

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the June 7, 2017 Meeting**

1. Roll Call.

Jeree Glasser-Hedrick for State Treasurer John Chiang chaired the meeting of the Tax Credit Allocation Committee (TCAC). Ms. Glasser-Hedrick called the meeting to order at 10:00 a.m. Also present: Alan LoFaso for State Controller Betty Yee; Eraina Ortega for Department of Finance Director Michael Cohen; Anthony Sertich for California Housing Finance Agency (CalHFA) Executive Director Tia Boatman- Patterson; and Department of Housing and Community Development (HCD) Director Ben Metcalf.

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

2. Executive Director's report.

Executive Director Mark Stivers reported that the minutes for May and June meetings would be ready for discussion and consideration at the July meeting.

Mr. Stivers thanked the development staff for their efforts in preparing the 2017 First Round applications for Committee review.

Mr. Stivers reported that TCAC and HCD recently held 3 public forums to discuss possible ways to increase opportunities for residents of new construction projects for large families. The agencies' goal was to ensure large family projects were placed in areas where residents would have access to jobs and high quality education. Forum participants also discussed TCAC's policy concerning special needs projects and whether TCAC should lower the current threshold of 50% of units for special needs residents.

Mr. Stivers noted that the forums were well attended and staff collected valuable feedback. He stated that TCAC would continue discussions with HCD and bring any suggestions for the regulation changes to the Committee in the fall.

Ms. Glasser-Hedrick asked Mr. Stivers if there were any concepts he felt should be pursued.

Mr. Stivers stated that there was little clarity among the forum participants. Some stakeholders felt TCAC should open the special needs set-aside to projects that have 25% or 30% special needs units, but other stakeholders, particularly in Los Angeles, were gravely concerned this approach would result in fewer units for persons with disabilities.

3. Discussion and consideration of an appeal filed under TCAC Regulation Section 10330 on behalf of Zephyr (CA-17-061), and if granted a 2017 First Round Reservation of Federal Nine Percent (9%) and State Low Income Housing Tax Credits (LIHTCs).

Mr. Stivers stated that the sponsor for CA-17-061 filed an appeal, which was still unresolved when the meeting agenda was published. He reported that he had since granted the appeal and recommended funding for the project. He suggested the Committee take up project CA-17-061 along with the projects referenced in agenda Item 4.

4. Discussion and consideration of the 2017 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, Gina Ferguson, reported that staff recommended awards for 14 projects in the set-asides including CA-17-061. Staff also recommended awards for 14 projects in the geographic regions. Ms. Ferguson noted that the addition of CA-17-061 would result in a slight change to the order in which the projects were funded.

Ms. Ferguson reported that the staff report for Sunnyside Glen Apartments (CA-17-022) was updated after the Committee meeting materials were distributed. Staff corrected an error in the point score shown on the last page of the report. Ms. Ferguson confirmed the projects in this agenda item were reviewed for feasibility and recommended them for approval.

Mr. Stivers reported that the 28 recommended projects comprised 1,902 units. He noted that the volume of units in the current round was lower than the previous year. He suggested the decrease in units was due in part to increased costs in the market place, reduced equity pricing and higher interest rates. These factors combined resulted in TCAC awarding more credits per unit. In addition, TCAC has awarded a higher percentage of new construction projects in 2017, which has increased the requests for credits.

Ms. Glasser-Hedrick asked Ms. Ferguson if CA-17-022 received the maximum points available.

Ms. Ferguson stated that CA-17-022 did not receive maximum points, but staff was able to recommend the project for award in the At-Risk set-aside.

Mr. Stivers noted that the At-Risk set-aside tends to have the fewest applicants.

Mr. LoFaso asked Mr. Stivers if he could explain the relationship between recent regulatory changes and the increased portion of new construction projects in the current funding round.

Mr. Stivers stated that the outcome of the first round provided little evidence of a trend. The only change that came into effect in 2017 was the size factor, which gave new construction projects with more than 50 units a bump in their tie-breaker. Mr. Stivers suggested that this change may have helped some new construction projects to win credits.

