

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the July 11, 2012 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 1:35 p.m. Also present: Alan Gordon for State Controller John Chiang; Pedro Reyes for the Department of Finance Director Ana Matosantos; Bob Deaner for California Housing Finance Agency Executive Director Claudia Cappio; Department of Housing and Community Development Director Linn Warren; and County Representative Lois Starr.

2. Approval of the minutes of the May 16, 2012 Committee meetings.

MOTION: Mr. Reyes moved to adopt the minutes of the May 16, 2012 meeting. Mr. Gordon seconded and the motion passed unanimously.

3. Executive Director's Report.

Mr. Pavão summarized that staff recommended a total of 72 projects for tax credit funding as shown on the Agenda.

Mr. Pavão reminded the Committee that TCAC had an Interagency Agreement (IA) with the State Controller's Office (SCO) that had expired. Under the IA, SCO helped TCAC review specific project files and internal systems. Mr. Pavão explained that TCAC was in the process of executing a new IA for the same services.

Mr. Pavão stated that in 2011 TCAC awarded 9% tax credits to 105 projects, some of which had Redevelopment Agency (RDA) funding commitments. He reminded the Committee that they approved regulatory changes, which extended the TCAC readiness deadline for some the RDA projects. Subsequently, TCAC granted extensions to 21 projects; 18 of which were able to meet the extended readiness deadline. 2 projects that did not meet the extended deadline were awarded 9% credits and 1 project was awarded 4% plus state credits. Mr. Pavão stated that the unused 9% credits would be returned to the Capital Northern and San Diego regions and re-awarded in the next funding round.

Mr. Pavão suggested that prior to the TCAC funding round meetings the Committee may prefer to receive the meeting materials in electronic format rather than in heavy binders.

Mr. Reyes stated that he preferred to access the materials with his iPad. He explained that he was a member of almost 50 boards and commissions, which distribute meeting binders in a variety of sizes. He explained that carrying binders

between his office and home was not practical. Mr. Reyes noted that there are monthly fees associated connecting a mobile device to the internet.

Ms. Redway stated that her agency was currently not permitted to purchase iPads.

Mr. Reyes stated that his iPad with not issued by the State of California; it was his own personal iPad.

Mr. Pavao stated that staff would continue researching ways for the Committee to access electronic files during the meetings.

4. Discussion and consideration of the 2012 First Round Applications for Reservation of Federal and State Low Income Housing Tax Credits (LIHTCs) and appeals filed under TCAC Regulation Section 10330.

Mr. Pavão stated that TCAC received 118 applications for First Round 2012 9% credits. Staff recommended 55 applications for funding. He explained that staff initially recommended 56 projects however; one project was removed shortly before the meeting. He explained that on the morning of July 10<sup>th</sup>, the sponsors of Park View Apartments (CA-2012-089) sent staff an email stated that they were withdrawing their project from the 9% competition. Mr. Pavão stated that staff was not prepared to recommend an alternative project. He concluded that the unused credits would be rolled over to the Second Round. He noted that applications for the Second Round competition were due by July 25<sup>th</sup>.

Mr. Pavão explained that staff tried to achieve public policy objectives when selecting projects for funding. The objectives include geographic and set aside parity, insuring various housing types are being represented fairly, and making sure sponsors are winning no more than 4 applications in any given round. He stated that when a project was removed from the funding list and substituted with another, there was a rippling effect throughout the rest of the competition. He explained that Park View Apartments was a large family project in San Diego County. The next project up for review in that county was a senior project. Mr. Pavão stated that if the senior project was successful in the competition, it would be the last senior project TCAC would recommend before the first tie-breaker began to score in favor of projects other than senior projects. Ultimately, TCAC would not be able to recommend another senior project anywhere else in the state. He noted that staff would have had to remove Bell Manor, a senior project in the North and East Bay Area, from the funding list. Mr. Pavão concluded that it was good public policy to remove Park View from the funding list and roll the unused credits into the next funding round.

Mr. Pavão stated that staff recommended 55 projects for 9% credits. He reported that the applicant success rate was 47%; consistent with the previous year awards. He stated that 19 of the recommended projects had RDA funding commitments. The RDA projects represented 34.5% of recommended pool.

Mr. Pavão stated that in 2011 the percentage of RDA projects awarded in the First Round was 64%. In the Second Round it was 54%. He stated that TCAC had been receiving fewer projects with RDA funding commitments.

Mr. Pavão stated that the average cost per unit among the recommended projects was approximately. He stated that the average cost per unit was about 16.6% less than it was in the previous year.

Mr. Gordon asked Mr. Pavão why costs went down.

Mr. Pavão stated that the number of recommended acquisition/rehabilitation (acq/rehab) projects increased from the previous year. He stated that 21 of 55 recommended projects were acq/rehab or rehab only. He explained that in 2011 acq/rehab projects represented 23% of the recommended pool. In the 2012 First Round that percentage increased to 38%. Mr. Pavão suggested the decrease in costs could be linked to the increase in acq/rehab projects. He noted that acq/rehab projects were usually less costly on a per unit basis. He stated that staff was exploring other possible reasons for the downward trend in costs.

