

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the June 8, 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 11:27 a.m. Also present: Alan LoFaso for State Controller Betty Yee; Kari Krogseng 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 May 18, 2016 meeting.

MOTION: Mr. LoFaso moved approval of the May 18, 2016 minutes. Ms. Krogseng seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's report.

Executive Director Mark Stivers thanked his staff for their efforts in reviewing the First Round competitive applications and a record number of 4% tax-exempt bond applications.

Mr. Stivers reported that the General Accounting Office (GAO) released its second audit report of the tax credit program that day. He explained that the first GAO audit explored the Internal Revenue Service (IRS) administration of the program; whereas the second audit focused on the manner in which TCAC allocated credits. He noted that the results of the second audit were fairly good with respect to way that TCAC operated the program.

Mr. Stivers reported that GAO conducted a third audit which explored high-cost projects and syndication costs. The results of the audit are scheduled for release in early 2017. Mr. Stivers commented that the third audit findings may not be as favorable because construction costs in California are consistently higher than other states.

Mr. Stivers reminded the Committee that TCAC and the California Debt Limit Allocation Committee (CDLAC) have convened a high-cost task force. He noted that the agencies were primarily focused on the outlier projects that have reported exceptionally high costs.

Mr. Stivers reported that TCAC and CDLAC were also working to develop a combined application for 4% tax credits and tax-exempt bonds. Currently, applicants who apply to TCAC for 4% credits must also complete a separate application for CDLAC tax-exempt bond financing. Mr. Stivers explained that combining the applications would benefit the developer community and both funding agencies. He stated that the new application would likely become available in 2017.

4. Discussion and consideration of the 2016 First Round Applications for reservation of Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs) and pending appeals, if any, filed to staff recommendations.

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 corrected the rental subsidy amount in the report for CA-16-016 and updated the Funding Source and Special Issues sections of the report for CA-16-021. Staff also revised the report for CA-16-031 to show that the project received a 130% high cost adjustment. Finally, staff corrected the basis limit amount in the report for CA-16-069.

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

Ms. Boatman-Patterson stated that 8 of the 9% applicants were acquisition and rehabilitation projects and 29 were new construction projects. She noted that a few new construction projects reported construction contingencies above the industry standard. She explained that the standard contingency is 5%; however projects CA-16-033, CA-16-052, and CA-16-058 reported 12.2%, 10.1% and 10.2% respectively.

Ms. Whittall-Scherfee reported that HCD has been reviewing certain 9% projects, which received Veteran Housing and Homeless Prevention (VHHP) funding. These projects have issues associated with Article 34 requirements, which could impact the VHHP award amount. Ms. Whittall-Scherfee predicted the projects would still be viable even if HCD reduced their awards.

Mr. Stivers stated that his staff would request more information about the contingencies associated with the projects Ms. Boatman-Patterson mentioned. He noted that the current percentages were estimates. He stated that the high-cost task force may consider setting a limit on contingencies though applicants may respond to such action by increasing their constructions budgets.

Ms. Boatman-Patterson stated that two years ago the Federal Financing Bank in conjunction with the United States Housing and Urban Development Department created a loan product for multi-family housing, which was for the first time being utilized by a 9% tax credit project with CalHFA as the first position lender. She explained that project CA-16-046 would receive the loan with no additional state subsidy to complete substantial rehabilitation and provide deeper affordability.

Ms. Boatman-Patterson stated that the local government assisted project efforts by resubordinating some of its funding. She noted that CalHFA as first position lender would offer a lower interest rate thus improving cost savings for the developer.

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

5. Discussion and consideration of the 2016 First Round Applications for reservation of Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) for

Tax-Exempt Bond Financed Projects and pending appeals, if any, filed to staff recommendations.

Mr. Zeto stated that the staff report for CA-16-849 was revised after the Committee meeting materials were distributed. He explained that staff corrected the owner's contact information and clarified the Special Needs type and manager unit restrictions.

Ms. Boatman-Patterson stated that 2 acquisition and rehabilitation projects, CA-16-848 and CA-16-849, both reported construction contingencies of 20% whereas the industry standard is 10%-12%. She suggested that agencies discuss this matter at their future task force meetings.

Mr. Gordon commented that high construction costs will continue to be an issue along with the increasing number of Californians in need of affordable housing. He explained applicants are finding it very difficult secure affordable land in areas where jobs are available.

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

6. 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.

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. Krogseng seconded and the motion passed unanimously by a roll call vote.

7. Public comment

No public comment.

8. Adjournment

This meeting adjourned at 11:47 a.m.