Mr. Stivers reported that there was another change related to new construction and rehabilitation projects, which would take effect next year. He explained that TCAC would have a housing type goal of 30% for rehabilitation projects in the rural set-aside. This change would help produce a healthy volume of new construction projects. Mr. Stivers noted that almost every rural set-aside project funded in the past was rehabilitation whereas every project recommended in the current funding round was new construction. He stated that the size factor could have affected the outcome of the current round, but overall it was too difficult to gauge the impact of the regulations.

Mr. LoFaso asked Mr. Stivers if he could comment regarding TCAC's efforts to maximize state credits.

Mr. Stivers stated that the demand for state credits had decreased over what it otherwise would have been due to the new requirement that special needs projects maximize federal credits before receiving state credits. Nonetheless, he reported that TCAC in the first round of 2017 made \$46 million in state credits available to 9% applicants out of the \$63 million made available for the entire year. Mr. Stivers anticipated that TCAC would over allocate state credits again during the next funding round.

Mr. Stivers reported that, in that case, TCAC would employ the second policy change, which allows TCAC to exchange state credits for federal credits from a second supplemental set-aside after state credits had been exhausted in the second funding round.

MOTION: Mr. LoFaso moved approval of staff recommendations related to agenda Items 3 and 4. Ms. Ortega seconded and the motion passed unanimously by a roll call vote.

5. Discussion and consideration of the 2017 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 and such applications are complete, eligible and financially feasible.

Ms. Ferguson reported that staff recommended 4 projects for 4% plus state credit awards. She noted that the staff report for Crossings on Aston (CA-17-723) was updated after the Committee meeting materials were distributed. Staff corrected 2 typos in the opening paragraph of the report.

Ms. Ferguson confirmed that all the projects were reviewed for feasibility and recommended them for approval.

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

6. Discussion and consideration to increase the existing reservation amount of Federal Four Percent (4%) Low income Housing Tax Credits (LIHTCs) for Tax-Exempt Bond Financed Projects as allowed under TCAC Regulation Section 10322(j).

Mr. Stivers reported that Esperanza and Colosimo Apartments (CA-14-810) and Dinuba Village (aka Sierra Village) (CA-15-819) were reapplications seeking an increase in their 4% non-competitive federal credits above 15% of their original request. He stated that CA-14-810, which was currently placed in service, reported a cost increase and the additional basis shown in their reapplication reflects a 16% increase in the credit request.

Mr. Stivers reported that the sponsor for CA-15-819 had to restructure the project completely since 2015. Due to a number of changes the initial request for state credits decreased and the request for federal credits increased by about \$150,000 or 150%.

Ms. Ferguson reported that the staff report for CA-15-819 was updated by staff just prior to the meeting. Staff corrected the amount of state credits shown on Page 1 and the number units shown on Page 2.

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

Ms. Ortega asked Mr. Stivers if the reapplications were triggered by the increased percentage of credits requested or the amount of time that passed since the original credit reservation.

Mr. Stivers stated that the reapplication was triggered by the increased percentage of credits requested. He explained that projects must reapply when the credit request exceeds 15% of the original amount or project costs increase by more than 20%.

Ms. Glasser-Hedrick asked Mr. Stivers to report the amount of funding remaining for the second round competitive awards.

Mr. Stivers stated that there was about \$1.8 million in state credits remaining for the second round; however staff was in the process of reviewing another 4% project for possible award at the July meeting. He explained that due a miscommunication staff had overlooked the project. Mr. Stivers stated that if the project was recommended and then approved at the July meeting there would be about \$66,000 left for the second round awards. He noted that this amount would not be enough to fund any additional projects.

Mr. Stivers announced that staff would soon publish a credit estimate signaling to the public that there is a pending application, which may cause a reduction in the current balance of state credits. He stated that staff would try to communicate the outcome of the project review well in advance of the second round deadline so applicants will know if they should apply.

Mr. William Leach asked Mr. Stivers if TCAC would consider making an award greater than the projected \$66,000 balance.

Mr. Stivers stated that TCAC will not make a state credit award above the remaining balance to a 4% project.

7. Public comment

No public comment.

8. Adjournment

This meeting adjourned at 10:28 a.m.