

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Minutes of the October 18, 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; and Don Cavier for California Housing Finance Agency (CalHFA) Executive Director Tia Boatman-Patterson

County Representative Santos Kreimann and City Representative Ray Mueller were absent.

Lisa Bates for Department of Housing and Community Development (HCD) Director Ben Metcalf entered the meeting at 11:06 a.m.

2. Approval of the Minutes of the September 20, 2017 Meeting.

MOTION: Ms. Ortega moved approval of the September 20, 2017 minutes. Mr. LoFaso seconded and the motion passed unanimously by a roll call vote.

3. Executive Director's Report.

Mr. Stivers reported that staff completed 4 public hearings in various cities to gather feedback regarding the proposed regulation changes for 2018. He stated that the public comment period for these regulations will end on October 30<sup>th</sup>. Mr. Stivers stated that he will review public comments during November and create a final proposal by December 1<sup>st</sup>.

Mr. Stivers reported that staff was asked to create an informational item for the November meeting agenda. The item would allow staff to present their regulation change proposals regarding mapping of opportunity areas. The item will also give the Committee and public a chance to discuss the proposals before the regulations meeting in December.

Mr. Stivers stated that TCAC adopted regulation changes last year to help lessen over allocation of state tax credits. He explained that TCAC now required special needs projects to maximize federal credits before using state credits. In addition, TCAC set aside a portion of federal credits so staff could perform exchanges after the Second Round awards were made.

Mr. Stivers reported that staff allocated an additional \$1.3 million in federal credits in exchange for \$15 million in state credits. Staff also awarded State Farmworker credits to one project in exchanged for its regular state credits. Upon recapturing \$18 million in state credits, staff reduced its initial \$40 million over allocation to \$22 million. Mr.

Stivers noted that TCAC over allocated state credits once again; however the excess was less so than in prior years.

Ms. Glasser-Hedrick asked Mr. Stivers if State Farmworker credits were exhausted after the exchange.

Mr. Stivers confirmed that funds were not exhausted. The farmworker program had a total of \$5.5 million of which staff allocated \$2.7 million to the one project. He concluded that about \$2.2 million in State Farmworker credits remained available.

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

Development Section Chief, Gina Ferguson, reported that staff recommended 12 projects for awards. She noted that staff revised the Special Issues section of the Staff Report for CA-17-785 prior to the meeting. She explained that some of the existing tenants had incomes above the TCAC limits. Ms. Ferguson explained that if tenants did not meet the income requirements by the time the project is placed into service, TCAC will no longer consider the project as 100% affordable and its applicable fraction will be reduced.

Ms. Glasser-Hedrick noted that Ms. Bates entered the meeting.

Ms. Glasser-Hedrick asked if TCAC received CalHFA commitment letters for both the residential and commercial portions of project CA-17-786.

Ms. Ferguson stated that CalHFA committed to the full project and did not bifurcate the residential and commercial portions.

Ms. Glasser-Hedrick asked if the TCAC underwriting process required staff to ensure that rents charged to the residential section will cover a portion of the loan and the remaining portion will be attributed to the commercial space.

Ms. Ferguson explained that staff conducted an analysis involving a hypothetical split of the permanent loan. Part of the loan was subtracted in consideration of the commercial cost. Staff reviewed the remaining portion associated with the residential section to ensure the underwriting criteria and debt service of that portion met all TCAC requirements.

Ms. Glasser-Hedrick asked if staff could provide a breakdown of the loan portions associated with both the multifamily and commercial components for future projects.

Ms. Ferguson explained that staff attempted to break down each component, but found it difficult because there was no permanent loan that specifically underwrote to a commercial segment. She stated that staff would work on a method to present the break down in the best way possible.

Ms. Glasser-Hedrick stated that the California Debt Limit Allocation Committee (CDLAC) Staff Report was somewhat inconsistent with the TCAC report. She stated that she would like to work with the directors of both agencies to ensure they are communicating the CalHFA and producing information consistently.

Ms. Ortega asked Ms. Ferguson to explain why the architectural/engineering fee associated with CA-17-780 seemed very high compared to other projects.

Ms. Ferguson stated that she did not have that information, but she would research that portion of the cost and confer with CalHFA staff.

Ms. Ortega stated that the architectural/engineering fee accounted for 9.8% of the rehabilitation cost. She asked if staff compared that portion of costs to other projects.

Mr. Stivers stated that cost limits are applied to 9% projects more so than 4% projects. TCAC defers to the cost limits associated with the CDLAC bond allocation assigned to 4% projects. He explained that staff reviews the aggregate costs of each project; however there has been some discussion about whether staff should also review line item costs. He noted that TCAC has limits on developer fees and construction overhead, but it currently does not have limits on architectural fees.

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 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).

Ms. Ferguson explained that since project CA-16-981 was awarded 4% tax credits in 2016, the application team has formed a better estimate of the total project costs. She stated that project costs are expected to be higher thus increasing the amount of tax credits needed. Ms. Ferguson stated that amount of additional credit requested triggered the need for re-application according to TCAC regulations. She confirmed that staff reviewed the project for compliance with program requirements and recommended it for additional credits.

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

6. Discussion and consideration of a resolution, establishing a waiting list of pending applications for Federal Nine Percent (9%) Low Income Housing Tax Credits (LIHTCs), provided that credit remains available and such applications are complete, eligible and financially feasible.

Ms. Ferguson explained that the regulations require Committee approval of a waiting list if staff determines that additional 9% credits will be awarded after the Second Round. She estimated that \$1.5 million in federal credit was available to fund one additional project. She stated that the 4 projects on the waiting list were within the 2 highest ranking regions.

Mr. LoFaso suggested that the state credit exchange would not apply to the waiting list projects seeking state credits.

Mr. Stivers confirmed that staff will recommend federal credits for waiting list projects; however TCAC cannot recommend state credits because they have been exhausted.

Ms. Ferguson stated that regulation Section 10325(h) outlined the process for funding waiting list applicants requesting state credits when they were no longer available. She explained that when staff created the waiting list, they advised listed applicants that state credits will not be awarded and they must secure another funding source to replace their state credit equity.

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

7. Discussion and consideration of a resolution authorizing the Executive Director of the California Tax Credit Allocation Committee to sign an Interagency Agreement with the State Treasurer's Office on behalf of the Committee for administrative support services.

Deputy Director, Anthony Zeto explained that the resolution was an annual exercise, which allowed the Executive Director of TCAC to enter into a contract with the State Treasurer's Office for administrative support services. He noted that the contract exceeded the Executive Director's existing authority to sign contracts up to \$250,000 without Committee approval.

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

8. Public comment.

No public comment.

9. Adjournment.

The meeting adjourned at 11:19 a.m.