

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the August 20, 2014 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 11:00 a.m. Also present: Alan Gordon for State Controller John Chiang; Eraina Ortega for the Department of Finance Director Michael Cohen; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson; and Department of Housing and Community Development (HCD) Director Claudia Cappio.

City Representative Lucas Frerichs was absent.

2. Approval of the minutes of the July 16, 2014 Committee meeting.

MOTION: Ms. Ortega moved to adopt the minutes of the July 16, 2014 meeting. Mr. Gordon seconded and the motion passed unanimously.

3. Executive Director's Report.

Executive Director, William Pavão announced that TCAC received applications for the 2014 Second Round competitive awards. He reported that TCAC received 87 applications for 9% credits and would likely recommend 37 to 38 projects for funding. Mr. Pavão stated that staff completed the point reviews and was finishing the feasibility reviews on the projects that were likely to be funded. He noted that there were still some appeals pending.

Mr. Pavão reported that TCAC received 11 applications for 4% plus State credits and would likely recommend 3 projects for awards. He advised the Committee that the results of the Second Round would be presented at the September 24th TCAC meeting.

Mr. Pavão announced that staff would consider regulation changes for next year. He commented that they did not envision any major changes; however they may recommend some clarifying changes. He explained that staff would finalize their recommendations in the fall and post them for public view. In addition, TCAC would schedule public hearings to discuss the proposed changes.

Mr. Gordon asked Mr. Pavão how the pipeline process for Los Angeles was working out in the current funding round.

Anthony Zeto, Development Section Chief, reported that applicants had submitted letters of support to TCAC, which staff used as the initial tie breaker. He stated that it appeared the process was going the way the city expected it to.

Mr. Gordon asked if there may be complaints through the City Council. He asked if it appeared that people were starting to settle into the new process.

Ms. Redway stated that TCAC has not made an announcement yet. She stated that TCAC was still deliberating.

Mr. Pavão stated that the process in Los Angeles resulted in a pipeline of applications submitted to TCAC. The applications were generally in good shape and the projects were high value. Mr. Pavão stated that the applications were ultimately recommended to the Committee and approved. He concluded that the trend would continue in the current funding round.

Mr. Pavão reported that TCAC recently received comments that there was still consternation about how the pipeline process was working at the local level. He explained that TCAC viewed the reported concerns as local matters. Such concerns related to how projects get into the pipeline and how the pipeline moves projects to TCAC for consideration. Mr. Pavão stated that most of the issues expressed to him should probably be resolved locally.

Mr. Pavão explained that a couple of Los Angeles projects were proposed in the Non-Profit set aside. The projects were endorsed by the city for competition in those set asides; however if they were to cascade down to the regional competitions, the city would not endorse them. Mr. Pavão explained that this was an example of how the city managed the pipeline and ensured a cadre of projects was funded in a timely fashion. As a result, some projects only got one chance for funding at the set aside level rather than two chances at the set aside and regional level. Mr. Pavão explained that some applicants expressed consternation that they could not fully take advantage of TCAC's system due to decisions being made at the local level.

Mr. Pavão stated that the Committee made a conscious decision to coordinate with the city and to facilitate moving its pipeline along.

Mr. Gordon stated that he received two memos from the Controller in the past week. One related to a recent report, which indicated Los Angeles was the least affordable rental market in the United States. The other memo related to the affordability of rental housing in San Diego. Mr. Gordon stated that the delta between incomes and rental cost, particularly in Los Angeles, seemed to be of concern to the Controller. He predicted that TCAC would likely receive questions about this issue in the future.

Mr. Pavão stated that there was a recent article in *The New Yorker* about culture wars in San Francisco resulting from unavailability and unaffordability in the rental market as the technology industry drove rents up.

Mr. Gordon reported that the State Lands Commission, which he chaired, had an eight-acre parcel next to the Embarcadero, which had been used as a parking lot. In February, the Commission gave the property to a developer who planned to build high rise condominiums on the property. In return, the developer agreed to

add five extra stories to the building for luxury condominiums in order to generate enough revenue to add \$10 million to the low-income housing fund in San Francisco. Mr. Gordon explained that the trade resulted in local activists in San Francisco passing Proposition B. The initiative overturned the deal between the developer and the Commission and required that any future height limitations must be voted on by the citizens of San Francisco even though the property under discussion was owned by the State of California as title lands under public trust doctrine.

Mr. Gordon summarized that the Commission tried to use State lands to generate money for low-income housing; however the initiative brought by local activists on Telegraph Hill overturned the deal. He agreed there was a huge war going on in San Francisco.

4. Discussion and consideration of the 2014 Applications for Reservation of Federal Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed projects.

MOTION: Mr. Gordon moved to adopt staff recommendations. Ms. Ortega seconded and the motion unanimously.

5. Public Comments.

Ms. Cappio welcomed Tia Boatman-Patterson to the Committee as the new representative for CalHFA.

6. Adjournment

The meeting adjourned at 11:11 a.m.