MOTION: Ms. Bryant moved to adopt staff recommendations. Ms. Aronberg seconded and the motion passed unanimously by a roll call vote.

7. Public Comment.

Stephen Nnodim, from USDA Multi-Family Housing, commented that he was glad Mr. Pavão and his staff was making sure that 20% of the set aside was allocated appropriately. He stated that he looked forward to working with TCAC to resolve issues resulting from staff's use of USDA opinion letters to determine rural eligibility.

8. Adjournment.

The meeting adjourned at 2:45 p.m.