Mr. Pavão reported that costs for new construction projects had also decreased. He stated that the average cost per unit was \$292,000 statewide. In the previous year it was \$316,000. He concluded that the average cost per unit for new constructions deals decreased by approximately 7.7%.

Mr. Reyes stated that he would move approval of all of the recommended projects except CA-2012-004, CA-2012-007, CA-2012-015, CA-2012-032, CA-2012-039, CA-2012-044, CA-2012-045, CA-2012-054, CA-2012-059, CA-2012-060, CA-2012-068, CA-2012-078, CA-2012-081, and CA-2012-087.

Ms. Redway asked if there were any comments from the public.

Paul Patierno approached the Committee to ask about Mr. Reyes abstentions .

Ms. Redway assured Mr. Patierno that the Committee would vote on the projects that Mr. Reyes abstained from.

Mr. Reyes explained that the Department Finance (DOF) has abstained from voting on RDA projects since the administration proposed to eliminate RDA's. He stated that in his opinion some of the RDA's moved money in order to be rid of any reserves they had. He explained that rather than trying to figure out which RDA's moved funds and where the funds were moved to, DOF took the position of abstaining from all projects that involved tax increment.

MOTION: Mr. Reyes moved to adopt staff recommendations regarding all the projects, except CA-2012-004, CA-2012-007, CA-2012-015, CA-2012-032, CA-2012-039, CA-2012-044, CA-2012-045, CA-2012-054, CA-2012-059, CA-2012-060, CA-2012-068, CA-2012-078, CA-2012-081, and CA-2012-087. Mr. Gordon seconded and the motion passed unanimously.

Kevin Payne, from Payne Development, stated that his firm had requested that TCAC combine the tax credit reservations for 2 projects, CA-2012-059 and CA-2012-060. He explained that the projects were in close proximity to each other and would be operated as one project.

Mr. Pavão stated that the 2 projects competed successfully in the Orange County regional apportionment. He explained that staff reviewed the applicant's request to determine if 1) the combined project would be feasible 2) the applicant's score would change in a way that would alter the outcome and 3) the combined project exceeded any limitations, such as developer fees. Mr. Pavão concluded that the combined project would remain compliant and successful in the funding competition.

Mr. Reyes asked why the projects were submitted separately if they were in close proximity.

Mr. Payne stated that his firm acquired the properties separately and formed separate partnerships for them. It was after the properties were acquired that Mr. Payne's firm realized they could build and operate them as a single project if they received tax credit reservations for the properties at the same time. He stated that combining the 2 projects would generate cost savings by eliminating the need for a second legal entity, partnership, cost certification, and construction loan.

Mr. Reyes suggested that Mr. Payne should be cautious and speak to his colleagues about how their ability to contract might be affected if the RDA commitment was no longer available.

Mr. Pavão stated that he would discuss the matter with legal counsel to confirm that TCAC had authority to carry out the applicant's request. He recommended the projects for approval in their current form.

MOTION: Mr. Gordon moved to adopt staff recommendations regarding only CA-2012-004, CA-2012-007, CA-2012-015, CA-2012-032, CA-2012-039, CA-2012-044, CA-2012-045, CA-2012-054, CA-2012-059, CA-2012-060, CA-2012-068, CA-2012-078, CA-2012-081, and CA-2012-087. Ms. Redway seconded and the motion passed.

5. Discussion and consideration of the 2012 First Round 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 stated that TCAC received 4 applications for 4% plus state tax credits. All 4 applicants met the various Federal and State requirements and scored above the publicized minimum score. Mr. Pavão recommended the projects for approval.

MOTION: Mr. Reyes moved to adopt staff recommendations. Mr. Gordon seconded and the motion passed unanimously.

6. Discussion and consideration of the 2012 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

Mr. Pavão stated that 2 applications were stricken from the original published agenda. The first was Village Grove Apartments CA-2012-849; the second was Ridgeview Terrace CA-2012-843. He recommended the remaining 13 projects for approval.

MOTION: Mr. Reyes moved to adopt staff recommendations regarding all the projects, except CA-2012-834. Mr. Gordon seconded and the motion passed unanimously.

MOTION: Mr. Gordon moved to adopt staff recommendations regarding only CA-2012-834. Ms. Redway seconded and the motion passed.

Mr. Pavão thanked Anthony Zeto and his development staff for their efforts in preparing the First Round 2012 applications.

Mr. Zeto thanked his staff and the TCAC administrative staff.

Ms. Redway and Mr. Reyes also thanked the TCAC staff.

7. Public Comment.

There were no public comments.

8. Adjournment.

The meeting adjourned at 2:05 p.m.