CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the May 18, 2016 Meeting

1. Roll Call.

   Alan Gordon for State Treasurer John Chiang chaired the meeting of the Tax Credit Allocation Committee (TCAC). Mr. Gordon called the meeting to order at 11:35 a.m. Also present: Alan LoFaso for State Controller Betty Yee; Eraina Ortega for Department of Finance Director Michael Cohen; California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson; and Laura Whittall-Scherfee for Department of Housing and Community Development (HCD) Director Ben Metcalf.

   City Representative Lucas Frerichs and County Representative Santos Kreimann were absent.

2. Approval of the minutes of the March 16, 2016 and April 6, 2016 meetings.

   MOTION: Mr. LoFaso moved approval of the March 16, 2016 and April 6, 2016 minutes. Ms. Ortega seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's report.

   Executive Director Mark Stivers reported that 3 projects (CA-16-859, CA-16-872, and CA-16-873) were withdrawn from Item 4 of the agenda shortly before the meeting. In addition, the originally proposed Item 5 was removed from the agenda.

   Mr. Stivers reported that 37 projects were recommended for 4% funding under Item 4. 28 of those applicants were rehabilitation developments, which accounted for 3,910 units. Mr. Stivers noted that 20 of the rehabilitation projects were either re-syndications or participants of San Francisco's Rental Assistance Demonstration (RAD). He reported that 9 new construction projects were also recommended for 4% funding. These projects accounted for 957 newly constructed units.

   Mr. Stivers reminded the Committee that staff recently began to include the effective cost per unit in addition to total costs per unit in their project staff reports. He explained that most costs are paid during the construction period before the permanent closing, but there are other various costs which are paid for out of cash flow over time. He noted that certain other types of "costs," such as land donations and fee waivers, are never paid at all.

   Mr. Stivers explained that that staff netted out these types of costs in order to report a more accurate total cost for each project. The items staff removed before calculating the total cost include 1) land donations 2) fee waivers or local government fees which will not actually be paid 3) deferred developer fees which will be paid over time and 4) seller carryback notes which will be paid over time.

   Mr. Stivers explained that removing these costs made little difference in per unit costs for new construction projects. However, removing these items made a big difference in the per unit costs for rehabilitation projects, particularly projects in San

Francisco and those with high acquisition values. Mr. Stivers reported that the effective reduction in costs was between $200,000 and $300,000 per unit for some rehabilitation projects.

Mr. Stivers announced that staff would be ready to publish the list of preliminary recommendations for 2016 First Round awards on May 25th. He predicted 37 projects would be recommended for 9% tax credits at the First Round meeting scheduled for June 8th.

4. Discussion and consideration of the 2016 Applications for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects.

   Development Section Chief, Anthony Zeto, reported that staff updated some of the project staff reports after the Committee meeting materials were distributed. He explained that staff updated a calculation in the report for Rosa Parks (CA-16-840). Staff also revised the address and partnership names in the report for Evelyn Family Apartments (CA-16-879). Finally, staff revised the report for Pensione K (CA-16-880) to state that the project was reviewed and supported by the local reviewing agency.

   Mr. Zeto confirmed the projects were reviewed for feasibility and compliance with federal and state regulations and he recommended them for approval.

   MOTION: Mr. LoFaso moved approval of staff recommendations. Ms. Ortega seconded and the motion passed unanimously by a roll call vote.

5. Public comment

   Anita Whitès stated that she was a San Francisco resident who has been homeless since 2009 when she was laid off from her job. Ms. Whitès stated that she has since worked at several seasonal part-time jobs while pursuing full-time employment. She applied for housing through the San Francisco Mayor's Office of Housing; however she could not demonstrate a consistent level of income due to her changing seasonal jobs.

   Ms. Whitès commented that the properties she applied to, specifically Crescent Cove and Mission Housing followed the appropriate qualification rules; however she felt the rules did not make sense for individuals in her situation. She explained that the properties required her last 3 to 6 paycheck stubs in order to calculate her potential income.

   Ms. Whitès commented that the agencies should have requested her recent tax returns because they provide a true reflection of her annual income. She noted that the properties asked her to provide copies of her tax return only after a review of her monthly paystubs.

   Ms. Whitès stated that she applied for an apartment where her income was determined to be at the 50%/60% Area Median Income (AMI) level based on a review of her last few paystubs. As a result the rent for the apartment was more than she could afford.

Ms. Whitès stated that her annual income should be at the 35% AMI level based on her annual income. She explained that fluctuations in her monthly income have caused her to be transferred back and forth between waiting lists for housing since 2012. She explained that a section of the TCAC guidelines states that potential earnings should be calculated based on the year-to-date amount in both the Verification of Income (VOE) and the most current pay stub; but another section states that TCAC does not calculate anticipated wages into income calculations unless a definite offer of employment has been made and a start date set. She commented that the two sections were contradictory.

Mr. Stivers stated that he sympathized with Ms. Whitès' situation; however TCAC is a federal program bound by the Internal Revenue Service (IRS) regulations. He explained that TCAC is generally required to predict the income of potential tenants. The provision Ms. Whitès referenced regarding not calculating anticipated wages is only relevant in cases where the applicant is claiming income for which s/he has not yet received a job offer. He admitted that the IRS methodology TCAC follows may be imperfect in certain situations.

Mr. Stivers explained that developers perform the initial qualification of tenants, which TCAC verifies during compliance inspections. He suggested that his staff review the methodology used to calculate Ms. Whitès' income to determine if it was appropriate base on the seasonal pattern of her employment.

Ms. Boatman-Patterson thanked Ms. Whitès for her comments. She stated that the public housing authority also encountered problems with income verification, some of which the program was able to work through. She asked staff to confirm that TCAC required an annual income certification for tenants.

Ms. Vergolini stated that project owners must perform an annual certification for the first 2 years if their projects are 100% low-income tenant occupied. She noted that other programs may require annual certifications beyond the first 2 years.

Ms. Boatman-Patterson commented that housing agencies should be consistent regarding income verification so that potential tenants may benefit from these programs.

Mr. Gordon thanked Ms. Whitès for her comments and urged her to work with the TCAC staff as Mr. Stivers suggested.

6. Adjournment

This meeting adjourned at 12:06 p.m.