

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Minutes of the July 19, 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 11:00 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 was absent.

County Representative Santos Kreimann entered the meeting at 11:10am.

2. Approval of the Minutes of the May 17, 2017 and June 7, 2017 Meetings.

Deputy Director, Anthony Zeto reported that staff made clarifying changes to the June 17, 2017 minutes. He noted that board members received a copy of the revised June minutes at the start of that day's meeting.

MOTION: Ms. Ortega moved approval of the May 17, 2017 and June 7, 2017 minutes. Mr. LoFaso seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Mr. Zeto reported that TCAC made regulatory changes to assist 2016 projects that experienced credit pricing issues. He explained that 2 projects utilized the option to change their prior 9% award to a hybrid allocation of 9% and 4% credits while 16 projects elected to exchange their 2016 credits for 2017 credits. Projects that elected to exchange their credits will, in essence, receive an extension on their placed in service (PIS) deadline.

Mr. Zeto reported that all Second Round projects subject to a June 30th readiness deadline were able to meet that deadline. He stated that he would brief the Committee regarding projects subject to the July readiness deadline at the next meeting.

Mr. Zeto announced that TCAC received 91 applications for 9% credits and 1 application for 4% credits plus State credits in the current funding round. Preliminarily, he estimated that 33 projects would receive 9% credit awards based on application self-scores. He predicted that 28 of the recommended projects would be new construction and 5 would be rehabilitation projects.

4. Discussion and Consideration of the 2017 Applications for Reservation of Federal Four Percent (4%) Low Income Housing Tax Credits for Tax-Exempt Bond Financed Projects.

Development Section Chief, Gina Ferguson, reported that staff reviewed 18 projects for this agenda item. She stated that 5 of the projects were new construction and 13 were acquisition and rehabilitation projects. She stated that the recommended projects comprised about 1,600 new or rehabilitated units.

Ms. Ferguson noted that projects CA-17-737 and CA-17-772 were withdrawn from this agenda item. She anticipated the projects would be recommended at a future meeting.

Ms. Ferguson reported that staff revised the Staff Report for CA-17-770 prior to the meeting. She explained that staff corrected the wording in the permanent financing section of the report.

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

5. Discussion and consideration of the 2017 First Round Application for Reservation of a Federal Four Percent (4%) and State Low Income Housing Tax Credits (LIHTCs) Tax-Exempt Bond Financed Project and pending appeals, if any, filed to staff recommendations.

Mr. Zeto reported that the scattered site project CA-17-726 was submitted to TCAC in March; however it was not scored by staff due to some confusion associated with the application documents. Mr. Zeto explained that staff completed a threshold review and determined the project was eligible for 2017 First Round credits; however the review was not completed in time to bring the project to the competitive awards meeting on June 7th.

Ms. Glasser-Hedrick asked Mr. Zeto if staff's confusion was related to applicant's self-score.

Mr. Zeto stated that staff received multiple versions of the application. The applicant submitted one application for each site and an application for all sites combined. Mr. Zeto explained that the score taken by the applicant was not the full point score. Upon further review staff determined the project had earned the full point score.

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 (LIHTC) for a Tax-Exempt Bond Financed Project at Placed-in-Service (PIS) as allowed under TCAC Regulation Section 10322(j).

Mr. Zeto reported that CA-15-884 applied for additional credits at the PIS stage. He explained that the additional amount exceeded the original award by about 31%, which requires Committee approval. Mr. Zeto explained that the credit amount increased due to increased construction costs associated with rehabilitation and temporary relocation of

tenants. He noted that mold and asbestos was discovered in some of the units after the walls were torn down.

Ms. Glasser-Hedrick asked Mr. Zeto if the physical needs assessment did not explain what issues could be found after the walls were broken down.

Mr. Zeto invited Tung Tran from Jamboree Housing Corporation to comment.

Mr. Tran stated that the sponsor did not know what was behind the walls until after the units were torn down. The sponsor discovered asbestos only after tenants were relocated and multiple layers of carpet were removed.

Mr. LoFaso asked Mr. Zeto if the extent of the needs assessment performed in 2017 would be any different than the 2015 project assessment.

Mr. Zeto explained that CA-15-884 was not a re-syndication project and therefore subject to a standard capital needs assessment and not a qualified capital needs assessment.

Mr. LoFaso asked Mr. Zeto how much of the increased cost would be borne by tax credits and the project sponsor.

Mr. Zeto stated that costs increased by 16% and the credits increased by 31%.

Ms. Ferguson stated that the deferred developer fee was not taken into account until recently. She explained that the sponsor expected to receive the full developer fee up front but now they are deferring nearly \$2.2 million. As a result, there is a shared cost between the developer and the additional tax credit equity.

Mr. Metcalf reported that the U.S. Department of Housing and Urban Development (HUD) recently promulgate a new set of guidance of the use of capital needs assessments. He offered to contact the agency to find out which tools were currently available.

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

7. Public Comment.

No public comments.

8. Adjournment.

The meeting adjourned at 11:21 a.m.